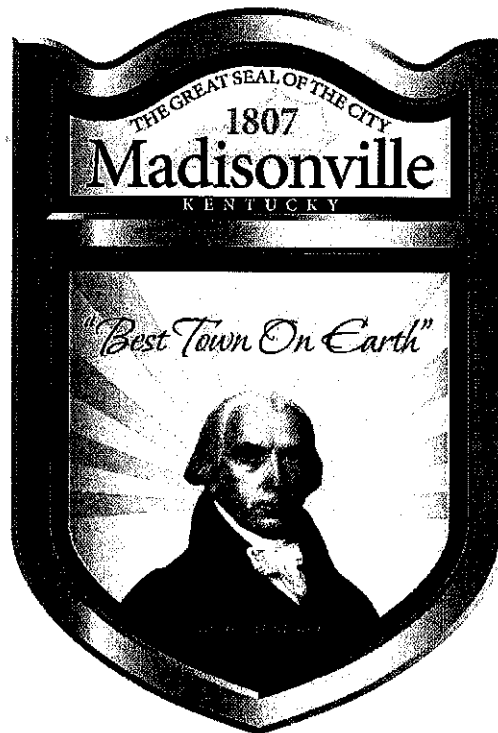


CITY OF MADISONVILLE, KENTUCKY
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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

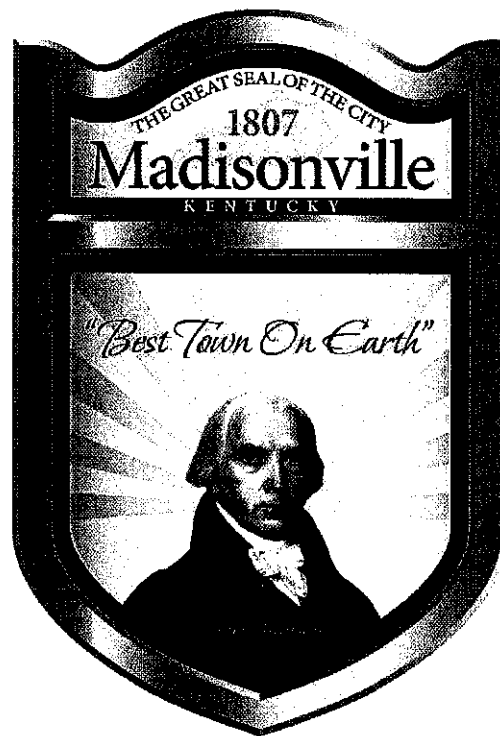


Issued by the
Finance Department
Cory C. Alexander, CPA
Finance Director/Treasurer
Rhonda F. Simpson, CPA
Accountant

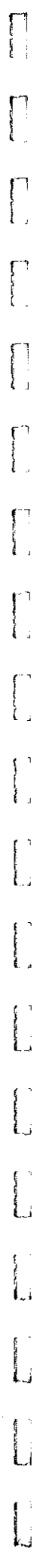
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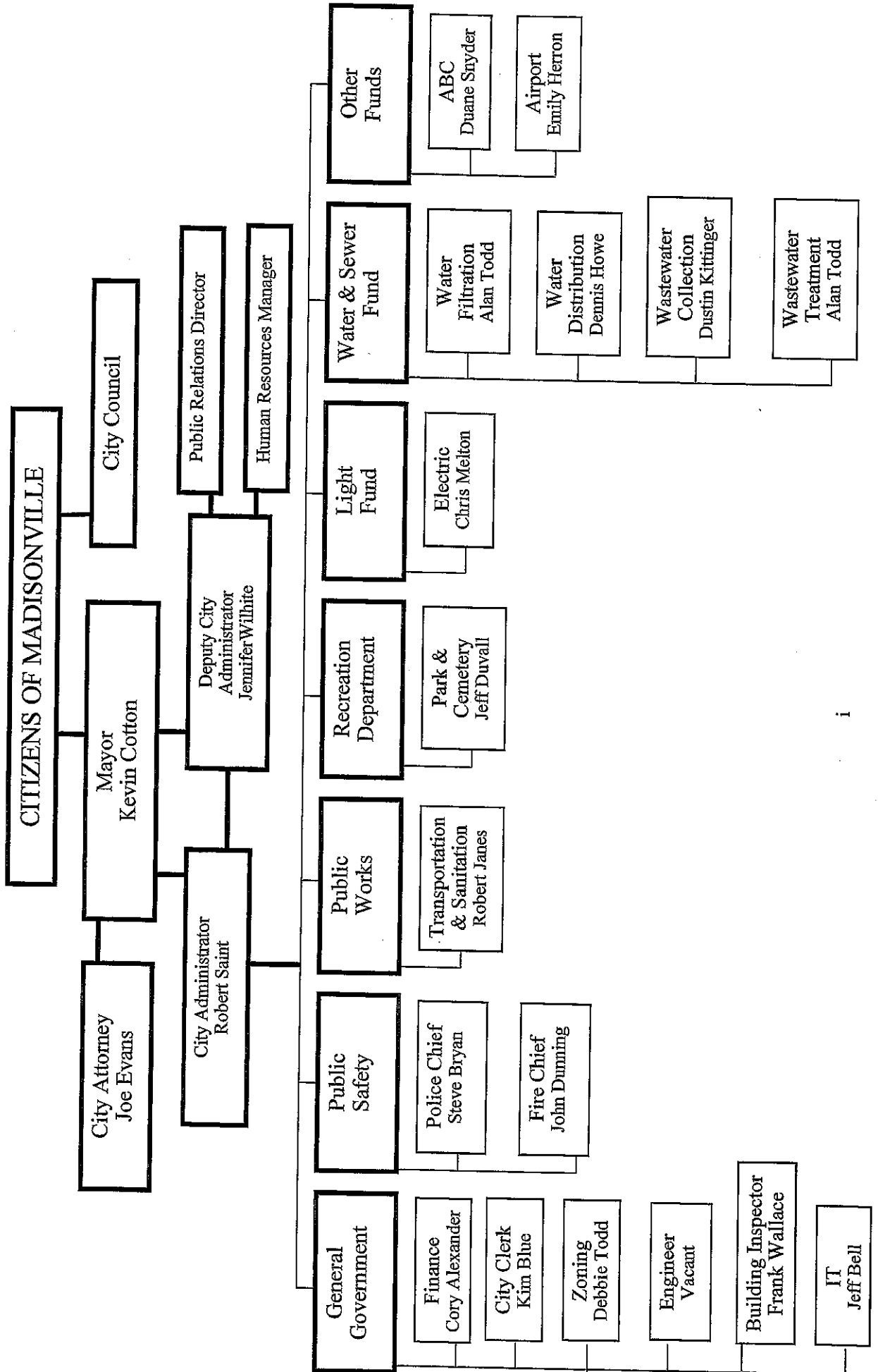
INTRODUCTORY SECTION



ANNUAL COMPREHENSIVE FINANCIAL REPORT



CITY OF MADISONVILLE, KENTUCKY
Organization Chart
 As of June 30, 2021



**CITY OF MADISONVILLE
PRINCIPAL OFFICIALS
AS OF JUNE 30, 2021**

Elected Officials

Kevin Cotton.....Mayor
Misty Cavanaugh.....Council Member Ward 1
Tony Space.....Council Member Ward 2
Adam Townsend.....Council Member Ward 3
Amy Cruz.....Council Member Ward 4
Frank Stevenson (Chairperson of the Council).....Council Member Ward 5
Chad Menser.....Council Member Ward 6

Department Heads

Robert Saint.....City Administrator
Cory Alexander.....Finance Director/Treasurer
Kim Blue.....City Clerk
Debbie Todd.....Planning & Zoning
Steve Bryan.....Police Chief
John Dunning.....Fire Chief
Robert Janes.....Transportation
Jeff Duvall.....Parks & Cemetery
Emily HerronAirport
Duane Snyder.....Alcoholic Beverage Administrator
Robert Janes.....Sanitation
Chris Melton.....Electric Distribution
Alan Todd.....Water Filtration
Dennis Howe.....Water Distribution
Dustin Kittinger.....Wastewater Collection/Construction
Alan Todd.....Wastewater Treatment

CITY OF MADISONVILLE, KENTUCKY
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CITY OF
Madisonville
FINANCE DEPARTMENT

Cory Alexander
FINANCE DIRECTOR/TREASURER

December 17, 2021

To the Honorable Mayor Kevin Cotton
and Members of the City Council
And to the Citizens of the City of Madisonville, Kentucky

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Madisonville for the fiscal year ended June 30, 2021. The purpose of the report is to provide the Mayor, City Council, City staff, citizens, our bondholders and other interested parties with useful information concerning the City's operations and financial position.

City management is responsible for both the accuracy of the presented data and the completeness and fairness of presentations, including all disclosures. We believe the data, as presented, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City. The ACFR has been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) based upon a comprehensive framework of internal control that it has established for this purpose. The objective of a system of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Under Kentucky Revised Statute 91A.040, the City of Madisonville is required to publish, before February 1 immediately following the fiscal year, a complete set of audited financial statements. This report fulfills that requirement for the year ended June 30, 2021. To the best of our knowledge and belief, the enclosed report is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. The accompanying disclosures are necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

Independent Auditor's Report

State statutes require an annual audit by independent certified public accountants. The basic financial statements and related notes have been audited by the independent accounting firm of Alford, Nance, Jones & Oakley LLP. The independent firm concluded that there was a reasonable basis to render an unmodified ("clean") opinion on the financial statements of each opinion unit that collectively comprise the City's basic financial statements, concluding that the basic financial statements are fairly presented in conformity with accounting principles generally accepted in the United States (U.S. GAAP) for the year ended June 30, 2021. The independent auditor's report can be found on page 1 of the Financial Section of this ACFR.

Additionally, Alford, Nance, Jones & Oakley LLP performed an audit in accordance with *Government Auditing Standards*. These standards require the auditor to report on the internal controls over financial reporting and on compliance with legal requirements. This report can be found in the Compliance and Internal Control Section of this ACFR.

Management's Discussion and Analysis (MD&A)

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Form of Government and Organization

The City was incorporated in 1807 and is a municipal corporation governed by a Mayor/Council form of government. The City Council is comprised of six Council members (one from each ward), who enact local laws, determine policies, and adopt the annual budget. The Mayor is elected for a four-year term and the Council members for a two-year term. The Mayor is responsible for the daily management of the City. As of June 30, 2021, the City had 315 full-time employees.

Reporting Entity

For financial statement purposes, as required by generally accepted accounting principles, the City's Annual Comprehensive Financial Report includes all governmental activities, business-type activities, organizations, and functions for which the City is financially accountable as defined by the GASB. The City organizes its financial activities in a variety of funds. In accordance with GASB Statement No. 14 as amended by Statement No. 61, No. 84 and No. 90, the City's financial statements include all funds of the City ("primary government"). The primary government represents all funds under the ultimate control of the Mayor and the City Council.

Services Provided

The City provides a full range of services to its citizens. These services include police and fire protection, maintenance of streets and infrastructure, social services, cultural-recreational activities, public improvements, and general administrative services. In addition to the general government activities, the City Municipal Utilities make available electric, sanitation, wastewater collection and treatment, water filtration and water distribution services.

Accounting System

The City's accounting system is organized on the basis of separate funds, each of which is considered to be a separate accounting entity. The financial activities of each fund generate a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Municipal resources are allocated to and accounted for in individual funds based upon the purposes for which they are meant to be spent and the means by which spending activities are controlled.

The City's accounting records for general governmental operations are maintained on a modified accrual basis of accounting, in which revenues are recorded when "measurable and available" and expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's proprietary activities are maintained on the accrual basis, in which revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

The Finance Department is responsible for providing to the City all financial services, including accounting and reporting, payroll, accounts payable, cash and investment management, debt management, budgeting, and purchasing. The City has computerized systems of accounting reporting and payroll/personnel.

Internal Controls

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure: (1) assets of the City are protected from loss, theft or misuse; (2) adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles and for maintaining accountability for all assets; and (3) compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance. The internal

control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal control structure is subject to periodic evaluation by the management of the City and by the City's independent certified public accounting and auditing firm.

Compliance Audit

As a part of the City's audit described earlier, tests are made to determine the adequacy of the internal control structure, as well as to determine the City's compliance with applicable laws and regulations. The results of the City's audit for the fiscal year ended June 30, 2021, disclosed no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls

In addition to internal controls, the City maintains budgetary controls. In accordance with state statute, on or before June 1 of each year, the Mayor submits a proposed budget to the City Council. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance prior to June 30 of each year. The City Finance Director has the authority to authorize the transfer of budgeted amounts between departments within the same fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The appropriate measures were taken to adopt the budget by ordinance. Budget amendments are allowed by ordinance. Amendments require majority approval by the City Council.

The City maintains budgetary controls over revenues and expenditures. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, special revenue funds, and proprietary funds are included in the annual appropriated budget. The level of budgetary control at which expenditures cannot exceed the appropriated amount, is established by fund annually, by the City Council.

Budgetary control for all governmental fund types and proprietary funds are maintained at the subfunction level. Actual expenditures compared to budget are monitored monthly on a month-by-month and year-to-date basis.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed to the nearest dollar.

FACTORS AFFECTING FINANCIAL CONDITION

The following is a brief discussion of factors affecting the financial condition of the City. Additional detailed information can be found in the Management's Discussion & Analysis (MD&A), in the Financial Section of this report.

Local Economy

Madisonville is located in mid-central western Kentucky, within Hopkins County. Madisonville is part of the Pennyryle Area Development District, which comprises a nine county area. It is situated 50 miles south of Evansville, Indiana and 100 miles northwest of Nashville, Tennessee. The population of Madisonville is 19,542 according to the 2020 Census figures.

Long known as the "Heart of the Coal Fields," Madisonville is proud of its heritage, but in recent years has diversified and expanded its manufacturing and health care sectors to rival employment levels in coal and coal-related industries.

Economic Condition and Outlook

Economic conditions are directly affected by the employment statistics. According to the Kentucky Office of Employment and Training, the unemployment rate for Hopkins County for June 2021 was 5.6%.

The following chart depicts these statistics for comparison purposes. Please note that the civilian labor force includes non-military personnel who are employed or who are known to be looking for employment.

Total Employment and Unemployment
*Source: Office of Employment Training

Civilian Labor Force		Total Employment		Total Unemployment		Unemployment Rate	
2021	2020	2021	2020	2021	2020	2021	2020
18,263	16,437	17,241	15,447	1,022	990	5.6%	6.0%

The statewide rate of unemployment for June 2021 was 4.4%. The Hopkins County unemployment rate of 5.6% was above the state average. The City's average unemployment rate during the past fiscal year increased due to the effects of the global pandemic and State imposed mandates on local businesses. Despite high unemployment and an increase in demands on social programs, the City continues to maintain a positive economic outlook.

Economic indicators and trends reflect that the area's economy has remained fairly steady, and the City expects this to continue in the near future. With continued economic development efforts to recruit new businesses and industry to Madisonville and efforts to continue to support the growth and expansion of existing businesses, we are hopeful that our employment numbers will improve.

To better market the workforce of our community, Hopkins County has earned the designation as a Work Ready Community (WRC). This status is awarded by the Kentucky Workforce Investment Board upon meeting all the required criteria. The program serves as an assurance to employers that the community is committed to providing a highly-skilled workforce that is required in today's global economy.

Long-term Financial Planning

The City's budget team, which is composed of the Mayor, City Administrator, Finance Director and Budget and Finance Committee, is primarily responsible for the long-term financial planning for the City. Long-term fiscal sustainability is the top focus of the budget team. The Finance Director prepares the revenue forecast for the budget each year and budgeted expenditures are matched to revenue projections. Great emphasis is placed on current year operating revenues equaling or exceeding current year operating expenditures. Conservatism is used when preparing the annual revenue projection in order to avert budget shortfalls and to help encourage fiscal responsibility on the expenditure side. The City continues to make progress in reducing and eliminating debt and takes advantage of available debt refinancing opportunities.

Relevant Financial Policies

The City follows a comprehensive set of financial policies to ensure the City's financial resources are managed prudently. Policies are shaped by state law and approved by the City Council through the budget adoption process. These financial policies govern the City's budgeting and financial planning, capital planning, revenue, investment, debt management, and procurement. Segregation of duties and internal controls are a common theme to achieve sound financial operations in the sections covering accounting, accounts payable, revenue collections, payroll, cash management, investments, fixed assets, and procurement guidelines.

Major Initiatives For the Year

The City continues to emphasize delivery of focused public services in a manner that provides maximum efficiency, effectiveness, and value to the residents of Madisonville. The City's major initiatives during the year are discussed below.

During the year, the City continued the development of its park system. Improvements, including construction of a nature themed playground were begun at Mahr Park. Grapevine Lake received an expansion of its mountain bike trail system. The trails offer biking to all ages and will serve as a tourist destination.

Community Development Initiatives

City administration continues its efforts of developing active and sustainable projects that help promote a better quality of life for the citizens of Madisonville and Hopkins County. These efforts include organizing and overseeing the increasingly popular 4th Fest and Deck the Park.

Economic Development Initiatives

Major recruiting efforts during this fiscal year ending June 30, 2021, have occurred. Major tools utilized by the Economic Development office included national visits, mass mailings, and mass marketing efforts, which communicate the benefits of relocating businesses and industries to Madisonville.

Recruiting efforts utilized "Madisonville expertise" from local business leaders, the Mayor, the Council, and other local influential residents and state leaders. Recruitment efforts included visits to businesses and industries across the United States where prospects might be located. These combined efforts from a variety of people have encouraged the economic outlook for the citizens of Madisonville. It is direct evidence that the community is working together.

The current administration has concentrated extensive time and efforts toward creating a line of communication between the City of Madisonville and prospective businesses and industries. In addition to the City's participation, local business leaders maintain enthusiastic interest as well. Madisonville and Hopkins County are considered among the most recommendable areas for economic development in the Commonwealth of Kentucky. This accomplishment is due largely to the effective cooperation between the City and the County. This is a major step toward further economic growth for this area. Communication and cooperation are the keys to the successful economic development of our community.

The Mayor, along with other community leaders, worked diligently to promote the Interstate 69 corridor, which runs north/south along the east side of the City of Madisonville. This will allow for new avenues of industry and commerce to the City.

Service Initiatives

The City of Madisonville continually strives to expand and improve existing services presently being provided to the highest quality service economically feasible.

Infrastructure improvements within the Water and Sewer departments have continued during fiscal year 2021. A continual effort has been made to improve and increase the overall system capacity within the Sanitary Sewer and Water Systems in order to enhance development within the community.

The Sewer Department has continued to improve the wastewater collection system throughout the city. Work continues on the Sewer Department's computer hydraulic model which will provide a means to better plan system maintenance and improvements.

The City's Water Distribution Department has been preparing for the future with the completion of a water distribution model. This model has allowed the City to identify locations which can be upgraded that will improve the level of service to our existing customers while allowing the City to better plan for our future customers.

For the Future

The City's plan for the future entails continuing to provide consistent quality services to all citizens at the most efficient and effective level possible. Past annexations continue to have a positive impact upon the growth, while continuing to provide the City with significant funding challenges. To maintain the current level of services to existing areas and add services to the newly annexed areas, the City must explore new methods of obtaining financial resources necessary in maintaining quality services.

The new year will include the completion of several projects, improvements of sewer and water lines, improvements to the electrical service lines, continued economic development efforts, improved efficiency in solid waste collection and disposal, continued quality police and fire service, maintenance and improvements to streets and sidewalks, and maintenance and extension of all services to all citizens of Madisonville.

The major projects for the fiscal year ending June 30, 2022, are as follows:

- Noel Avenue Interceptor Wastewater Collection Project
- Sports Complex Infrastructure Project

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madisonville for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the 38th consecutive year that the City of Madisonville has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report (ACFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department for their assistance, with special thanks to the staff of Alford, Nance, Jones & Oakley LLP. We also thank the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Cory C. Alexander, CPA
Finance Director/Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Madisonville
Kentucky**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

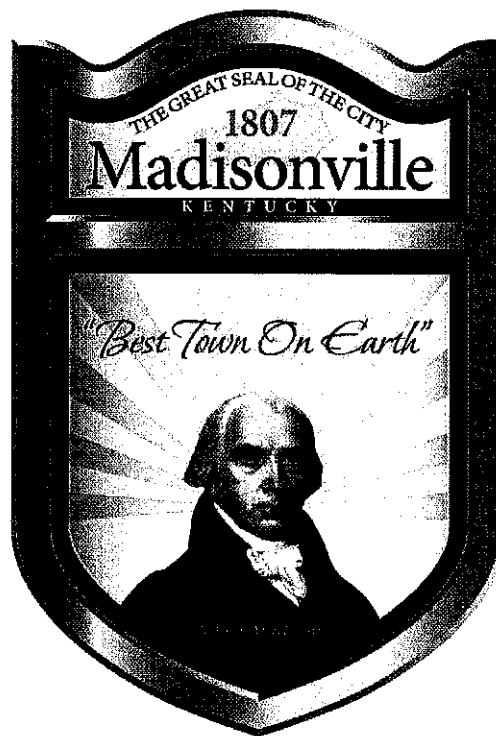
Christopher P. Morrill

Executive Director/CEO

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CITY OF MADISONVILLE, KENTUCKY

FINANCIAL SECTION



ANNUAL COMPREHENSIVE FINANCIAL REPORT

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Alford Nance Jones & Oakley, llp

Certified Public Accountants

J. Wesley Alford, Jr., CPA
Jacqueline L. Nance, CPA

Theresa A. Jones, CPA
Lori A. Oakley, CPA

108 S. Main St., Ste 101 • Madisonville, Kentucky 42431 • Tel: 270-825-4578 • Fax: 270-821-3521 • www.anjocpa.com

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor Kevin Cotton
And Members of the City Council
City of Madisonville, 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 Madisonville, 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 Madisonville, 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 Madisonville, 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 3-13, budgetary comparison information on page 69 and pension and OPEB schedules on pages 70-78, 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 Madisonville, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison, and other schedules 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 and schedules. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules 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 and schedules or to the basic financial statements and schedules themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, budgetary comparison and other schedules are fairly stated in all material respects in relation to the basic financial statements and schedules taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of the City of Madisonville, 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 Madisonville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Madisonville, Kentucky's internal control over financial reporting and compliance.


Madisonville, Kentucky
December 17, 2021

**CITY OF MADISONVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

As management of the City of Madisonville, Kentucky we offer readers of the City's financial statement this narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for fiscal year ended June 30, 2021:

- The total assets and deferred outflows of resources of the City of Madisonville exceeded its total liabilities and deferred inflows of resources at the close of the 2021 fiscal year by \$50,970,905 (Net position). A deficit total of \$36,117,608 of resources was unrestricted net position due to GASB 68 *Accounting and Financial Reporting for Pensions*, which was implemented during Fiscal Year 2015, and GASB 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*, which was implemented in Fiscal Year 2018.
- The City's total net position decreased by \$3,792,695. Governmental activities decreased the City's net position by \$4,260,054 and business-type activities increased the City's net position by \$467,359.
- As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$7,787,611, an increase of \$342,478 from the prior year. Of the total fund balance amount, \$4,735,446 or 61% is unassigned and available for spending at the City's discretion.
- As of June 30, 2021, unassigned fund balance for the General Fund was \$4,735,446 or 22% of total general fund expenditures.
- The City's total long-term bond, note liabilities and capital lease obligations decreased by \$1,369,224 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The **government-wide** financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business and, accordingly, to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short-term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **Statement of Net Position** presents financial information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, recreation, health and welfare, airport, and cemetery. The business-type activities of the City include electric distribution, water and sewer services, and sanitation services. The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories – **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, and provide the balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Madisonville maintains five individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund which is considered to be a major fund. Data from the other four funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 16-19.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers, or internal units/divisions of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Madisonville maintains the following two types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its light, water and sewer, and sanitation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service fund to account for health and life insurance. Because these services predominately benefit both governmental and business-type functions, they have been allocated to governmental and business-type activities in the government-wide financial statements.

The proprietary fund financial statements provide separate information for the Light Fund, Water and Sewer Fund, and Sanitation Fund since they are considered to be major funds of the City. The internal service fund is presented in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-68 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 69-78. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 79-110 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

While this document contains information about the funds used by the City to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and changes in net position. The change in net position reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$50,970,905 as of June 30, 2021. The following table is a condensed summary of the City's net position for governmental and business-type activities:

CITY OF MADISONVILLE'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<u>Assets and Deferred Outflows of Resources</u>						
Current and other assets	\$ 10,767,839	\$ 9,717,295	\$ 26,980,835	\$ 25,383,322	\$ 37,748,674	\$ 35,100,617
Capital assets	33,865,104	33,123,849	57,783,888	58,255,952	91,648,992	91,379,801
Total Assets	44,632,943	42,841,144	84,764,723	83,639,274	129,397,666	126,480,418
Deferred outflows of resources	10,893,808	11,293,465	5,592,813	5,375,659	16,486,621	16,669,124
Total Assets and Deferred Outflows of Resources	55,526,751	54,134,609	90,357,536	89,014,933	145,884,287	143,149,542
<u>Liabilities and Deferred Inflows of Resources</u>						
Current and other liabilities	2,725,502	1,922,113	6,702,864	6,257,012	9,428,366	8,179,125
Long-term liabilities	57,293,836	51,240,795	24,978,618	23,853,537	82,272,454	75,094,332
Total Liabilities	60,019,338	53,162,908	31,681,482	30,110,549	91,700,820	83,273,457
Deferred inflows of resources	2,397,696	3,601,930	814,866	1,510,555	3,212,562	5,112,485
Total Liabilities and Deferred Inflows of Resources	62,417,034	56,764,838	32,496,348	31,621,104	94,913,382	88,385,942
<u>Net Position</u>						
Net investment in capital assets	32,896,390	32,008,200	51,293,289	50,675,088	84,189,679	82,683,288
Restricted	-	-	2,898,834	2,920,690	2,898,834	2,920,690
Unrestricted (deficit)	(39,786,673)	(34,638,429)	3,669,065	3,798,051	(36,117,608)	(30,840,378)
Total Net Position	\$ (6,890,283)	\$ (2,630,229)	\$ 57,861,188	\$ 57,393,829	\$ 50,970,905	\$ 54,763,600

The largest portion of the City's net position (165%) reflects its net investment in capital assets (e.g., land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Madisonville uses these capital assets to provide services to its citizens. An additional portion of the City's net position (6%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position (deficit) is \$(36,117,608). Any positive balances would be used to meet the

City's ongoing obligations to its citizens and creditors. However, the negative number reflected is due to a governmental accounting standard concerning pension and other post employment benefit obligations that will be paid over several years.

The City reported assets and deferred outflows of resources greater than liabilities and deferred inflows of resources by \$50,970,905, a decrease of \$3,792,695 from the prior year. The reasons for this overall decrease in net position are discussed in the following sections for governmental activities and business-type activities.

Analysis of the Changes in Net Position

The City's total net position decreased by \$3,792,695 and \$2,348,981 during the fiscal years ended June 30, 2021 and 2020, respectively. The following table provides a summary of the City's operations:

CITY OF MADISONVILLE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for services	\$ 4,580,157	\$ 3,637,321	\$ 39,538,190	\$ 40,286,785	\$ 44,118,347	\$ 43,924,106
Operating grants and contributions	1,077,359	2,135,168	2,155	-	1,079,514	2,135,168
Capital grants and contributions	1,496,697	2,023,728	417,595	301,843	1,914,292	2,325,571
General Revenues:						
Occupational taxes	8,514,544	8,101,151	-	-	8,514,544	8,101,151
Property taxes	1,972,531	1,771,341	-	-	1,972,531	1,771,341
Insurance premium tax	3,004,588	2,918,005	-	-	3,004,588	2,918,005
Alcoholic beverage tax	345,519	315,377	-	-	345,519	315,377
Emergency telephone	326,736	314,908	-	-	326,736	314,908
Restaurant	1,612,607	1,445,864	-	-	1,612,607	1,445,864
Franchise and other taxes	426,879	417,915	-	-	426,879	417,915
Investment income	66,558	96,558	219,734	316,748	286,292	413,306
Miscellaneous	871,158	735,040	-	-	871,158	735,040
Gain (loss) on disposal of capital assets	36,497	-	-	22,000	36,497	22,000
Total Revenues	<u>24,331,830</u>	<u>23,912,376</u>	<u>40,177,674</u>	<u>40,927,376</u>	<u>64,509,504</u>	<u>64,839,752</u>
Expenses:						
General government	7,613,463	6,401,515	-	-	7,613,463	6,401,515
Public safety	16,863,423	16,712,670	-	-	16,863,423	16,712,670
Transportation	3,179,022	2,279,805	-	-	3,179,022	2,279,805
Recreation	1,911,418	1,705,707	-	-	1,911,418	1,705,707
Health and welfare	1,086,758	1,100,989	-	-	1,086,758	1,100,989
Airport	1,197,187	980,607	-	-	1,197,187	980,607
Cemetery	511,898	399,346	-	-	511,898	399,346
Interest on long-term debt	28,715	-	-	-	28,715	-
Electric distribution	-	-	21,064,315	22,586,763	21,064,315	22,586,763
Water and sewer services	-	-	11,425,647	10,913,215	11,425,647	10,913,215
Sanitation services	-	-	3,420,353	4,108,116	3,420,353	4,108,116
Total Expenses	<u>32,391,884</u>	<u>29,580,639</u>	<u>35,910,315</u>	<u>37,608,094</u>	<u>68,302,199</u>	<u>67,188,733</u>
Increase (decrease) in net position before transfers	(8,060,054)	(5,668,263)	4,267,359	3,319,282	(3,792,695)	(2,348,981)
Transfers	<u>3,800,000</u>	<u>3,700,000</u>	<u>(3,800,000)</u>	<u>(3,700,000)</u>	-	-
Change in net position	(4,260,054)	(1,968,263)	467,359	(380,718)	(3,792,695)	(2,348,981)
Net position - July 1	<u>(2,630,229)</u>	<u>(661,966)</u>	<u>57,393,829</u>	<u>57,774,547</u>	<u>54,763,600</u>	<u>57,112,581</u>
Net position - June 30	<u>\$ (6,890,283)</u>	<u>\$ (2,630,229)</u>	<u>\$ 57,861,188</u>	<u>\$ 57,393,829</u>	<u>\$ 50,970,905</u>	<u>\$ 54,763,600</u>

Governmental Activities

In fiscal year ended June 30, 2021, governmental activities decreased the net position by \$4,260,054 from the prior year. Governmental activities accounted for 112.32% of the total change in net position of the City. Governmental activities net of charges for services, operating grants/contributions, and capital grants/contributions were \$25,237,671. Taxes, investment income, miscellaneous revenues and transfers only generated \$20,977,617. For governmental activities overall occupational taxes (35.00%), are the largest single source of funds, followed by charges for services (18.82%), insurance premium taxes (12.35%), and property taxes (8.11%).

Total expenses increased from the prior fiscal year by \$2,811,245 whereas total revenues for governmental activities increased from the prior year by \$419,454. Expenses exceeded revenues resulting in a decrease in net position before transfers. Charges for services increased \$942,836 primarily due to the City's self-insured health care trust fund. The trust fund had revenues of \$3,599,233 for the current year. Operating grants and contributions decreased \$1,057,809 from the prior year due to the receipt of COVID-19 grant funds in the previous year. Capital grants and contributions decreased \$527,031 from the prior year. Total tax revenue increased by \$918,843 from the prior fiscal year primarily due to increased occupational, property and restaurant tax receipts.

Governmental activities are supported by program revenues such as charges for services, operating and capital grants and contributions. Additionally, general revenues, miscellaneous revenues, and transfers cover any net expense after program specific revenues are applied. During the fiscal year ended June 30, 2021, the City primarily relied upon tax revenues and transfers for funding governmental activities.

Business-type Activities

Business-type activities increased the City's net position by \$467,359 in the fiscal year ended June 30, 2021 and accounted for 12.32% of the total change in the City's net position. The increase is attributable to a 4.51% decrease in expenditures coupled with a 1.83% decrease in revenues. Charges for services provided the largest share of revenues (98.40%) followed by capital grants (1.04%). The largest of Madisonville's business-type activities, Light Fund had expenses of \$21,064,315, followed by Water and Sewer Fund with expenses of \$11,425,647 and Sanitation Fund of \$3,420,353.

Total revenues for business-type activities decreased from the prior year by \$749,702. Service revenues had a decrease of \$748,595 due to decreases in electric, water, and sewer revenues offset by increases in sanitation revenues. The primary reason for the \$1,048,968 decrease in electric revenues can be attributed to decreases in consumption for commercial customers. The decrease in water and sewer revenues of \$112,696 is due to a decrease in consumption by customers. The \$413,069 increase in sanitation revenues is due to increases in customer charges and recycling income. Program revenues experienced a \$117,907 increase in grant and contribution revenues from the prior year. Investment income decreased \$97,014 primarily due to a decrease in the amount of cash invested in the current year.

Business-type activities are supported by charges for services and capital grants and contributions. During the fiscal year ended June 30, 2021, the City relied on charges for services for funding business-type activities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activity not required to be reported in a separate fund is included in the General Fund. Governmental funds are used to account for tax-supported activities.

Governmental Funds

The focus of the City of Madisonville's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources and nonspendable resources. Such information may be useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund and Special Revenue Funds.

At June 30, 2021, the City's governmental funds reported combined ending fund balances of \$7,787,611, an increase of \$342,478 in comparison to the balance at June 30, 2020 of \$7,445,133. Approximately 68% of this total amount \$4,735,446 constitutes unassigned fund balance which is available for spending at the City's discretion. Nonspendable fund balance of \$1,418,713 is not available for new spending because it has already been committed to provide for real estate, materials, supplies and prepayments. The remaining fund balance of \$107,894 is restricted and \$1,525,558 is committed at June 30, 2021.

Major Governmental Fund

The General Fund is the general operating fund of the City. As of June 30, 2021, the unassigned fund balance in the General Fund was \$4,735,446. The City's fund balance in the General Fund decreased by \$223,875.

The following provides an explanation of revenues by source that changed significantly from the prior year:

Revenues by Source	2021		2020		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Taxes						
Occupational	\$ 8,514,544	39.24	\$ 8,101,151	33.56	\$ 413,393	5.10
Insurance premiums	3,004,588	13.85	2,918,005	12.08	86,583	2.97
Property	1,939,293	8.94	1,771,341	7.33	167,952	9.48
Franchise	426,879	1.97	417,915	1.73	8,964	2.14
Emergency telephone	326,736	1.51	314,908	1.30	11,828	3.76
Police/Fire incentive	601,379	2.77	563,523	2.33	37,856	6.72
Grant income	818,900	3.78	1,995,181	8.26	(1,176,281)	(58.96)
Fuel sales	259,881	1.20	189,974	0.79	69,907	36.80
Miscellaneous	871,158	4.02	729,725	3.02	141,433	19.38
Contributions	84,950	0.39	1,056,268	4.37	(971,318)	(91.96)
Recreational fees	209,804	0.97	136,798	0.57	73,006	53.37
Cemetery revenues	95,700	0.44	73,900	0.31	21,800	29.50
Police fines and base court	228,033	1.05	214,760	0.89	13,273	6.18
Rental income	164,931	0.76	110,987	0.46	53,944	48.60
Investment income	39,138	0.18	48,377	0.20	(9,239)	(19.10)
Total revenues	17,585,914	81.07	18,642,813	77.20	(1,056,899)	(5.67)
Transfers in	4,021,000	18.54	3,970,000	16.44	51,000	1.28
Issuance of debt	-	-	1,115,649	4.62	(1,115,649)	(100.00)
Sale of capital assets	85,118	0.39	421,376	1.74	(336,258)	(79.80)
Total revenues and other financing sources	<u>\$ 21,692,032</u>	<u>100.00</u>	<u>\$ 24,149,838</u>	<u>100.00</u>	<u>\$ (2,457,806)</u>	<u>(10.18)</u>

- Grant income decreased by \$1,176,281 or 58.96% due to the prior year receipt of grant funds for the coronavirus pandemic. Grant revenues fluctuate from year-to-year.
- Fuel sales increased by \$69,907 or 36.80% due to an increase in airplane traffic at the airport.
- Contributions decreased by \$971,318 or 91.96% due to prior year donations for park development and the donation of a property.
- Recreational fees increased by \$73,006 or 53.37% due to an increase in outdoor activities with the easing of COVID-19 restrictions.

The following provides an explanation of expenditures by function that changed significantly from the prior year:

Expenditures by Function
General Fund - Expenditures by Function

Expenditures by Function	2021		2020		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Public safety	\$ 12,603,275	57.52	\$ 11,919,639	52.15	\$ 683,636	5.74
General government	2,450,920	11.18	2,259,131	9.89	191,789	8.49
Transportation	2,007,658	9.16	1,841,222	8.06	166,436	9.04
Health and welfare	1,086,758	4.96	1,100,989	4.82	(14,231)	(1.29)
Parks and recreation	1,326,697	6.05	1,137,560	4.98	189,137	16.63
Airport	520,153	2.37	413,142	1.81	107,011	25.90
Cemetery	350,532	1.60	321,235	1.41	29,297	9.12
Capital outlay	1,394,264	6.36	3,857,476	16.88	(2,463,212)	(63.86)
Debt service	175,650	0.80	-	-	175,650	-
Total expenditures	21,915,907	100.00	22,850,394	100.00	(934,487)	(4.09)
Transfers out	-	-	-	-	-	-
Total expenditures and other financing uses	<u>\$ 21,915,907</u>	<u>100.00</u>	<u>\$ 22,850,394</u>	<u>100.00</u>	<u>\$ (934,487)</u>	<u>(4.09)</u>

- Transportation expenditures increased by \$166,436 or 9.04% due to increased expenditures for salaries, pension and employee benefits in the current year.
- Parks and recreation expenditures increased by \$189,137 or 16.63% due to an increase in expenditures for salaries, pension, employee benefits, maintenance and repairs.
- Airport expenditures increased by \$107,011 or 25.90% due to increased expenditures for salaries, payroll related items, and fuel expenditures.
- Capital outlay expenditures decreased by \$2,463,212 or 63.86% due to the purchase of two fire trucks, land for the sports complex project and construction projects at the Airport and Claybon Park in the prior year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary funds had a total unrestricted net position balance of \$3,078,566 as of June 30, 2021. An increase of total net position for all proprietary funds during the year equaled \$504,911 resulting from current year operations. The following table shows actual revenues, expenses and results from operations for the fiscal year:

	2021			Total
	Light	Water and Sewer	Sanitation	
Operating revenues	\$ 25,511,285	\$ 9,827,764	\$ 4,201,296	\$ 39,540,345
Operating expenses	<u>21,058,951</u>	<u>11,214,392</u>	<u>3,255,088</u>	<u>35,528,431</u>
Operating income (loss)	4,452,334	(1,386,628)	946,208	4,011,914
Non-operating revenues (expenses), net	<u>119,771</u>	<u>(118,026)</u>	<u>(126,343)</u>	<u>(124,598)</u>
Income (loss) before contributions and transfers	4,572,105	(1,504,654)	819,865	3,887,316
Contributions and transfers	<u>(3,231,760)</u>	<u>110,000</u>	<u>(260,645)</u>	<u>(3,382,405)</u>
Change in net position	<u>\$ 1,340,345</u>	<u>\$ (1,394,654)</u>	<u>\$ 559,220</u>	<u>\$ 504,911</u>

	2020			Total
	Light	Water and Sewer	Sanitation	
Operating revenues	\$ 26,559,878	\$ 9,939,710	\$ 3,787,197	\$ 40,286,785
Operating expenses	<u>22,542,363</u>	<u>10,599,085</u>	<u>3,891,349</u>	<u>37,032,797</u>
Operating income (loss)	4,017,515	(659,375)	(104,152)	3,253,988
Non-operating revenues (expenses), net	<u>158,020</u>	<u>(56,657)</u>	<u>(159,587)</u>	<u>(58,224)</u>
Income (loss) before contributions and transfers	4,175,535	(716,032)	(263,739)	3,195,764
Contributions and transfers	<u>(3,428,006)</u>	<u>191,693</u>	<u>(161,844)</u>	<u>(3,398,157)</u>
Change in net position	<u>\$ 747,529</u>	<u>\$ (524,339)</u>	<u>\$ (425,583)</u>	<u>\$ (202,393)</u>

Major Proprietary Funds

The Light Fund accounts for the provision of electricity service to the residents of the City. The Light Fund had an increase in net position of \$1,340,345 for 2021 compared to an increase of \$747,529 for 2020. The operating revenues decreased by \$1,048,593 and expenses decreased by \$1,483,412, respectively over the prior year. The decrease in operating revenues is due primarily to the decrease in commercial consumption in the current year. The decrease in operating expenses is due a decrease in the cost of power purchased due to decreased consumption. The net position as of June 30, 2021, for the Light Fund was \$18,480,674.

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City and some residents of Hopkins County Kentucky. The Water and Sewer Fund had a decrease in net position of \$1,394,654 for 2021 compared to a decrease of \$524,339 for 2020. The operating revenues decreased by \$111,946 over the prior year due to a decrease in consumption. Operating expenses increased by \$615,307 mainly due to increases in wastewater collection, wastewater treatment, purification and distribution maintenance costs. The net position as of June 30, 2021, for the Water and Sewer Fund was \$38,823,573.

The Sanitation Fund accounts for the collection and disposal of the residential and commercial refuse of the City. The Sanitation Fund had an increase in net position of \$559,220 for 2021 compared to a decrease of \$425,583 for 2020. Operating revenues increased by \$414,099 and operating expenses decreased by \$636,261 over the prior year. The increase in operating revenues is due to increases in the rate of sanitation fees charged and in recycling income. The decrease in operating expenses is due to decreases in payroll expenses, pension costs and other post employment benefits. The net position (deficit) as of June 30, 2021, for the Sanitation Fund was \$(33,558).

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made revisions to the original general fund appropriations approved by the City Council. In all, the revenue budget was increased by \$320,000 for additional grants. Expenditures were increased by 1) \$200,000 for public safety, and 2) \$120,000 for the airport. All other budgetary changes are due to budget reclassifications made by the Finance Director before the end of the year. During the year, actual revenues and other sources were more than final budgetary estimates by \$159,394 and expenditures and other uses were \$490,814 less than final budgetary estimates, resulting in a positive variance of revenues over expenditures of \$650,208.

General Fund revenues and other sources were more than budgetary amounts due to increases in occupational taxes, property taxes, emergency telephone charges, grant income, contributions, and recreational fees. General Fund expenditures and other uses were less than budgetary estimates due to decreased public safety and general government expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of June 30, 2021 amounts to \$91,648,992 (net of accumulated depreciation). Capital assets include land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure. The total increase in the City's capital assets for the fiscal year was 0.29% (a 2.24% increase for governmental activities and a 0.81% decrease for business-type activities).

City of Madisonville Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and construction in progress	\$ 6,701,208	\$ 6,390,850	\$ 1,958,463	\$ 1,439,301	\$ 8,659,671	\$ 7,830,151
Buildings, plants and facilities	17,315,779	17,155,757	51,694,748	52,071,724	69,010,527	69,227,481
Machinery and equipment	4,643,978	4,480,211	3,803,902	4,405,449	8,447,880	8,885,660
System studies and mapping	-	-	326,775	339,478	326,775	339,478
Infrastructure	5,204,139	5,097,031	-	-	5,204,139	5,097,031
Total Capital Assets	<u>\$ 33,865,104</u>	<u>\$ 33,123,849</u>	<u>\$ 57,783,888</u>	<u>\$ 58,255,952</u>	<u>\$ 91,648,992</u>	<u>\$ 91,379,801</u>

Major capital asset transactions/events during the fiscal year included:

- Construction and improvements to Mahr Park totaling \$883,064.
- Construction and improvements to Grapevine Bike Trails totaling \$361,659.
- Street paving infrastructure improvements of \$538,704.
- Purchase of substations for the Light department totaling \$900,000.
- Improvements to the JW McCoy Water Tank totaling \$410,405.
- Purchase of Sanitation department vehicles totaling \$1,100,650.

The City's infrastructure assets are recorded at historical or estimated historical costs in the government-wide financial statements as required by GASB Statement No. 34.

Additional information on the City's capital assets can be found in Note 5 on pages 38-39 of this report.

Long-term Debt

At the end of the current fiscal year, the City of Madisonville had a total bonded debt, notes payable and capital lease obligations of \$8,240,026. Of this amount, \$4,812,960 comprises debt backed by revenues of the water and sewer system. The notes payable of \$2,014,056 pertain primarily to water and sewer system facilities, infrastructure and fire department equipment. The remaining debt of \$1,413,010 represents capital lease obligations for various equipment for the sanitation department.

Outstanding Debt at Year End Bonds, Notes Payable and Capital Lease Obligations

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue Bonds Payable	\$ -	\$ -	\$ 4,812,960	\$ 5,716,217	\$ 4,812,960	\$ 5,716,217
Notes Payable	968,714	1,115,649	1,045,342	1,133,974	2,014,056	2,249,623
Capital Lease Obligations	-	-	1,413,010	1,643,410	1,413,010	1,643,410
Total	<u>\$ 968,714</u>	<u>\$ 1,115,649</u>	<u>\$ 7,271,312</u>	<u>\$ 8,493,601</u>	<u>\$ 8,240,026</u>	<u>\$ 9,609,250</u>

The City maintained an A1 rating from Moody's for its debt throughout the fiscal year. Several of the City's Revenue Bonds are insured thus holding an AAA credit rating from both Moody's and Standard & Poor's.

Additional information on the City's long-term debt can be found in Notes 10, 11 and 12 on pages 58-61 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the fiscal year 2021-2022 budget, General Fund revenues and transfers in are budgeted to increase by 11.07% from the 2020-2021 budget year with occupational license tax revenues making up about 32.53% of the general fund budgeted revenues and transfers in. General fund expenditures are budgeted to increase by 11.30%. The Light Fund revenues are budgeted to decrease by 3.29% with expenditures budgeted to decrease by 2.91%. Water and Sewer Fund revenues are budgeted to increase by 27.71% and expenditures are budgeted to increase by 28.29%. Sanitation Fund revenues are budgeted to increase by 17.71% and expenditures are budgeted to increase by 15.87%.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have any questions about this report or need any additional information, contact the Department of Finance, Attn: Finance Director, at P.O. Box 705, Madisonville, Kentucky 42431, call (270) 824-2111 or email calexander@madisonvillegov.com.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
Assets			
Cash equivalents	\$ 6,468,745	\$ 15,187,964	\$ 21,656,709
Investments, at fair value	395,129	385,364	780,493
Accounts receivable (net)	2,825,736	4,584,035	7,409,771
Internal balances	(310,978)	310,978	-
Materials and supplies	80,150	1,889,892	1,970,042
Real estate held for resale	702,058	300,000	1,002,058
Interest receivable	93	7,016	7,109
Prepayments	590,505	126,168	716,673
Restricted assets:			
Cash equivalents	16,401	27,970	44,371
Investments	-	4,161,448	4,161,448
Capital assets (net of accumulated depreciation):			
Non-depreciable	6,701,208	1,958,463	8,659,671
Depreciable	<u>27,163,896</u>	<u>55,825,425</u>	<u>82,989,321</u>
Total Assets	<u>44,632,943</u>	<u>84,764,723</u>	<u>129,397,666</u>
Deferred Outflows of Resources			
Related to pensions and other post employment benefits	10,893,808	5,050,332	15,944,140
Related to refunding debt	<u>-</u>	<u>542,481</u>	<u>542,481</u>
Total Deferred Outflows of Resources	<u>10,893,808</u>	<u>5,592,813</u>	<u>16,486,621</u>
Liabilities			
Trade accounts payable	1,075,741	2,876,441	3,952,182
Construction accounts payable	144,212	87,520	231,732
Accrued interest payable	740	42,707	43,447
Accrued payroll and payroll taxes	869,859	222,570	1,092,429
Unearned revenue	83,939	165,000	248,939
Customer deposits and related interest	-	605,439	605,439
Noncurrent liabilities:			
Due within one year			
Compensated absences	400,494	274,763	675,257
Revenue bonds payable	-	925,000	925,000
Notes payable	150,517	90,414	240,931
Capital lease obligations	-	1,413,010	1,413,010
Due in more than one year			
Net pension and other post employment benefit liabilities	56,475,639	20,135,730	76,611,369
Revenue bonds payable	-	3,887,960	3,887,960
Notes payable	<u>818,197</u>	<u>954,928</u>	<u>1,773,125</u>
Total Liabilities	<u>60,019,338</u>	<u>31,681,482</u>	<u>91,700,820</u>
Deferred Inflows of Resources			
Related to pensions and other post employment benefits	<u>2,397,696</u>	<u>814,866</u>	<u>3,212,562</u>
Total Deferred Inflows of Resources	<u>2,397,696</u>	<u>814,866</u>	<u>3,212,562</u>
Net Position			
Net investment in capital assets	32,896,390	51,293,289	84,189,679
Restricted for:			
Debt service	-	2,871,050	2,871,050
Customer deposits	-	27,784	27,784
Unrestricted (deficit)	<u>(39,786,673)</u>	<u>3,669,065</u>	<u>(36,117,608)</u>
Total Net Position	<u>\$ (6,890,283)</u>	<u>\$ 57,861,188</u>	<u>\$ 50,970,905</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 7,613,463	\$ 3,737,837	\$ 29,609	\$ 65,091	\$ (3,780,926)	\$ -	\$ (3,780,926)
Public safety	16,863,423	228,033	1,033,805	200,000	(15,401,585)	-	(15,401,585)
Transportation	3,179,022	-	845	681,669	(2,496,508)	-	(2,496,508)
Recreation	1,911,418	209,804	13,100	397,358	(1,291,156)	-	(1,291,156)
Health and welfare	1,086,758	-	-	-	(1,086,758)	-	(1,086,758)
Airport	1,197,187	308,783	-	-	(735,825)	-	(735,825)
Cemetery	511,898	95,700	-	-	(416,198)	-	(416,198)
Interest on long-term debt	28,715	-	-	-	(28,715)	-	(28,715)
Total governmental activities	<u>32,391,884</u>	<u>4,380,137</u>	<u>1,077,359</u>	<u>1,496,697</u>	<u>(25,237,671)</u>	<u>-</u>	<u>(25,237,671)</u>
Business-type activities:							
Electric distribution	21,064,315	25,510,910	375	268,240	-	4,715,210	4,715,210
Water and sewer services	11,425,647	9,827,014	750	110,000	-	(1,487,883)	(1,487,883)
Sanitation services	3,420,353	4,200,266	1,050	39,355	-	820,298	820,298
Total business-type activities	<u>35,910,315</u>	<u>39,538,190</u>	<u>2,155</u>	<u>417,595</u>	<u>-</u>	<u>4,047,625</u>	<u>4,047,625</u>
Total Primary Government	\$ <u>68,302,199</u>	\$ <u>44,118,347</u>	\$ <u>1,079,514</u>	\$ <u>1,914,292</u>	\$ <u>(25,237,671)</u>	\$ <u>4,047,625</u>	\$ <u>(21,190,046)</u>
General Revenues							
Taxes:							
Occupational							
Property					8,514,544		8,514,544
Insurance premium					1,972,531		1,972,531
Alcoholic beverage					3,004,588		3,004,588
Emergency telephone					345,519		345,519
Restaurant					326,736		326,736
Franchise and other					1,612,607		1,612,607
Investment income					426,879		426,879
Gain on sale of capital assets					66,558	219,734	286,292
Miscellaneous					36,497		36,497
Transfers					871,158		871,158
					<u>3,800,000</u>	<u>(3,800,000)</u>	<u>-</u>
Total General Revenues and Transfers					<u>20,977,617</u>	<u>(3,580,266)</u>	<u>17,397,351</u>
Change in Net Position					<u>(4,260,054)</u>	<u>467,359</u>	<u>(3,792,695)</u>
Net Position - Beginning of Year					<u>(2,630,229)</u>	<u>57,393,829</u>	<u>54,763,600</u>
Net Position - End of Year					<u>\$ (6,890,283)</u>	<u>\$ 57,861,188</u>	<u>\$ 50,970,905</u>

See accompanying notes to financial statements.
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CITY OF MADISONVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash equivalents	\$ 4,473,110	\$ 1,631,178	\$ 6,104,288
Investments, at fair value	17,529	-	17,529
Receivables (Net where applicable of allowances for uncollectibles):			
Taxpayer assessed revenues	1,881,373	32,732	1,914,105
Property taxes	80,473	-	80,473
Grants receivable	154,594	-	154,594
Other accounts	209,446	441,290	650,736
Materials and supplies	80,150	-	80,150
Real estate held for resale	702,058	-	702,058
Interest receivable	11	-	11
Prepayments	76,540	513,965	590,505
Due from other funds	227,904	16	227,920
Restricted assets:			
Cash equivalents	<u>16,401</u>	<u>-</u>	<u>16,401</u>
<u>Total Assets</u>	<u>\$ 7,919,589</u>	<u>\$ 2,619,181</u>	<u>\$ 10,538,770</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>			
<u>Liabilities</u>			
Trade accounts payable	\$ 882,755	\$ 88,619	\$ 971,374
Construction accounts payable	46,156	98,056	144,212
Due to other funds	419,988	228,549	648,537
Unearned revenue	27,399	56,540	83,939
Accruals	<u>869,859</u>	<u>-</u>	<u>869,859</u>
Total Liabilities	<u>2,246,157</u>	<u>471,764</u>	<u>2,717,921</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenues - property taxes	<u>33,238</u>	<u>-</u>	<u>33,238</u>
<u>Fund Balances</u>			
Nonspendable:			
Real estate held for resale	702,058	-	702,058
Materials and supplies	80,150	-	80,150
Prepayments	76,540	513,965	590,505
Long-term receivables	46,000	-	46,000
Restricted for:			
Municipal aid	-	64,451	64,451
Coal severance	-	43,443	43,443
Committed for:			
Alcoholic beverage control	-	58,419	58,419
Restaurant tax	-	1,467,139	1,467,139
Unassigned	<u>4,735,446</u>	<u>-</u>	<u>4,735,446</u>
Total Fund Balances	<u>5,640,194</u>	<u>2,147,417</u>	<u>7,787,611</u>
<u>Total Liabilities, Deferred Inflows and Fund Balances</u>	<u>\$ 7,919,589</u>	<u>\$ 2,619,181</u>	<u>\$ 10,538,770</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2021

<u>Fund Balances - Total Governmental Funds</u>		\$ 7,787,611
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		
Governmental capital assets	\$ 86,942,569	
Less accumulated depreciation	<u>(53,077,465)</u>	33,865,104
Deferred outflows and inflows of resources shown in governmental activities apply to future periods and, therefore, are not reported in the governmental funds balance sheet.		
Deferred outflows of resources related to pension and other post employment benefits	10,893,808	
Deferred inflows of resources related to pension and other post employment benefits	<u>(2,397,696)</u>	8,496,112
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		
Accrued interest payable	(740)	
Notes payable	(968,714)	
Net pension and other post employment benefit liabilities	(56,475,639)	
Compensated absences	<u>(400,494)</u>	(57,845,587)
Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.		
		33,238
Internal service funds are used by management to charge the cost of certain insurance activities to individual funds. The assets and liabilities of the Internal Service Funds (net of amount allocated to business-type activities) not included in other reconciling items are:		
Current assets	1,548,318	
Current liabilities	(184,580)	
Net amount allocated to business-type activities	<u>(590,499)</u>	<u>773,239</u>
<u>Net Position of Governmental Activities</u>		<u>\$ (6,890,283)</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes:			
Occupational	\$ 8,514,544	\$ -	\$ 8,514,544
Insurance premiums	3,004,588	-	3,004,588
Property	1,939,293	-	1,939,293
Franchise	426,879	-	426,879
Alcoholic beverage control	-	345,519	345,519
Emergency telephone	326,736	-	326,736
Restaurant	-	1,612,607	1,612,607
Intergovernmental:			
Grant income	818,900	-	818,900
Police/Fire incentive	601,379	-	601,379
Kentucky gas tax	-	617,962	617,962
Kentucky severance tax	-	63,707	63,707
Fuel sales	259,881	-	259,881
Miscellaneous	871,158	-	871,158
Contributions	84,950	387,158	472,108
Recreation	209,804	-	209,804
Fees	-	22,575	22,575
Police fines and base court	228,033	-	228,033
Cemetery	95,700	-	95,700
Rental income	164,931	-	164,931
Investment income	39,138	7,827	46,965
Total Revenues	<u>17,585,914</u>	<u>3,057,355</u>	<u>20,643,269</u>
<u>Expenditures</u>			
Current:			
Public safety	12,603,275	-	12,603,275
General government/other	2,450,920	564,628	3,015,548
Transportation	2,007,658	-	2,007,658
Health and welfare	1,086,758	-	1,086,758
Recreation	1,326,697	-	1,326,697
Airport	520,153	-	520,153
Cemetery	350,532	-	350,532
Capital outlay	1,394,264	1,705,374	3,099,638
Debt service	175,650	-	175,650
Total Expenditures	<u>21,915,907</u>	<u>2,270,002</u>	<u>24,185,909</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>(4,329,993)</u>	<u>787,353</u>	<u>(3,542,640)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from sale of capital assets	85,118	-	85,118
Transfers in	4,021,000	19,112	4,040,112
Transfers out	-	(240,112)	(240,112)
Total Other Financing Sources (Uses)	<u>4,106,118</u>	<u>(221,000)</u>	<u>3,885,118</u>
<u>Net Change in Fund Balances</u>	<u>(223,875)</u>	<u>566,353</u>	<u>342,478</u>
<u>Fund Balances - Beginning of Year</u>	<u>5,864,069</u>	<u>1,581,064</u>	<u>7,445,133</u>
<u>Fund Balances - End of Year</u>	<u>\$ 5,640,194</u>	<u>\$ 2,147,417</u>	<u>\$ 7,787,611</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Net Change in Fund Balance - Total Governmental Funds</u>		\$ 342,478
Amounts reported for governmental activities in the statement of activities are different because:		
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.		33,238
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.		(93,465)
The net pension and other post employment benefit liabilities and related deferred outflows and inflows of resources are an obligation of the City of Madisonville not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year.		(5,440,247)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 3,099,638	
Less current year depreciation	<u>(2,309,762)</u>	789,876
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) net position.		(48,621)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on the net position in the Statement of Activities.		146,935
Accrued interest expense on long-term debt is reported on the government-wide Statement of Activities and Changes in Net Position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in the governmental funds. In the Statement of Activities, these costs represent expenses of the current year.		112
Internal service funds are used by management to charge the cost of certain insurance activities to individual funds. The net revenue is reported with governmental activities net of the amount allocated to business-type activities. These amounts are:		
Change in net position	(27,912)	
Net amount allocated to business-type activities	<u>37,552</u>	<u>9,640</u>
<u>Change in Net Position of Governmental Activities</u>		<u>\$ (4,260,054)</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-type Activities			Totals	Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation		
ASSETS					
Current Assets					
Cash equivalents	\$ 7,048,537	\$ 6,756,455	\$ 1,104,647	\$ 14,909,639	\$ 642,782
Investments, at fair value	-	97,003	-	97,003	665,961
Accounts receivable:					
Customers (less allowance for uncollectible accounts of \$334,000)	2,762,037	1,057,188	320,603	4,139,828	-
Other	154,626	38,715	231,142	424,483	45,552
Due from other funds	752,014	133,914	93,995	979,923	193,878
Materials and supplies	1,234,780	543,630	111,482	1,889,892	-
Real estate held for resale	-	300,000	-	300,000	-
Interest receivable	-	6,953	-	6,953	145
Prepayments	85,085	29,726	11,357	126,168	-
Restricted assets:					
Cash equivalents	27,784	186	-	27,970	-
Investments, at fair value	-	4,161,448	-	4,161,448	-
Total Current Assets	<u>12,064,863</u>	<u>13,125,218</u>	<u>1,873,226</u>	<u>27,063,307</u>	<u>1,548,318</u>
Noncurrent Assets					
Capital assets	28,843,879	92,713,374	5,376,796	126,934,049	-
Accumulated depreciation	<u>(13,580,842)</u>	<u>(52,864,704)</u>	<u>(2,704,615)</u>	<u>(69,150,161)</u>	<u>-</u>
Total Noncurrent Assets	<u>15,263,037</u>	<u>39,848,670</u>	<u>2,672,181</u>	<u>57,783,888</u>	<u>-</u>
Total Assets	<u>27,327,900</u>	<u>52,973,888</u>	<u>4,545,407</u>	<u>84,847,195</u>	<u>1,548,318</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to refunding debt	-	542,481	-	542,481	-
Related to pensions and other post employment benefits	1,966,412	2,243,185	840,735	5,050,332	-
Total Deferred Outflows of Resources	<u>1,966,412</u>	<u>2,785,666</u>	<u>840,735</u>	<u>5,592,813</u>	<u>-</u>
LIABILITIES					
Current Liabilities					
Trade accounts payable	1,855,283	761,462	179,995	2,796,740	184,068
Construction accounts payable	-	87,520	-	87,520	-
Due to other funds	-	510,641	242,031	752,672	512
Unearned revenue	-	165,000	-	165,000	-
Accrued interest payable	-	41,718	989	42,707	-
Accrued payroll and payroll taxes	84,152	88,073	50,345	222,570	-
Compensated absences	111,376	117,727	45,660	274,763	-
Customer deposits payable	594,696	-	-	594,696	-
Customer deposit interest payable	10,743	-	-	10,743	-
Current portion of debt	-	1,015,414	1,413,010	2,428,424	-
Total Current Liabilities	<u>2,656,250</u>	<u>2,787,555</u>	<u>1,932,030</u>	<u>7,375,835</u>	<u>184,580</u>
Long-Term Liabilities Due After One Year					
Long-term portion of debt	-	4,842,888	-	4,842,888	-
Net pension and other post employment benefit liabilities	7,840,109	8,943,603	3,352,018	20,135,730	-
Total Long-Term Liabilities	<u>7,840,109</u>	<u>13,786,491</u>	<u>3,352,018</u>	<u>24,978,618</u>	<u>-</u>
Total Liabilities	<u>10,496,359</u>	<u>16,574,046</u>	<u>5,284,048</u>	<u>32,354,453</u>	<u>184,580</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions and other post employment benefits	317,279	361,935	135,652	814,866	-
NET POSITION					
Net investment in capital assets	15,263,037	34,771,081	1,259,171	51,293,289	-
Restricted for debt service	-	2,871,050	-	2,871,050	-
Restricted for customer deposits	27,784	-	-	27,784	-
Unrestricted (deficit)	<u>3,189,853</u>	<u>1,181,442</u>	<u>(1,292,729)</u>	<u>3,078,566</u>	<u>1,363,738</u>
Total Net Position	<u>\$ 18,480,674</u>	<u>\$ 38,823,573</u>	<u>\$ (33,558)</u>	<u>57,270,689</u>	<u>\$ 1,363,738</u>
Reconciliation to government-wide statement of net position:					
Adjustment to reflect the consolidation of Internal Service Fund's activities related to Enterprise Funds				590,499	
Net position of business-type activities				<u>\$ 57,861,188</u>	

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation		
Operating Revenues					
Sale of electricity	\$ 24,844,190	\$ -	\$ -	\$ 24,844,190	\$ -
Sewer revenues	-	5,109,435	-	5,109,435	-
Water revenues	-	4,717,579	-	4,717,579	-
Sanitation fees	-	-	3,742,766	3,742,766	-
Recycling income	-	-	99,081	99,081	-
Grant income	375	750	1,030	2,155	-
Service and miscellaneous	666,720	-	358,419	1,025,139	-
Total Operating Revenues	25,511,285	9,827,764	4,201,296	39,540,345	3,599,233
Operating Expenses					
Electricity purchased	15,593,617	-	-	15,593,617	-
Depreciation	1,055,268	2,789,693	334,095	4,179,056	-
Maintenance	2,623,742	1,768,725	469,530	4,861,997	-
Sanitation collection and disposal	-	-	2,247,320	2,247,320	-
Wastewater collection	-	2,190,131	-	2,190,131	-
Purification	-	1,715,016	-	1,715,016	-
Wastewater treatment	-	1,732,712	-	1,732,712	-
Other	899,214	600,079	204,143	1,703,436	3,646,738
Commercial office operations	887,110	-	-	887,110	-
Power purchased	-	418,036	-	418,036	-
Total Operating Expenses	21,058,951	11,214,392	3,255,088	35,528,431	3,646,738
Income (Loss) from Operations	4,452,334	(1,386,628)	946,208	4,011,914	(47,505)
Nonoperating Revenues (Expenses)					
Investment income	119,771	81,855	18,108	219,734	19,593
Gain (loss) on disposal of assets	-	-	(99,307)	(99,307)	-
Interest expense and fees	-	(199,881)	(45,144)	(245,025)	-
Total Nonoperating Revenues (Expenses)	119,771	(118,026)	(126,343)	(124,598)	19,593
Income (Loss) Before Contributions and Transfers	4,572,105	(1,504,654)	819,865	3,887,316	(27,912)
Capital contributions	268,240	110,000	39,355	417,595	-
Transfers out	(3,500,000)	-	(300,000)	(3,800,000)	-
Change in Net Position	1,340,345	(1,394,654)	559,220	504,911	(27,912)
Net Position - Beginning of Year	17,140,329	40,218,227	(592,778)	1,391,650	1,391,650
Net Position - End of Year	\$ 18,480,674	\$ 38,823,573	\$ (33,558)	\$ 1,363,738	\$ 1,363,738
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of Internal Service Fund's activities related to Enterprise Funds				(37,552)	
Change in net position of business-type activities				\$ 467,359	

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation	Total	
<u>Cash Flows From Operating Activities</u>					
Cash received from customers	\$ 25,167,691	\$ 9,697,196	\$ 3,887,814	\$ 38,752,701	\$ 3,590,033
Cash received from interfund services provided	220,906	51,782	125,638	398,326	-
Cash payments to suppliers for goods and services	(17,193,976)	(4,658,803)	(2,118,072)	(23,970,851)	(3,605,043)
Cash payments to employees for services	(2,276,038)	(2,708,076)	(986,542)	(5,970,656)	-
Net Cash Provided (Used) By Operating Activities	<u>5,918,583</u>	<u>2,382,099</u>	<u>908,838</u>	<u>9,209,520</u>	<u>(15,010)</u>
<u>Cash Flows From Noncapital Financing Activities</u>					
Transfers out	(3,500,000)	-	(300,000)	(3,800,000)	-
Net decrease (increase) in amounts due from other funds	117,423	259,210	(93,995)	282,638	1,601
Net increase (decrease) in amounts due to other funds	-	388,744	24,846	413,590	512
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(3,382,577)</u>	<u>647,954</u>	<u>(369,149)</u>	<u>(3,103,772)</u>	<u>2,113</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Proceeds from issuance of debt	-	-	1,413,010	1,413,010	-
Principal paid on debt	-	(947,302)	(1,643,410)	(2,590,712)	-
Contributed capital	268,240	110,000	39,355	417,595	-
Proceeds from the sale of capital assets	-	11,659	1,119,193	1,130,852	-
Acquisition of property, plant and equipment	(2,505,171)	(1,291,751)	(1,140,229)	(4,937,151)	-
Interest paid on debt	-	(206,039)	(45,817)	(251,856)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(2,236,931)</u>	<u>(2,323,433)</u>	<u>(257,898)</u>	<u>(4,818,262)</u>	<u>-</u>
<u>Cash Flows from Investing Activities</u>					
Purchase of investments	-	(2,169,795)	-	(2,169,795)	(10,824)
Proceeds from sales and maturities of investments	-	2,141,818	-	2,141,818	-
Income received on investments	119,771	82,569	18,108	220,448	19,994
Net Cash Provided (Used) By Investing Activities	<u>119,771</u>	<u>54,592</u>	<u>18,108</u>	<u>192,471</u>	<u>9,170</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>418,846</u>	<u>761,212</u>	<u>299,899</u>	<u>1,479,957</u>	<u>(3,727)</u>
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>6,657,475</u>	<u>5,995,429</u>	<u>804,748</u>	<u>13,457,652</u>	<u>646,509</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 7,076,321</u>	<u>\$ 6,756,641</u>	<u>\$ 1,104,647</u>	<u>\$ 14,937,609</u>	<u>\$ 642,782</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating income (loss)	\$ 4,452,334	\$ (1,386,628)	\$ 946,208	\$ 4,011,914	\$ (47,505)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,055,268	2,789,693	334,095	4,179,056	-
Customer deposit interest accrued	(2,416)	-	-	(2,416)	-
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(122,688)	(78,786)	(187,844)	(389,318)	(9,200)
Decrease (increase) in grants receivable	-	4,931	-	4,931	-
Decrease (increase) in materials and supplies	(132,694)	67,620	(30,148)	(95,222)	-
Decrease (increase) in real estate held	-	(300,000)	-	(300,000)	-
Decrease (increase) in prepayments	(34,320)	5,412	(109)	(29,017)	-
Decrease (increase) in deferred outflows	(146,942)	(222,289)	107,490	(261,741)	-
Increase (decrease) in accounts payable	126,925	453,801	83,199	663,925	41,695
Increase (decrease) in unearned revenue	-	(41,040)	-	(41,040)	-
Increase (decrease) in customer deposits	(59,189)	-	-	(59,189)	-
Increase (decrease) in accrued expenses	38,888	18,585	32,101	89,574	-
Increase (decrease) in net pension and opeb liabilities	1,000,088	1,346,354	(212,690)	2,133,752	-
Increase (decrease) in deferred inflows	(256,671)	(275,554)	(163,464)	(695,689)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,918,583</u>	<u>\$ 2,382,099</u>	<u>\$ 908,838</u>	<u>\$ 9,209,520</u>	<u>\$ (15,010)</u>
<u>Reconciliation of Total Cash Equivalents</u>					
Current Assets - Cash equivalents	\$ 7,048,537	\$ 6,756,455	\$ 1,104,647	\$ 14,909,639	\$ 642,782
Restricted Assets - Cash equivalents	27,784	186	-	27,970	-
Total Cash Equivalents	<u>\$ 7,076,321</u>	<u>\$ 6,756,641</u>	<u>\$ 1,104,647</u>	<u>\$ 14,937,609</u>	<u>\$ 642,782</u>
<u>Noncash Investing, Capital and Related Financing Activities</u>					
Increase in capital lease obligations	\$ -	\$ -	\$ 1,413,010	\$ 1,413,010	\$ -
Net Noncash Investing, Capital and Related Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,413,010</u>	<u>\$ 1,413,010</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
POLICEMEN AND FIREFIGHTERS PENSION FUND
COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash equivalents	\$ <u>21,744</u>	\$ <u>69,603</u>
<u>Total Assets</u>	21,744	69,603
<u>Liabilities</u>		
Other accounts payable	<u>-</u>	<u>-</u>
<u>Net Position</u>		
Net position restricted for pensions	\$ <u><u>21,744</u></u>	\$ <u><u>69,603</u></u>

CITY OF MADISONVILLE, KENTUCKY
POLICEMEN AND FIREFIGHTERS PENSION FUND
COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Additions</u>		
Contributions:		
Employer	\$ <u>339,556</u>	\$ <u>396,000</u>
Investment earnings:		
Dividends	-	194
Interest	<u>381</u>	<u>892</u>
Net investment earnings	<u>381</u>	<u>1,086</u>
Total Additions	<u>339,937</u>	<u>397,086</u>
<u>Deductions</u>		
Benefits paid	387,796	400,009
Administrative expenses	<u>-</u>	<u>125</u>
Total Deductions	<u>387,796</u>	<u>400,134</u>
<u>Net Increase (Decrease) in Net Position</u>	(47,859)	(3,048)
<u>Net Position - Beginning of Year</u>	<u>69,603</u>	<u>72,651</u>
<u>Net Position - End of Year</u>	<u>\$ 21,744</u>	<u>\$ 69,603</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Madisonville, Kentucky was chartered in May, 1807. The City operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, electrical distribution, water treatment and distribution, wastewater collection and treatment, health and social services, cultural and recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the City are described below:

A. The Financial Reporting Entity

The City of Madisonville, Kentucky is a municipal corporation governed by an elected six member council. The City has adhered to the standards set forth in GASB Statement No. 14 as amended by Statement No. 61, Statement No. 84, and Statement No. 90 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City.

Related Organizations

Elected City officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council appoints a minority of voluntary board members of the Madisonville-Hopkins County Public Library, Hopkins County Joint Planning Commission, the Housing Authority of Madisonville, and the Madisonville/Hopkins County Economic Development Corporation. The City appropriated operating grants of \$190,392 to the Madisonville-Hopkins County Public Library, \$40,000 to the Hopkins County Joint Planning Commission, and \$140,000 to the Madisonville/Hopkins County Economic Development Corporation during the fiscal year ended June 30, 2021.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements with the exception of interfund services provided and used, within the governmental and business-type activities columns. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

or segment, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function, and 3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are costs and other charges between the City's governmental activities and the Light Fund, Water and Sewer Fund, and Sanitation Fund, because elimination of these charges would distort the direct costs and program revenues reported in the statement of activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Each fund is a separate accounting entity with a self-balancing set of accounts. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Franchise taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Occupational taxes, business taxes, licenses, fines, penalties, and miscellaneous are recognized as revenues in the current period in which they can be used to pay liabilities of the current period (usually 45 days). Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund balance sheets, amounts reported as restricted fund balances in governmental funds may be different from amounts reported as restricted net position in the statement of net position.

The City reports the following major governmental fund:

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

Light Fund - The Light Fund is used to account for the provision of electrical service to the residents of the City. Activities of the fund include wholesale purchase of electricity, administration, distribution infrastructure additions and maintenance, and billing and collection activities. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Water and Sewer Fund - The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City and some residents of Hopkins County. Activities of the fund include administration, water treatment, distribution infrastructure additions and maintenance, wastewater collection infrastructure additions and maintenance, and wastewater treatment activities. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for water and sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sanitation Fund - The Sanitation Fund is used to account for the collection and disposal of solid waste services to the residents of the City. Activities of the fund include administration, commercial and residential garbage collection, sorting recyclable items, transportation of solid waste, and landfill tipping fees. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Additionally, the City reports the following fund types:

Internal Service Fund - The Self Insured Health Care Trust Fund provides City employees health and life insurance benefits to those who elect coverage.

Fiduciary Funds - The Policemen and Firefighters Pension Trust Fund reports fiduciary resources held in trust and the receipt, investment, and distribution of retirement benefits.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

D. Assets, Liabilities, and Net Position or Equity

Cash and Investments

Cash and cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. For the purpose of the statement of cash flows, the City considers all cash in banks with original maturities of three months or less or available for withdrawal by City management to be cash and cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

City ordinances authorize the City to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, and demand deposits. All investments must be purchased through local brokers/dealers or deposited with local financial institutions. Also by ordinance, the Policemen and Firefighters Pension Fund may invest in deposits with out-of-state financial institutions, corporate stocks and bonds, and limited partnership interests. In accordance with GASB Statement No. 72, the City categorizes its fair value measurements within the fair value hierarchy based on the valuation inputs used to measure the fair value of the asset.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are recorded in the Governmental, Business-type, and Internal Service funds, net of appropriate allowance for uncollectible accounts. An allowance for uncollectible accounts has been provided based on prior years' loss experiences as a percentage of revenues billed. Based on past experience, management considers the allowance adequate to provide for any losses on collection of the June 30, 2021, accounts receivable.

Short-Term Interfund Receivables and Payables

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Materials and Supplies

Inventories of materials and supplies are valued at average cost. Resale inventories are valued at the lower of cost or market. Real estate held for resale is valued at the lower of cost or fair market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items and are accounted for using the consumption method. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable debt agreements. The

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

restricted funds have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. Assets are also restricted for deposits received from light customers, as well as amounts received in advance of services provided.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note 4 for information describing restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (excluding those acquired prior to June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value on the date of acquisition as defined under GASB 72. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	20-50 years
Utility Plant	30-33 years
Studies, Surveys, and Maps	10-20 years
Machinery and Equipment	3-10 years

When capital assets are disposed of, the cost and accumulated depreciation or amortization is removed from the accounts, and any resultant gain or loss is recognized in the government-wide and proprietary fund financial statements.

Unearned Revenue

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available. In the proprietary funds (and for the governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method and are reported as deferred amounts from refunding debt. Issuance costs are reported as expenses.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and the proprietary fund financial statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences and contractually required pension and other post employment benefit contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

Compensated Absences

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacation, sick and other leave benefits that meet the following conditions:

- a) The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b) The obligation relates to rights that vest or accumulate.
- c) Payment of the compensation is probable.
- d) The amount can be reasonably estimated.

Employees vacation leave will accrue on the 1st of the month after the date hired. Vacation leave shall start accruing based upon years of service on January 1 of each year and is based on continuous employment. Employees who work 35 hours per week earn 70 hours per year during the first five years of employment, 105 hours per year during and after the sixth year to ten years, 140 hours during the eleventh year to twenty-five years, and 175 hours per year after 25 years. Employees who work 40 hours per week earn 80 hours per year during the first five years of employment, 120 hours per year during and after the sixth year to ten years, 160 hours during the eleventh year to twenty-five years, and 200 hours per year after 25 years. Employees who work an average of 56 hours per week earn 120 hours per year during the first five years of employment, 144 hours per year during and after the sixth year to ten years, 192 hours during the eleventh year to twenty-five years, and 240 hours per year after 25 years. An employee may carry over vacation days at the end of the calendar year upon written permission from the Human Resources Manager for a period not to exceed 12 months. Therefore, compensated absences are reflected as current liabilities in the Statement of Net Position. All outstanding vacation leave is payable upon resignation, retirement, or death.

Employees accumulate sick leave at a rate of one day per month up to a total of 120 days. No payment is made for any unused sick leave; upon resignation, retirement or death, sick leave benefit obligations do not vest with employees.

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 Policemen & Firefighters Pension Plan (PFPP) and County Employees Retirement System (CERS) and additions to/deductions from PFPP's and CERS's fiduciary net position have been determined on the same basis as they are reported by PFPP and CERS. For this purpose, benefit

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is related to the acquisition, construction, or improvement of capital assets. The outstanding debt is offset by any unspent financing proceeds. Deferred inflows or outflows of resources related to capital assets or debt will also be included in this component.
- Restricted net position results from constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. In addition, this component is adjusted for the liabilities and deferred inflows of resources that are related to restricted assets.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance Classification

In governmental fund financial statements, equity is classified as fund balance and is displayed in up to five components based primarily on the extent to which the City is bound to observe constraints imposed on the use of fund resources. These components are as follows:

- Nonspendable fund balance - amounts that are not in spendable form (such as materials and supplies inventory, prepayments, and real estate held for resale) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by the Finance Director to which the City Council delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. This is the residual fund balance that is not contained in nonspendable fund balance, restricted fund balance, committed fund balance or assigned fund balance. The general fund is the only fund that reports a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

E. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category.

Deferred outflows related to refunding debt are reported in the government-wide and proprietary statement of net position. A deferred outflow from refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the effective interest method.

Deferred outflows related to pensions and other post employment benefits are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions and other post employment benefits results from City contributions made subsequent to the measurement date and various changes resulting from actuarial pension/opeb measurements. The contribution amount is deferred and will be recognized as a reduction of net pension and other post employment liabilities in the year ending June 30, 2022. The various changes resulting from actuarial pension/opeb measurements are deferred and amortized in future periods as a component of pension/opeb expense.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category.

The City reports unavailable revenue - property taxes only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available under the modified accrual basis of accounting.

Deferred inflows related to pensions and other post employment benefits are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions and other post employment benefits results from net differences between expected and actual earnings on pension and other post employment benefit plan investments and various changes resulting from actuarial pension/opeb measurements. These amounts are deferred and will be recognized as a reduction of pension and other post employment benefit expense over future periods.

F. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues (including occupational and insurance premium taxes, franchise fees, and licenses) are accrued. Property taxes are generally billed and collected within the same period in which the taxes are levied. In addition, revenue from Federal and State reimbursement type grants for which eligibility requirements have been met have been accrued and recognized as revenues of the period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures are recognized when the related fund liability is incurred except for the following, which are permitted by generally accepted accounting principles. General obligation long-term debt principal and interest, compensated absences, pension and other benefits, and other long-term liabilities are reported only when due.

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. The principal operating revenue of the proprietary funds is receipts from customers. Operating expenses for these operations include all costs related to providing the service. These costs include salaries, contractual services, supplies, maintenance, depreciation, and administrative expenses. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

G. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds.

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

The City Finance Director is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by a majority vote of the City Council.

As required by Kentucky Revised Statutes (K.R.S.) 91A.030 (1), formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds. Budgets for Internal Service and Fiduciary Type Funds are not legally required, therefore, none are presented. Total expenditures for a fund legally may not exceed the total appropriations as required by K.R.S. 91A.030 (13). All appropriations lapse at year-end.

Budget amendments, as allowed by ordinance, require majority approval by the City Council. The budget was amended on June 21, 2021, for the following:

- a) Increase budgeted expenditures of the Restaurant Tax Special Revenue Fund by \$580,500 for additional capital outlay. The \$580,500 difference is covered by additional tax revenues and contributions from local organizations.
- b) Increase budgeted expenditures of the General Fund by \$320,000 for additional capital outlay and decreased public safety expenditures. The \$320,000 difference is covered by additional grant revenues.
- c) Increase budgeted expenses of the Sanitation Fund by \$250,000 for additional maintenance and sanitation collection and disposal expenses. The \$250,000 difference is covered by current year operating revenues.
- d) Increase budgeted expenses of the Municipal Aid Fund by \$237,000 for additional capital outlay. The \$237,000 difference is covered by current year intergovernmental revenues.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Subsequent Events

The City has evaluated subsequent events through December 17, 2021, the date which the financial statements were available to be issued.

K. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The government has no material violations of finance related legal and contractual provisions.

Excess of Expenditures Over Appropriations in Individual Funds

The following fund had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2021:

Alcoholic Beverage Control Fund	\$	4,751	Due to under budgeted operating expenditures
Coal Severance Tax Fund	\$	8,612	Due to under budgeted transfers

The excess expenditures were due mainly to budgeting practices. Fund equity and other financial sources were sufficient to offset the excess expenditures in the above funds. Annual budgets were adopted for the general fund, all special revenue funds and all enterprise funds.

Net Position Restrictions

Only restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to business-type activities at June 30, 2021:

Light Enterprise Fund	\$	27,784	Restricted for customer deposits
Water & Sewer Enterprise Fund		<u>2,871,050</u>	Restricted for debt service
Total		<u>\$ 2,898,834</u>	

3. DEPOSITS AND INVESTMENTS

Net Position

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	<u>Deposits</u>	<u>Investments</u>	<u>Primary Government Total</u>	<u>Pension Trust</u>
Cash equivalents	\$ 21,656,709	\$ -	\$ 21,656,709	\$ 21,744
Investments	780,493	-	780,493	-
Restricted assets:				
Cash equivalents	44,185	186	44,371	-
Investments	<u>1,465,796</u>	<u>2,695,652</u>	<u>4,161,448</u>	-
Total	<u>\$ 23,947,183</u>	<u>\$ 2,695,838</u>	<u>\$ 26,643,021</u>	<u>\$ 21,744</u>

At year-end, the carrying amount of the City's deposits was \$23,947,183 and the bank balance was \$24,535,112. The \$587,929 difference represents outstanding checks, deposits in transit, and other reconciling items.

Custodial Credit Risk

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 City policy, \$1,172,367 of the City's deposits was covered by federal depository insurance and \$22,015,654 was collateralized by securities held by the

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

pledging financial institution's agent or trust department in the City's name. The City had \$1,347,091 of deposits that were uninsured and uncollateralized and exposed to custodial credit risk.

The custodial credit risk for investments is the risk that, in the event of the failures of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The City's investment policy states that investment assets shall be secured through a third party custodian and safekeeping procedures. Bearer instruments shall be held only through third party institutions.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has adopted a formal investment policy. However, that policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Trustees of the Policemen and Firefighters Pension Fund have not adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City and the Trustees of the Policemen and Firefighters Pension Fund have elected the specific identification method to disclose interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. According to the City's investment policy, investments in corporate bonds and/or time deposits have been limited to US Government Agency obligations or entities carrying a superior credit rating. The other investments of the primary government are collateralized certificates of deposit or direct obligations of the US Government and its instrumentalities or with mutual funds. The City's Policemen and Firefighters Pension Fund Board of Trustees has primary responsibility for credit risk related to Fiduciary Fund investments and has engaged a professional financial advisor to consult on investment activity.

Concentration of Credit Risk

The City's adopted investment policy limits the amount that may be invested with one issuer to no more than 30% of the City's investment portfolio, with the exception of fully insured or fully collateralized investments and authorized investment pools. At June 30, 2021, the City had 55% of its primary government investments in mutual funds holding US Government securities, 27% was invested in time deposits that are uncollateralized, and 18% in fully collateralized certificates of deposit.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical investments in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Level 2 fixed income securities are priced by industry standard vendors, such as ICE Data Services (IDC), using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. The City has no Level 3 inputs.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Identification

At June 30, 2021, the City had the following recurring fair value measurements:

<u>Investments by Fair Value Level</u>	<u>Maturities</u>	<u>Fair Value Using Level 1</u>	<u>Fair Value Using Level 2</u>
Mutual Funds:			
Federated Government Obligations	N/A	\$ 1,842,024	\$ -
Federated Treasury Obligations	N/A	853,628	-
Total Mutual Funds		<u>2,695,652</u>	<u>-</u>
Time Deposits:			
Bayerische Landesbank	09/01/2022	-	1,347,091
Certificate of Deposit:			
Old National Bank	01/16/2024	17,529	-
Farmers Bank	10/15/2021	57,835	-
Hancock Bank	06/14/2023	60,870	-
Hancock Bank	06/14/2023	336,391	-
Hancock Bank	03/14/2022	329,570	-
First United Bank & Trust	09/03/2021	97,003	-
Total Certificates of Deposit		<u>899,198</u>	<u>-</u>
Total Primary Government		<u>\$ 3,594,850</u>	<u>\$ 1,347,091</u>

4. **RESTRICTED NET POSITION**

Restricted for Customer Deposits

Customer deposits for utility services scheduled to be refunded are segregated into a separate account. At June 30, 2021, customer deposits of \$27,784 were deposited in a noninterest bearing checking account at Independence Bank for the purpose of refunding customer deposits.

Bond Issue Construction

At June 30, 2021, the City maintained \$325,751 restricted for water treatment improvement construction and system infrastructure improvements as allowed by Water & Sewer System Series 2003A Bond Ordinance. The funds were invested in a Federated Government Obligations Fund through an account administered by the Bank of New York.

Debt Covenant Requirements

	<u>Loan Reserve Funds</u>	<u>Payment and Interest Fund</u>	<u>Bond Reserve Fund</u>	<u>Depreciation Fund</u>
Cash Deposits	\$ -	\$ 186	\$ -	\$ -
Certificates of Deposit	118,705	-	-	-
Time Deposits	-	812,232	534,859	-
Mutual Funds	-	874,616	641,657	853,628
Totals	<u>\$ 118,705</u>	<u>\$ 1,687,034</u>	<u>\$ 1,176,516</u>	<u>\$ 853,628</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Net Position Restricted for Debt Service

A portion of the Net Position of the Water & Sewer Enterprise Fund is reserved for debt service. The reserved portion is calculated as follows:

<u>Debt Requirement Restricted Assets</u>			
Revenue bond payment and interest fund	\$	1,687,034	
Bond reserve fund		1,176,516	
Depreciation fund		853,628	
Loan reserve funds		<u>118,705</u>	
Total	\$		3,835,883
 <u>Current Portion of Debt Requirements</u>			
Revenue bonds and debt payable		925,000	
Accrued interest payable		<u>39,833</u>	
Total			<u>964,833</u>
<u>Net Position Restricted for Debt Service</u>	\$		<u><u>2,871,050</u></u>

5. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2021, for governmental activities follows:

	Beginning Balance	Increases	Decreases	Transfers & Reclasses	Ending Balance
Governmental activities:					
Nondepreciable capital assets:					
Land and other	\$ 5,430,520	\$ 72,000	\$ -	\$ -	\$ 5,502,520
Construction in progress	<u>960,330</u>	<u>898,358</u>	<u>-</u>	<u>(660,000)</u>	<u>1,198,688</u>
Total nondepreciable capital assets	<u>6,390,850</u>	<u>970,358</u>	<u>-</u>	<u>(660,000)</u>	<u>6,701,208</u>
 Depreciable capital assets:					
Buildings	23,559,356	489,694	-	607,769	24,656,819
Improvements other than buildings	7,225,260	222,064	-	52,231	7,499,555
Machinery and equipment	12,065,819	807,368	(217,036)	33,650	12,689,801
Infrastructure	<u>34,785,032</u>	<u>610,154</u>	<u>-</u>	<u>-</u>	<u>35,395,186</u>
Total depreciable capital assets	<u>77,635,467</u>	<u>2,129,280</u>	<u>(217,036)</u>	<u>693,650</u>	<u>80,241,361</u>
 Less accumulated depreciation for:					
Buildings	(11,437,069)	(782,909)	-	-	(12,219,978)
Improvements other than buildings	(2,191,790)	(428,827)	-	-	(2,620,617)
Machinery and equipment	(7,585,608)	(594,980)	168,415	(33,650)	(8,045,823)
Infrastructure	<u>(29,688,001)</u>	<u>(503,046)</u>	<u>-</u>	<u>-</u>	<u>(30,191,047)</u>
Total accumulated depreciation	<u>(50,902,468)</u>	<u>(2,309,762)</u>	<u>168,415</u>	<u>(33,650)</u>	<u>(53,077,465)</u>
 Total depreciable capital assets, net	 <u>26,732,999</u>	 <u>(180,482)</u>	 <u>(48,621)</u>	 <u>660,000</u>	 <u>27,163,896</u>
 Governmental activities capital assets, net	 <u>\$ 33,123,849</u>	 <u>\$ 789,876</u>	 <u>\$ (48,621)</u>	 <u>\$ -</u>	 <u>\$ 33,865,104</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Business-type Activities

A summary of proprietary fund property, plant and equipment at June 30, 2021, for business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers & Reclasses</u>	<u>Ending Balance</u>
Business-type activities:					
Nondepreciable capital assets:					
Land and other	\$ 1,385,400	\$ -	\$ -	\$ -	\$ 1,385,400
Construction in progress	<u>53,901</u>	<u>573,063</u>	<u>-</u>	<u>(53,901)</u>	<u>573,063</u>
Total nondepreciable capital assets	<u>1,439,301</u>	<u>573,063</u>	<u>-</u>	<u>(53,901)</u>	<u>1,958,463</u>
Depreciable capital assets:					
Plants and facilities	110,563,192	2,951,784	(392,988)	16,500	113,138,488
Systems studies and mapping	747,548	40,325	-	-	787,873
Machinery and equipment	<u>11,027,053</u>	<u>1,371,979</u>	<u>(1,399,852)</u>	<u>50,045</u>	<u>11,049,225</u>
Total depreciable capital assets	<u>122,337,793</u>	<u>4,364,088</u>	<u>(1,792,840)</u>	<u>66,545</u>	<u>124,975,586</u>
Less accumulated depreciation for:					
Plants and facilities	(58,491,468)	(3,345,259)	392,987	-	(61,443,740)
Systems studies and mapping	(408,070)	(53,028)	-	-	(461,098)
Machinery and equipment	<u>(6,621,604)</u>	<u>(780,769)</u>	<u>169,694</u>	<u>(12,644)</u>	<u>(7,245,323)</u>
Total accumulated depreciation	<u>(65,521,142)</u>	<u>(4,179,056)</u>	<u>562,681</u>	<u>(12,644)</u>	<u>(69,150,161)</u>
Total depreciable capital assets, net	<u>56,816,651</u>	<u>185,032</u>	<u>(1,230,159)</u>	<u>53,901</u>	<u>55,825,425</u>
Business-type activities capital assets, net	<u>\$ 58,255,952</u>	<u>\$ 758,095</u>	<u>\$ (1,230,159)</u>	<u>\$ -</u>	<u>\$ 57,783,888</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Highways and streets, including depreciation of general infrastructure assets	\$ 545,523
Airport	511,582
Public safety	448,264
General government	491,567
Culture and recreation	292,409
Cemetery	<u>20,417</u>
Total depreciation expense - governmental activities	<u>\$ 2,309,762</u>
Business-type activities:	
Light	\$ 1,055,268
Water and sewer	2,789,693
Sanitation	<u>334,095</u>
Total depreciation expense - business-type activities	<u>\$ 4,179,056</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

6. PROPERTY TAX

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Hopkins County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Hopkins County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2021, taxes were levied on October 1, 2020, and payable on November 30, 2020. The tax rate was 12.2 cents per \$100 of assessed valuation of real property; 15.0 cents per \$100 for motor vehicles and watercraft, 15.59 cents per \$100 for all other tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

7. EMPLOYEE RETIREMENT SYSTEMS

The City maintains a single-employer, defined benefit pension plan (Policemen and Firefighters Pension Fund) which covers public safety employees employed prior to February 1, 1988, who elect to participate in the plan. The City also participates in the County Employees Retirement System, a multiple-employer, cost-sharing public employee pension plan which covers all of the City's employees hired after February 1, 1988, and those employees electing coverage under the plan who were employed on February 1, 1988.

The City's aggregate information for the fiscal year ending June 30, 2021 on pension/opeb reporting is as follows:

	<u>Policemen and Firefighters Pension Plan</u>	<u>Nonhazardous CERS Cost-Sharing</u>	<u>Hazardous CERS Cost-Sharing</u>	<u>Total</u>
Net Liability:				
Pension	\$ 4,243,050	\$ 24,836,419	\$ 30,399,838	\$ 59,479,307
OPEB	-	7,816,902	9,315,160	17,132,062
Total Net Liability	<u>\$ 4,243,050</u>	<u>\$ 32,653,321</u>	<u>\$ 39,714,998</u>	<u>\$ 76,611,369</u>
Deferred Inflows of Resources:				
Pension	\$ 77,857	\$ -	\$ 587,316	\$ 665,173
OPEB	-	1,321,436	1,225,953	2,547,389
Total Deferred Inflows of Resources	<u>\$ 77,857</u>	<u>\$ 1,321,436</u>	<u>\$ 1,813,269</u>	<u>\$ 3,212,562</u>
Deferred Outflows of Resources:				
Pension	\$ 190,032	\$ 4,462,184	\$ 4,669,405	\$ 9,321,621
OPEB	-	3,727,740	2,894,779	6,622,519
Total Deferred Outflows of Resources	<u>\$ 190,032</u>	<u>\$ 8,189,924</u>	<u>\$ 7,564,184</u>	<u>\$ 15,944,140</u>
(Income)/Expense:				
Pension	\$ (112,714)	\$ 4,411,819	\$ 4,749,236	\$ 9,048,341
OPEB	-	868,989	1,421,126	2,290,115
Total (Income)/Expense	<u>\$ (112,714)</u>	<u>\$ 5,280,808</u>	<u>\$ 6,170,362</u>	<u>\$ 11,338,456</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Information about the single employer and cost-sharing defined benefit plans follows:

Policemen and Firefighters Pension Plan

General Information about the Plan

1. Plan Description

The Policemen and Firefighters Pension Fund is a single-employer, defined benefit pension plan that was established March 5, 1943. The fund provides benefits for widows and retiring personnel of the police and fire departments whose date of employment was prior to February 1, 1988, who elect to continue participation in the plan. A Board of Trustees consisting of the Mayor, City Clerk, a Council Member, and two retired beneficiaries administer the fund. The City no longer has active employees contributing to the plan. There is not a separate, audited GAAP basis report available for this plan. As of June 30, 2021, all plan participants had retired. Membership at June 30, 2021, is as follows:

Retirees and beneficiaries currently receiving benefits	17
Vested terminated employees	0
Active employees:	
Fully vested-participating	0
Nonvested	0

2. Summary of Significant Accounting Policies

The Policemen & Firefighters Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Fund 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 the terms as stated in Kentucky Revised Statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The City follows GASB pronouncements as codified under GASB 62.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

3. Benefits Provided

Employees attaining the age of 51 years who have completed 20 or more years of service are entitled to an annual benefit of 50% of final salary at the time of retirement. Rights in a service retirement annuity vest upon completion of 20 years of service.

The Plan provides for occupational death benefits, which entitle the spouse to receive immediate income equal to 50% of the member's last rate of pay regardless of the employee's length of service. The income ceases at the spouse's death or remarriage. In addition, \$6 per month is payable to the spouse for each minor child until each child attains age 14. Each surviving dependent parent (if both are alive) is entitled to a benefit of \$15 per month. If only one dependent parent is living, then that parent is entitled to a benefit of \$30 per month. If a member dies from non-occupational causes after completing at least 12 years of service, his/her spouse, dependent children, and dependent parent(s) are entitled to the same benefits as payable under the occupational death benefit.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

The Plan provides for disability benefits based on years of service. If a member becomes disabled and has completed at least 12 years of service, the member receives 50% of his final salary. If the member has less than 12 years of service, the member receives a fixed benefit determined by the Board of Trustees, on the ratio of years of service to 12, not to exceed 50% of final salary.

Upon termination, a member may receive a refund of his accumulated contributions to the fund without interest. However, no post-retirement cost of living increases are provided for in the plan. A \$100 funeral benefit is payable to a deceased member's family for funeral expenses.

4. Contributions

Active members are required under Kentucky Revised Statutes to contribute 3.5% of their annual salary to the Fund. The City is required to contribute the remaining amounts necessary to fund the plan, using the entry age-normal actuarial method as specified by ordinance. Effective in 1990, legislation was passed which provides that the Board of Trustees may grant an annual cost-of-living adjustment if actuarially supportable up to a maximum of 5%. During March 2006, the Board of Trustees granted those receiving benefits a one time cost-of-living adjustment increase of \$45 per month.

5. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

Total pension liability	\$	4,264,794
Plan fiduciary net position		(21,744)
City's net pension liability	\$	<u>4,243,050</u>
Plan fiduciary net position as a percentage of the total pension liability		0.51 %

For the year ended June 30, 2021, the City recognized pension expense of \$112,714. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Types of Deferred Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ 77,857	\$ (77,857)
Change of assumptions	190,032	-	190,032
Net difference between projected and actual earnings on pension plan investments	-	-	-
Total	\$ <u>190,032</u>	\$ <u>77,857</u>	\$ <u>112,175</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

The deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending</u>	
June 30, 2022	\$ 60,679
June 30, 2023	(22,567)
June 30, 2024	41,043
June 30, 2025	<u>33,020</u>
Total	<u>\$ 112,175</u>

In the table above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

6. Actuarial Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2021, actuarial valuation developed by SG Actuarial Services LLC. The valuation used an entry age actuarial funding method. The actuarial assumptions included (a) 2.25% investment rate of return; (b) no cost-of-living adjustment; and (c) no inflation rate adjustment. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 10 years. Mortality was determined using the RP-2000 Mortality Table projected to 2019 without collar adjustment (separate tables for Male and Female lives). The General Fund of the City of Madisonville, Kentucky provides administrative costs such as professional fees and beneficiary services. Other miscellaneous investment fees and miscellaneous costs are paid from available net position in the Fund.

The long-term expected rate of return on pension plan assets was reviewed as part of the July 1, 2021, valuation. Given the fact that the current level of plan assets is 0.51% of projected plan liabilities, the amount of any investment return is essentially irrelevant regardless of the actual underlying rate of return on invested assets. The plan is for all practical purposes in a "pay as you go" funding mode.

7. Discount Rate

The discount rate used to measure the total pension liability was 2.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine to total pension liability.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

8. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/20	\$ 4,424,517	\$ 69,603	\$ 4,354,914
Changes for the year:			
Interest	115,898	-	115,898
Differences between expected and actual experience	(77,857)	-	(77,857)
Changes of assumptions	190,032	-	190,032
Contributions-employer	-	339,556	(339,556)
Net investment income	-	381	(381)
Benefit payments, including refunds of employee contributions	(387,796)	(387,796)	-
Net changes	(159,723)	(47,859)	(111,864)
Balances at 6/30/21	<u>\$ 4,264,794</u>	<u>\$ 21,744</u>	<u>\$ 4,243,050</u>

9. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 2.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.25%) or 1-percentage point higher (3.25%) than the current rate:

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
City's net pension liability	\$ 4,618,639	\$ 4,243,050	\$ 3,918,341

County Employees Retirement System

General Information about the Pension Plan

1. Plan Description

The City of Madisonville, Kentucky is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA). The CERS pension plan has two categories: Nonhazardous for general employees and Hazardous for sworn police and fire employees. The KPPA is the successor to Kentucky Retirement Systems and was created by state statute under Kentucky Revised Statute Section 61.645 as amended by House Bill 484 and House Bill 9 of the 2020 and 2021 regular sessions, respectively, of the Kentucky General Assembly. These amendments transferred governance of the CERS to a separate nine member board of trustees. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report containing CERS information that can be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

On January 18, 1988, the City Council adopted an ordinance which allowed all employees of the City hired before February 1, 1988, at their option, to participate in the CERS. Under the same ordinance, all employees hired after February 1, 1988, are mandated participants in the CERS.

The total pension liability is based on membership in the CERS Nonhazardous and Hazardous pension plan as of June 30, 2019:

<u>Membership Status</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
Inactive plan members currently receiving benefits	64,539	10,023
Inactive plan members entitled to but not yet receiving benefits	91,543	3,422
Active plan members	<u>81,506</u>	<u>9,474</u>
Total plan members	<u><u>237,588</u></u>	<u><u>22,919</u></u>

2. Benefits Provided

Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. CERS provides retirement, death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years service. For retirement purposes, nonhazardous and hazardous employees are grouped into three tiers, based on hire date.

Nonhazardous members:

Tier 1	Participation date Unreduced retirement Reduced retirement Benefits provided	Prior to September 1, 2008 27 years of service or 65 years old with 4 year of service Minimum 5 years of service and 55 years old Minimum 25 years of service and any age Determined by formula using the member's highest five consecutive year average compensation, which must contain at least 48 months
Tier 2	Participation date Unreduced retirement Reduced retirement Benefits provided	September 1, 2008 to December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Minimum 10 years of service and 60 years old Determined by formula using the member's highest five consecutive year average compensation, which must contain at least 60 months
Tier 3	Participation date Unreduced retirement Reduced retirement Benefits provided	After December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Not available Determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the KPPA Board based on the member's accumulated account balance

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Hazardous members:

Tier 1	Participation date Unreduced retirement	Prior to September 1, 2008 20 years of service and any age
	Reduced retirement Benefits provided	Minimum 5 years of service and 55 years old Minimum 15 years of service and 50 years old Determined by a formula with the member's highest three consecutive year average compensation, which must have at least 24 months
Tier 2	Participation date Unreduced retirement	September 1, 2008 to December 31, 2013 Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement Benefits provided	Minimum 15 years of service and 50 years old Determined by a formula using the member's highest three consecutive year average compensation, which must have at least 36 months
Tier 3	Participation date Unreduced retirement	After December 31, 2013 Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement Benefits provided	Not available Determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the KPPA Board based on the member's accumulated account balance

3. Contributions

Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. State statute requires active members to contribute a percentage of creditable compensation based on the tier:

<u>Nonhazardous</u>		<u>Hazardous</u>	
	<u>Required Contributions</u>		<u>Required Contributions</u>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the Board of Trustees annually based upon actuarial valuations. For the year ended June 30, 2021, the employer contribution rate was 19.30% and 30.06%, respectively, of members' nonhazardous and hazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. City employer CERS contributions for the year ended June 30, 2021, were \$3,590,003 which consisted of \$1,701,184 and \$1,888,819 for nonhazardous and hazardous classified employees, respectively.

4. Refunds of Contributions

Employees who have terminated service as a contributing member of CERS may file an application for a refund of their contributions. Employee accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1981; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter. For Tier 1 employees participating prior to

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

September 1, 2008, the interest paid is set by the KPPA Board and will not be less than 2%, for Tier 2 employees participating on or after September 1, 2008, but before January 1, 2014, interest will be credited at a rate of 2.5%. For Tier 3 employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4%.

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

At June 30, 2021, the City reported a net pension liability of \$55,236,257 for its proportionate share of the CERS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled-forward from the valuation date to June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net pension liability was determined using the City's actual contributions for the plan year ended June 30, 2020. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2020, the City's proportion was 0.323816 percent for nonhazardous classified employees and 1.008277 percent for hazardous classified employees.

The following is a summary of the City's CERS net pension liability:

City's nonhazardous proportionate share of the CERS net pension liability	\$ 24,836,419
City's hazardous proportionate share of the CERS net pension liability	30,399,838
	\$ 55,236,257

For the year ended June 30, 2021, the City recognized pension expense of \$9,161,055 (\$4,411,819 nonhazardous and \$4,749,236 hazardous). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Types of Deferred Resources	Nonhazardous Employees		Hazardous Employees		Total
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 621,500	\$ -	\$ 684,836	\$ -	\$ 1,306,336
Changes in proportion and differences between employer contributions and proportionate share of contributions	550,338	-	-	587,316	(36,978)
Change of assumptions	969,820	-	1,152,933	-	2,122,753
Difference between expected and actual experience	619,342	-	942,817	-	1,562,159
Contributions subsequent to the measurement date	1,701,184	-	1,888,819	-	3,590,003
Total	\$ 4,462,184	\$ -	\$ 4,669,405	\$ 587,316	\$ 8,544,273

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

The \$3,590,003 (\$1,701,184 nonhazardous and \$1,888,819 hazardous) reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS pensions will be recognized in pension expense as follows:

Years Ending	Nonhazardous	Hazardous
June 30, 2022	\$ 1,328,696	\$ 1,019,375
June 30, 2023	861,348	559,464
June 30, 2024	321,347	331,041
June 30, 2025	249,609	283,390
Total	\$ 2,761,000	\$ 2,193,270

In the table above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

6. Actuarial Assumptions

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). 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 (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total pension liability as of June 30, 2020, was determined using these updated assumptions. The following actuarial methods and assumptions were used in performing the actuarial valuation as of June 30, 2020.

Inflation	2.30%
Payroll growth rate	2.00% for CERS nonhazardous and hazardous
Salary increases	3.30% to 10.30% (varies by service) for CERS nonhazardous 3.55% to 19.05% (varies by service) for CERS hazardous
Investment rate of return	6.25%, net of pension plan investment expense including inflation

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurred in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The mortality table used for active members was a Pub-2010 General Mortality table for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

The long-term expected rate of return was determined by using a building block method which best estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighing the expected future real rate of return by the target asset allocation percentage. The current long term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous systems.

The target allocation and best estimates of arithmetic real rates of return for each major asset class at June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50 %	
US Equity	18.75 %	4.50 %
Non-US Equity	18.75 %	5.25 %
Private Equity	10.00 %	6.65 %
Specialty Credit/High Yield	15.00 %	3.90 %
Liquidity	14.50 %	
Core Bonds	13.50 %	(0.25)%
Cash	1.00 %	(0.75)%
Diversifying Strategies	23.00 %	
Real Estate	5.00 %	5.30 %
Opportunistic	3.00 %	2.25 %
Real Return	15.00 %	3.95 %
Expected Real Return	100.00 %	3.96 %
Long Term Inflation Assumption		2.30 %
Expected Nominal Return for Portfolio		6.26 %

7. Discount Rate

The discount rate used to measure the total pension liability for the plan was 6.25% for both nonhazardous and hazardous employees. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates 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 determination does not use a municipal bond rate. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate (6.25%):

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
<i>Nonhazardous</i>			
City's proportionate share of the net pension liability	\$ 30,628,709	\$ 24,836,419	\$ 20,040,183
<i>Hazardous</i>			
City's proportionate share of the net pension liability	\$ 37,569,870	\$ 30,399,838	\$ 24,547,196

9. Payables to the Pension Plan

At June 30, 2021, the City owed \$364,545 in contractually required employee and employer pension contributions primarily for the month ended June 30, 2021. The obligation was paid within prescribed time limits.

Other Post-Employment Benefit Plan (OPEB)

General Information about the OPEB Plan

1. Plan Description

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

The total OPEB liability is based on membership in the CERS Nonhazardous and Hazardous Insurance Fund as of June 30, 2019:

Membership Status	Nonhazardous	Hazardous
Inactive plan members currently receiving benefits	36,371	6,853
Inactive plan members entitled to but not yet receiving benefits	29,362	856
Active plan members	81,147	9,470
Total plan members	146,880	17,179

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Note, the membership counts for the health insurance plans are different than the membership counts for the retirement fund due to differences in vesting provisions and the coordination of delivery of health insurance benefits to members that have earned service in more than one system maintained by KRS.

2. Benefits Provided

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

For members participating prior to July 1, 2003, the Insurance Fund pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Hazardous duty members are also eligible for an additional contribution for dependents based upon hazardous service only. For employees participating prior to July 1, 2003, years of service and respective percentage of the maximum contribution are shown below:

<u>Service Period</u>	<u>% paid by Insurance Fund</u>
20 or more year	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008, are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. Nonhazardous 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. Hazardous employees whose participation began on, or after, July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. The monthly health insurance contribution is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index (CPI) prior to July 1, 2009, and by 1.5% annually from July 1, 2009. 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.

3. 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 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,

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

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. As of June 30, 2021, the employer contribution rate was 4.76% and 9.52%, respectively, of members' nonhazardous and hazardous salaries. City employer insurance contributions for the year ended June 30, 2021, were \$1,017,755 which consisted of \$419,566 and \$598,189 for nonhazardous and hazardous classified employees, respectively.

Employees hired after September 1, 2008, are required to contribute an additional 1% of their covered payroll to the insurance fund. Contributions are deposited into an account created for the payment of health insurance benefits under 26 USC Section 401(h). These members are classified in the Tier 2/Tier 3 structure of benefits and the 1% contribution to the 401(h) account is non-refundable.

4. Implicit Subsidy

The fully-insured premiums KPPA pays for the KERS, CERS, and SPRS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Since 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 non-Medicare eligible retirees. Participating employers should adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes. This adjustment is needed for contributions made during the measurement period and for the purpose of deferred outflows/(inflows) related to contributions made after the measurement date. The City's implicit subsidy for the year ending June 30, 2020, was \$191,843 for nonhazardous employees and \$43,774 for hazardous employees.

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

At June 30, 2021, the City reported a net OPEB liability of \$17,132,062 for its proportionate share of the CERS net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled-forward to June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was determined using the City's actual contributions for the plan year ended June 30, 2020. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2021, the City's proportion was 0.323722 percent for nonhazardous classified employees and 1.008019 percent for hazardous classified employees.

The following is a summary of the City's CERS net OPEB liability:

City's nonhazardous proportionate share of the CERS net OPEB liability	\$ 7,816,902
City's hazardous proportionate share of the CERS net OPEB liability	<u>9,315,160</u>
Total CERS net OPEB liability associated with the City	<u>\$ 17,132,062</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

For the year ended June 30, 2021, the City recognized OPEB expense of \$2,290,115 (\$868,989 nonhazardous and \$1,421,126 hazardous). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Types of Deferred Resources</u>	<u>Nonhazardous Employees</u>		<u>Hazardous Employees</u>		<u>Total</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	
Net difference between projected and actual earnings on OPEB plan investments	\$ 259,816	\$ -	\$ 413,498	\$ -	\$ 673,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	190,795	6,108	-	287,149	(102,462)
Changes of assumptions	1,359,679	8,268	1,519,658	8,583	2,862,486
Difference between expected and actual experience	1,306,040	1,307,060	319,660	930,221	(611,581)
Contributions subsequent to the measurement date, including implicit subsidy	<u>611,410</u>	<u>-</u>	<u>641,963</u>	<u>-</u>	<u>1,253,373</u>
Total	<u>\$ 3,727,740</u>	<u>\$ 1,321,436</u>	<u>\$ 2,894,779</u>	<u>\$ 1,225,953</u>	<u>\$ 4,075,130</u>

The \$1,253,373 (\$611,410 nonhazardous and \$641,963 hazardous) reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date and the June 30, 2021, implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
June 30, 2022	\$ 474,990	\$ 294,077
June 30, 2023	551,880	74,190
June 30, 2024	404,478	286,261
June 30, 2025	377,665	271,973
June 30, 2026	(14,119)	100,362
Total	<u>\$ 1,794,894</u>	<u>\$ 1,026,863</u>

In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

6. Actuarial Assumptions

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.

The Board of Trustees adopted new actuarial assumptions for June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total OPEB liability as of June 30, 2020 was determined using these updated assumptions. The following actuarial methods and assumptions were used in performing the actuarial valuation as of June 30, 2020.

Inflation	2.30%
Payroll growth rate	2.00%, CERS nonhazardous and hazardous
Salary increases	3.30% to 10.30% (varies by service) for CERS nonhazardous 3.55% to 19.05% (varies by service) for CERS hazardous
Investment rate of return	6.25%, net of OPEB plan investment expense including inflation
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Post - 65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

The assumed increase in future health care costs, or trend assumption was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations related 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.

Senate Bill 249 passed during the 2020 legislative session and 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 the total OPEB liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The mortality table used for active active members was a Pub-2010 General Mortality table for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The current long term inflation assumption is 2.30% per annum for both the nonhazardous and hazardous systems.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	62.50 %	
US Equity	18.75 %	4.50 %
Non-US Equity	18.75 %	5.25 %
Private Equity	10.00 %	6.65 %
Specialty Credit/High Yield	15.00 %	3.90 %
Liquidity	14.50 %	
Core Bonds	13.50 %	(0.25)%
Cash	1.00 %	(0.75)%
Diversifying Strategies	23.00 %	
Real Estate	5.00 %	5.30 %
Opportunistic	3.00 %	2.25 %
Real Return	15.00 %	3.95 %
Expected Real Return	100.00 %	3.96 %
Long Term Inflation Assumption		2.30 %
Expected Nominal Return for Portfolio		6.26 %

7. Discount Rate

The discount rate used to measure the total OPEB liability was 5.34% for nonhazardous and 5.30% for hazardous. The discount rate is based on the expected rate of return on OPEB plan investments 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 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the OPEB plan's fiduciary net position and future contributions were projected to be sufficient to finance future benefit payments of current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system.

However, the cost associated with the implicit employer subsidy was not included in the calculation of the retirement plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the retirement plan'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 real rates of return for each major asset class are summarized in the KPPA financial report.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

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

The following presents the City's proportionate share of the nonhazardous net OPEB liability calculated using the discount rate of 5.34%, as well as what the City's proportionate share of the nonhazardous net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.34%) or one percentage point higher (6.34%) than the current rate (5.34%):

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
<i>Nonhazardous</i> City's proportionate share of the net OPEB liability	\$ 10,042,424	\$ 7,816,902	\$ 5,989,006

The following presents the City's proportionate share of the hazardous net OPEB liability calculated using the discount rate of 5.30%, as well as what the City's proportionate share of the hazardous net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.30%) or one percentage point higher (6.30%) than the current rate (5.30%):

	1% Decrease (4.30%)	Current Discount Rate (5.30%)	1% Increase (6.30%)
<i>Hazardous</i> City's proportionate share of the net OPEB liability	\$ 12,645,086	\$ 9,315,160	\$ 6,631,914

9. **Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the City's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower and one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<i>Nonhazardous</i> City's proportionate share of the net OPEB liability	\$ 6,052,236	\$ 7,816,902	\$ 9,958,366
<i>Hazardous</i> City's proportionate share of the net OPEB liability	\$ 6,656,887	\$ 9,315,160	\$ 12,583,278

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

10. Payables to the Pension Plan

At June 30, 2021, the City owed \$89,666 in contractually required employee and employer OPEB contributions primarily for the month ended June 30, 2021. The obligation was paid within prescribed time limits.

8. DEFERRED COMPENSATION PLANS

The City provides its employees the opportunity to participate in deferred compensation plans which are administered by the Kentucky Public Employees Deferred Compensation Authority. The plans are offered to all eligible City employees as a voluntary retirement supplement. The Kentucky Deferred Compensation plan offers the following options: 401(k), 401(k) Roth IRA, Roth IRA, and a 457. The City remits amounts withheld from payroll to administrators of each plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Since the City does not perform any investing functions for these plans, the deferred compensation plan assets and related liabilities are not shown on the Statement of Net Position. Employee contributions for the deferred compensation plans totaled \$226,915 for the fiscal year ended June 30, 2021.

9. RISK MANAGEMENT

Effective July 1, 2005, the City implemented a self insured health care trust fund. The purpose of this fund is to accumulate resources to be used in providing health and life insurance benefits to all City employees electing coverage. The City retains the risk of loss for employee health claims up to a maximum of \$100,000 per employee per annum. The aggregate annual claims exposure associated with employee health claims was \$2,759,361 for the plan as a whole whereupon excess risk insurance proceeds from Aetna Life Insurance Company were scheduled to pay 100% of the claims then outstanding for the year ending June 30, 2021. This self-insurance feature exposes the City to a significant possible insurance risk. The plan is accounted for as an internal service fund.

The following is a reconciliation of changes in the aggregate liabilities for the current and the preceding fiscal years:

	<u>Self Insured Health Care Trust Fund</u>
Claims payable at June 30, 2019 (Due in one year)	\$ 192,304
Current Year Claims Expense	2,540,639
Current Year Payments on Claims	<u>(2,590,570)</u>
Claims payable at June 30, 2020 (Due in one year)	142,373
Current Year Claims Expense	2,801,056
Current Year Payments on Claims	<u>(2,759,361)</u>
Claims Payable at June 30, 2021 (Due in one year)	<u>\$ 184,068</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

There were no claims in excess of the reinsurance coverage levels during the fiscal years for the above described plan. The City also has not had any claims in excess of insurance coverage levels for the prior three fiscal years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage.

Beginning July 1, 2011, the City became a participant in the Kentucky League of Cities Insurance Services (KLCIS) Program. The fully funded policy provides workers' compensation coverage and benefits on a statutory basis in accordance with the laws of the State of Kentucky. The policy also provides employers' liability insurance limits of \$4,000,000 which provide for disability and injuries not normally included in the workers' compensation system.

10. WATER AND SEWER ENTERPRISE FUND REVENUE BONDS PAYABLE

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 6/30/2021</u>	<u>Due in One Year</u>
Water & Sewer Refunding Bond (Series 2012)	0.5% - 3.25%	2033	\$ <u>4,895,000</u>	\$ <u>925,000</u>
Total			4,895,000	\$ <u><u>925,000</u></u>
Less current portion			<u>(925,000)</u>	
Long-term portion			<u>\$ 3,970,000</u>	

Principal and interest requirements of the revenue bonds payable as of June 30, 2021, are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021-22	\$ 925,000	\$ 111,896	\$ 1,036,896
2022-23	950,000	92,196	1,042,196
2023-24	970,000	71,076	1,041,076
2024-25	180,000	58,156	238,156
2025-26	185,000	53,594	238,594
2026-31	1,005,000	186,541	1,191,541
2031-34	<u>680,000</u>	<u>33,500</u>	<u>713,500</u>
Total	<u>\$ 4,895,000</u>	<u>\$ 606,959</u>	<u>\$ 5,501,959</u>

Water and Sewer system revenues are pledged as collateral for annual debt service relating to Refunding Series 2012 and a Kentucky Infrastructure Authority Loan finalized November 12, 2009. Under resolution of the various bond ordinances and covenants, the Water and Sewer Enterprise Fund is required to deposit all receipts in a revenue account and transfer funds to the following segregated accounts:

- A) Bond Principal and Interest Redemption Fund - Pro rata monthly transfers of an amount equal to the next principal and /or interest payment.
- B) Bond Reserve Fund - Monthly deposits are required until a balance of \$534,859 is accumulated. The balance as of June 30, 2021, was \$1,176,516.
- C) Depreciation Fund - Monthly deposits are required until a balance of \$777,760 is accumulated. The balance as of June 30, 2021, was \$853,628. Withdrawals may be made from the depreciation

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

fund for renewals, replacements, new construction, and contingencies in the operation of the combined municipal water works and sewer system and to meet the payment of bond principal or interest, if necessary.

- D) Loan Reserve Funds – Annual deposits of \$9,500 are required until a balance of \$95,000 is accumulated. The balance of the reserve account at June 30, 2021, was \$118,705.

In various bond ordinances, the City also has committed that -

- A) No transfers will be made from the Water and Sewer Enterprise Fund to any other fund until funds are in excess of the amounts to be transferred during the ensuing year to the Bond Principal and Interest Redemption Fund, Reserve Fund, or Depreciation Fund.
- B) In order to issue additional parity bonds, the adjusted net revenues of the combined and consolidated Water and Sewer System for 12 consecutive months of the preceding 18 months are to equal at least one and thirty hundredths (1.30) times (coverage) the maximum amount that will become due in any fiscal year for both principal and interest on the Prior Bonds and the Current Bonds then outstanding and any parity bonds including the bonds then proposed to be issued.
- C) Not to reduce Water and Sewer rates without establishing that the proposed reduction will not reduce the required coverage below the amount of coverage (revenues, as adjusted, equal to at least 1.30 times maximum annual debt service requirements) which would be required in order to enable the City to issue additional parity bonds.
- D) To cause a report to be filed with the City Council within four months after the end of each fiscal year by Certified Public Accountants and/or Independent Consulting Engineers, setting forth what was the precise percentage ("coverage") of the maximum debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then outstanding bonds payable from the revenues of the system, produced or provided by the net revenues of the system in that fiscal year; and the City covenanted that if and whenever such report so filed should establish that such coverage of net revenues for such year was less than 125% of the maximum debt service requirements, the City would increase the rates by an amount sufficient, in the opinion of such Engineers and/or Accountants, to establish the existence of or immediate projection of, such minimum 125% coverage. In a report submitted to the City Council subsequent to June 30, 2021, the "coverage" was sufficient to produce the required 125% of the maximum debt service requirements.

11. NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS FROM DIRECT BORROWINGS

Line of Credit Borrowing

On August 28, 2020, the City of Madisonville entered into a borrowing agreement with First United Bank that established a line of credit, secured by a Commercial Security Agreement, whereby the City can borrow up to a maximum of \$2,500,000. The City intends to use the line of credit as an interim financing vehicle for various capital projects. The line of credit bears interest at a fixed rate of 2.75%. Per the terms and conditions agreed upon with First United Bank, interest will be payable monthly beginning September 28, 2020, with all subsequent interest payments due on the same day of each month after that. The line of credit matures on August 28, 2021 with all outstanding principal and interest due at that time. During the year ended June 30, 2021, the City did not make any draws on the line of credit. In the event of a default, the City agrees to pay First United Bank, on demand, interest on any and all amounts due and owing by the City under the related agreement.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Water & Sewer Enterprise Fund Notes Payable

On November 12, 2009, the City of Madisonville was awarded an American Recovery and Reinvestment Act ("ARRA") Loan from the Kentucky Infrastructure Authority. The committed loan funds totaled \$3,800,000 with principal forgiveness in the amount of \$1,979,800 and had been drawn down to finance the construction of the South Main Sewer Interceptor Project - Phase 1B. The loan consisted of two distinct parts (Loan A209-44 and Loan A209-45), each with its own repayment schedule. Repayment terms for each part of the loan require semi-annual payments of principal and interest at 2.0% per annum with an additional loan servicing fee of 0.2% per annum for an effective rate of 2.2%. Scheduled semi-annual payments vary throughout the loan term. Principal requirements for Loan A209-44 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending,			
June 30, 2022	\$ 72,843	\$ 18,130	\$ 90,973
June 30, 2023	74,306	16,519	90,825
June 30, 2024	75,800	14,876	90,676
June 30, 2025	77,323	13,201	90,524
June 30, 2026	78,878	11,490	90,368
June 30, 2027 through 2031	418,818	30,581	449,399
June 30, 2032	44,220	486	44,706
Total	<u>\$ 842,188</u>	<u>\$ 105,283</u>	<u>\$ 947,471</u>

Principal requirements for Loan A209-45 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending,			
June 30, 2022	\$ 17,571	\$ 4,373	\$ 21,944
June 30, 2023	17,925	3,984	21,909
June 30, 2024	18,284	3,589	21,873
June 30, 2025	18,652	3,184	21,836
June 30, 2026	19,027	2,772	21,799
June 30, 2027 through 2031	101,028	7,377	108,405
June 30, 2032	10,667	117	10,784
Total	<u>\$ 203,154</u>	<u>\$ 25,396</u>	<u>\$ 228,550</u>

The City has pledged future water and sewer customer revenues to repay the \$3,800,000 in water and sewer system notes payable from direct borrowings issued in November 2009. In the event of a default, the City agrees to pay to the Kentucky Infrastructure Authority, on demand, interest on any and all amounts due and owing by the City under the related agreement.

Sanitation Fund Capital Lease Obligations

On November 21, 2019, the City entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for 7 garbage trucks. The vehicles were leased for interest only payments each month at an interest rate of 3.64%. A lump sum principal payment was due at the expiration date on May 20, 2021. The City exercised an option to purchase 5 of the garbage trucks in September 2020 for the purchase price and accrued interest. The remaining 2 garbage trucks were refinanced in October 2020 as part of a new lease agreement. The lease qualified as a capital financing lease. The lease obligation was fully paid at June 30, 2021.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

On October 8, 2020, the City entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for 6 garbage trucks. The vehicles are leased for interest only payments each month at an interest rate of 2.52%. A lump sum principal payment is due at the expiration date on March 20, 2022. There is an option to purchase at any point during the agreement for the purchase price and accrued interest. The lease qualifies as a capital financing lease with the cost of the assets and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the garbage trucks acquired was \$1,413,010 and \$90,270, respectively as of June 30, 2021. Maturities of the lease obligation are as follows:

	Amount Representing Principal	Amount Representing Interest	Total Lease Commitment
For the year ending, June 30, 2022	\$ 1,413,010	\$ 26,706	\$ 1,439,716
Total	\$ 1,413,010	\$ 26,706	\$ 1,439,716

The \$1,413,010 in Sanitation Fund capital leases from direct borrowings issued in October 2020 are secured with 6 garbage trucks as collateral. In the event of a default or nonappropriation of funds, the City agrees to pay to the Kentucky Association of Counties Leasing Trust all lease payments accrued to the date of termination and the City's rights to use, occupy or possess the 6 garbage trucks will be terminated.

General Fund Note Payable

On June 10, 2020, the City borrowed \$1,115,649 from First United Bank to finance the purchase of two fire trucks. The note bears interest at 2.75% and calls for monthly payments of \$14,636 beginning July 10, 2020, and ending June 10, 2027. Maturities of the note payable are as follows:

	Principal	Interest	Total
For the year ending, June 30, 2022	\$ 150,517	\$ 25,115	\$ 175,632
June 30, 2023	154,767	20,865	175,632
June 30, 2024	159,095	16,537	175,632
June 30, 2025	163,631	12,001	175,632
June 30, 2026	168,253	7,379	175,632
June 30, 2027	172,451	2,628	175,079
Total	\$ 968,714	\$ 84,525	\$ 1,053,239

The \$1,115,649 in General Fund notes payable from direct borrowings issued in June 2020 are secured with two fire trucks as collateral. In the event of default or nonappropriation of funds, the City's financing agreement with First United Bank would be terminated and all related indebtedness would be due and payable.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

12. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide activities debt for the year ended June 30, 2021, follows:

	<u>Balance June 30, 2020</u>	<u>Issuance/ Additions</u>	<u>Retirement/ Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
From Direct Borrowings:					
Notes Payable	\$ 1,115,649	\$ -	\$ (146,935)	\$ 968,714	\$ 150,517
Compensated Absences	<u>307,029</u>	<u>476,286</u>	<u>(382,821)</u>	<u>400,494</u>	<u>400,494</u>
Total Governmental Activities	<u>1,422,678</u>	<u>476,286</u>	<u>(529,756)</u>	<u>1,369,208</u>	<u>551,011</u>
<u>Business-Type Activities</u>					
Revenue Bonds Payable	5,805,000	-	(910,000)	4,895,000	925,000
From Direct Borrowings:					
Notes Payable	1,133,974	-	(88,632)	1,045,342	90,414
Capital Lease Obligations	1,643,410	1,413,010	(1,643,410)	1,413,010	1,413,010
Compensated Absences	226,918	333,235	(285,390)	274,763	274,763
Less Unamortized Bond Discount	<u>(88,783)</u>	<u>-</u>	<u>6,743</u>	<u>(82,040)</u>	<u>-</u>
Total Business-Type Activities	<u>8,720,519</u>	<u>1,746,245</u>	<u>(2,920,689)</u>	<u>7,546,075</u>	<u>2,703,187</u>
Total Primary Government	<u>\$ 10,143,197</u>	<u>\$ 2,222,531</u>	<u>\$ (3,450,445)</u>	<u>\$ 8,915,283</u>	<u>\$ 3,254,198</u>

Compensated absences represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Special Revenue Fund or Enterprise Fund based on the assignment of an employee at termination. The City estimates its liability for compensated absences will be due within one year because vacation leave is calculated on a calendar year basis and must be taken during that year.

13. COMMITMENTS

Kentucky Law Enforcement Foundation Program Funds

KLEFP funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualification.

Professional Firefighters Foundation Incentive Program Funds

PFFIP funds are provided by the Commonwealth of Kentucky for fire training incentives. The funds are made available to supplement firefighters' salaries under certain defined requirements for qualification.

Construction Commitments

The City has various on-going contracts for construction and renovations. As of June 30, 2021, the most significant construction commitments were as follows:

<u>Project</u>	<u>Cumulative Costs Incurred</u>	<u>Estimated Total Costs</u>
JW McCoy Tank Coating	\$ 400,971	\$ 471,730
Maintenance Building at Mahr Park	130,183	223,000
Cured In Place Pipe Project	<u>62,189</u>	<u>73,267</u>
	<u>\$ 593,343</u>	<u>\$ 767,997</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

14. LITIGATION

There are several minor lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from litigation would not materially affect the financial statements of the City.

15. CONTINGENT LIABILITIES

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2021, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City anticipates that any disallowed expenditures would be immaterial.

16. CUSTOMER DEPOSITS INTEREST PAYABLE

During 1979, the city obtained an Attorney General's opinion regarding the payment of interest on customer deposits for utility services. The opinion stated that the Municipal Utilities were liable for payment of interest on customer deposits. The interest expense for the year ended June 30, 2021, was \$1,079. Interest incurred but unpaid on customer deposits at June 30, 2021, was \$10,743.

17. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Operating subsidies provided to the General Fund during the year ended June 30, 2021, were \$171,000 from the Municipal Aid Fund, \$50,000 from the Coal Severance Fund, \$3,500,000 from the Light Enterprise Fund and \$300,000 from the Sanitation Enterprise Fund. The Coal Severance Fund transferred \$19,112 to the Municipal Aid Fund which included funds earmarked by state statute for transportation expenditures.

Primary government operating transfers at June 30, 2021, were:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers Net</u>
<u>Governmental Fund</u>			
General Fund	\$ 4,021,000	\$ -	\$ 4,021,000
<u>Proprietary Fund</u>			
Light Enterprise Fund	-	3,500,000	(3,500,000)
Sanitation Enterprise Fund	-	300,000	(300,000)
<u>Special Revenue Funds</u>			
Municipal Aid Fund	19,112	171,000	(151,888)
Coal Severance Tax Fund	-	69,112	(69,112)
Total	<u>\$ 4,040,112</u>	<u>\$ 4,040,112</u>	<u>\$ -</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

The purpose of Proprietary Fund interfund payables are for insurance and operating related expenditures provided by the Light Fund. Proprietary Fund interfund receivables represent utility services provided to other funds and amounts owed by the General Fund. Internal Service Fund interfund receivables represent clinic expenses owed by the General Fund. The purpose of Special Revenue Fund interfund payables were personnel related costs and other expenses owed to the General Fund. Special Revenue Fund interfund receivables represent fees owed by the Municipal Aid Fund.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Balances to which a fiduciary fund is a party are treated as “external” receivables and payables.

Primary government interfund receivable/payable balances at June 30, 2021, were:

	Interfund Receivables	Interfund Payables
<u>General Fund</u>	\$ 227,904	\$ 419,988
<u>Proprietary Funds</u>		
Light Enterprise Fund	752,014	-
Water & Sewer Enterprise Fund	133,914	510,641
Sanitation Enterprise Fund	93,995	242,031
<u>Internal Service Fund</u>		
Self Insured Health Care Fund	193,878	512
<u>Special Revenue Funds</u>		
Alcohol Beverage Control Fund	-	54,734
Coal Severance Tax Fund	16	-
Municipal Aid Fund	-	225
Restaurant Tax Fund	-	173,590
Total	\$ 1,401,721	\$ 1,401,721

18. IMPLEMENTATION OF GASB PRONOUNCEMENTS

Accounting Pronouncements Adopted during the Fiscal Year ended June 30, 2021

The financial statements of the City are prepared in conformity with GAAP as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the current year, the City adopted the following GASB pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*: Establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for periods beginning after December 15, 2019. The City adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard had no impact on the City's financial statements.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

- GASB Implementation Guide No. 2019-1, *Implementation Guidance Update - 2019*: Provides guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide are effective for periods beginning after June 15, 2020. The City adopted this implementation guide for fiscal year ended June 30, 2021. The adoption of the implementation guide had no impact on the City's financial statements.
- GASB Implementation Guide No. 2019-2, *Fiduciary Activities*: Provides guidance that clarifies, explains, or elaborates on the requirements of Statement No. 84, *Fiduciary Activities*. The requirements of this Implementation Guide are effective for periods beginning after December 15, 2019. The City adopted this implementation guide for fiscal year ended June 30, 2021. The adoption of this implementation guide had no impact on the City's financial statements.
- GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*: Provides guidance on how to improve reporting of Majority Equity Interests. This Statement improves the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for periods beginning after December 15, 2019. The City adopted this standard for fiscal year ended June 30, 2021. The adoption of this standard had no impact on the City's financial statements.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report*: Establishes the term *annual comprehensive financial report* and its acronym *ACFR*. The new term replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The City early adopted this standard for fiscal year ending June 30, 2021.

Future Implementation of GASB Pronouncements

In addition to the pronouncements discussed above, the GASB has issued additional guidance for state and local governments that is not yet effective. The City is currently reviewing the provisions of the following pronouncements to determine the impact of the implementation in future periods:

- GASB Statement No. 87, *Leases*: To meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. (FY 2022)
- Implementation Guide No. 2019-3, *Leases*: The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on the requirements of Statement No. 87, *Leases*. (FY 2022)
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*: Establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. (FY 2022)
- GASB Statement No. 91, *Conduit Debt Obligations*: Provides a single method of reporting conduit debt obligations. This Statement achieves those objectives by clarifying the existing definition of a

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

conduit debt obligation; establishing a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended to issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. (FY 2023)

- GASB Statement No. 92, *Omnibus 2020*: Enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-equity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. (FY 2022)
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*: Establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for paragraphs 11b, 13, and 14, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021. The adoption of this statement except for paragraphs 11b, 13, and 14 did not have an effect on the City's FY 2021 financial statements. (FY 2022)
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*: Establishes standards of accounting and financial reporting for PPPs and APAs for governments. (FY 2023)
- GASB Implementation Guide No. 2020-1, *Implementation Guidance Update - 2020*: The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. (FY 2022 and FY 2023)
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*: Establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). (FY 2023)
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*: This Statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements of this Statement are effective as follows: (a) The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately, (b) the requirements in paragraphs 6-9 of this Statement are effective for fiscal years beginning after June 15, 2021, and (c) all other requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The adoption of paragraphs 4 and 5 did not

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

have an effect on the City's FY 2021 financial statements. (FY 2022)

- GASB Implementation Guide No. 2021-1, *Implementation Guidance Update - 2021*: The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. (FY 2022, FY 2023, and FY 2024)

19. SUBSEQUENT EVENTS

Sanitation Fund Capital Lease Obligations

On October 11, 2021, the Sanitation Department entered into a revised \$347,510 lease agreement with the Kentucky Association of Counties Leasing Trust for two 2020 Mack trucks.

On October 14, 2021, the Sanitation Department entered into a \$1,065,500 lease agreement with the Kentucky Association of Counties Leasing Trust for four 2022 Mack trucks.

20. OPERATING LEASE

During the fiscal year ended June 30, 2021, the Light Fund leased office space for the utility office from the City. The lease is cancelable at any time by either party. Lease payments of \$24,000 were received as of June 30, 2021, and \$24,000 is expected to be received for the fiscal year ended June 30, 2022.

During the fiscal year ended June 30, 2021, the Alcoholic Beverage Control Fund (ABC) leased office space for the ABC office from the City. The lease is cancelable at any time by either party. Lease payments of \$2,400 were received as of June 30, 2021, and \$2,400 is expected to be received for the fiscal year ended June 30, 2022.

21. TAX ABATEMENTS

Pursuant to GASB Statement No. 77, *Tax Abatement Disclosures*, the City is required to disclose certain information about tax abatements as defined in the Statement. GASB No. 77 defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the city or its citizens. As of June 30, 2021, the City provides tax abatements through the Kentucky Business Investment Program ("KBI").

Kentucky Business Investment (KBI) Program

KBI offers incentives to new and existing agribusiness, regional and national headquarters, manufacturing, and non-retail service and technology related companies that locate or expand operations in Kentucky. Eligible projects must meet minimum job, wage, and investment requirements. Projects also have negotiated job and wage targets that must be achieved. Tax incentives are available up to 15 years in enhanced incentive counties or up to 10 years in other counties. The incentives are tax credits up to 100% of the corporate income or limited liability entity tax liability arising from the project. Wage assessment incentives are available up to 5% of the gross wages of each employee (including up to 1.0% required local participation). Tax incentives remain in place until the authorized incentive amount is realized or for the term of the incentive agreement, whichever is first. Unused credits can be carried forward for the term of the agreement but expire at the maturity of the agreement. For the year ended June 30, 2021, the City rebated occupational tax revenues totaling \$49,713 under this program. The authority for this program is established in Kentucky Revised Statute 154.32-100.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

22. DEFICIT NET POSITION/FUND BALANCE

Governmental activities had a deficit net position of \$6,890,283 as of June 30, 2021, as a result of the unfunded pension and other post employment benefit liabilities. The Sanitation Fund had a deficit net position of \$33,558 as of June 30, 2021, as a result of the unfunded pension and other post employment benefit liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Occupational	\$ 7,250,000	\$ 7,250,000	\$ 8,514,544	\$ 1,264,544
Insurance premiums	3,000,000	3,000,000	3,004,588	4,588
Property	1,830,000	1,830,000	1,939,293	109,293
Franchise	430,000	430,000	426,879	(3,121)
Emergency telephone	305,000	305,000	326,736	21,736
Intergovernmental:				
Grant income	220,500	540,500	818,900	278,400
Police/Fire incentive	657,231	657,231	601,379	(55,852)
Fuel sales	253,377	253,377	259,881	6,504
Contributions	7,500	7,500	84,950	77,450
Recreational fees	145,200	145,200	209,804	64,604
Miscellaneous	896,930	896,930	871,158	(25,772)
Police fines and base court	248,100	248,100	228,033	(20,067)
Cemetery revenues	75,000	75,000	95,700	20,700
Rental income	168,800	168,800	164,931	(3,869)
Investment income	25,000	25,000	39,138	14,138
Total Revenues	<u>15,512,638</u>	<u>15,832,638</u>	<u>17,585,914</u>	<u>1,753,276</u>
<u>Expenditures</u>				
Current:				
Public safety:				
Police	6,951,201	6,641,201	6,328,077	313,124
Fire	6,563,263	6,563,263	6,275,198	288,065
Total Public safety	<u>13,514,464</u>	<u>13,204,464</u>	<u>12,603,275</u>	<u>601,189</u>
General government:				
Finance office	644,809	644,809	612,936	31,873
Elected officials	347,852	347,852	306,240	41,612
Administration	1,139,939	1,139,939	1,076,541	63,398
City clerk/treasurer	297,895	297,895	294,467	3,428
Planning and zoning	168,222	168,222	160,736	7,486
Total General government	<u>2,598,717</u>	<u>2,598,717</u>	<u>2,450,920</u>	<u>147,797</u>
Transportation	2,092,244	2,092,244	2,007,658	84,586
Health and public welfare	1,092,850	1,092,850	1,086,758	6,092
Parks and recreation	1,204,390	1,204,390	1,326,697	(122,307)
Airport	506,689	506,689	520,153	(13,464)
Cemetery	353,850	353,850	350,532	3,318
Capital outlay	543,517	1,173,517	1,394,264	(220,747)
Debt service	180,000	180,000	175,650	4,350
Total Expenditures	<u>22,086,721</u>	<u>22,406,721</u>	<u>21,915,907</u>	<u>490,814</u>
Deficiency of Revenues Over Expenditures	<u>(6,574,083)</u>	<u>(6,574,083)</u>	<u>(4,329,993)</u>	<u>2,244,090</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of capital assets	-	-	85,118	85,118
Transfers in	5,700,000	5,700,000	4,021,000	(1,679,000)
Total Other Financing Sources (Uses)	<u>5,700,000</u>	<u>5,700,000</u>	<u>4,106,118</u>	<u>(1,593,882)</u>
Net Change in Fund Balances	(874,083)	(874,083)	(223,875)	650,208
Fund Balance - Beginning of Year	5,864,069	5,864,069	5,864,069	-
Fund Balance - End of Year	<u>\$ 4,989,986</u>	<u>\$ 4,989,986</u>	<u>\$ 5,640,194</u>	<u>\$ 650,208</u>

**CITY OF MADISONVILLE, KENTUCKY
POLICEMEN AND FIREFIGHTERS PENSION FUND
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service cost	\$ 115,898	\$ 123,400	\$ 134,455	\$ 139,671	\$ 235,784	\$ 266,729	\$ 329,881	\$ 367,062	\$ 394,987	\$ 403,322
Interest	(77,857)	(2,803)	(155,795)	90,026	(359,901)	(424,063)	(5,894)	(362,429)	60,750	55,638
Changes in benefit terms	190,032	-	25,076	-	920,701	-	802,160	-	406,090	-
Differences between expected and actual experience	(387,796)	(400,009)	(412,519)	(427,478)	(440,226)	(486,784)	(524,698)	(548,889)	(563,141)	(563,141)
Benefit payments	(159,723)	(279,412)	(408,783)	(197,781)	356,358	(644,118)	601,449	(544,256)	298,686	(104,181)
Net change in total pension liability	4,424,517	4,703,929	5,112,712	5,310,493	4,954,135	5,598,253	4,996,804	5,541,060	5,242,374	5,346,555
Total pension liability-beginning	\$ 4,264,794	\$ 4,424,517	\$ 4,703,929	\$ 5,112,712	\$ 5,310,493	\$ 4,954,135	\$ 5,598,253	\$ 4,996,804	\$ 5,541,060	\$ 5,242,374
Total pension liability-ending (a)	\$ 339,556	\$ 396,000	\$ 432,000	\$ 432,000	\$ 445,000	\$ 488,439	\$ 475,000	\$ 500,000	\$ 450,000	\$ 300,000
Plan Fiduciary Net Position										
Contributions-employer	381	1,086	1,388	399	717	1,141	1,566	14,135	21,976	2,398
Contributions-member	(387,796)	(400,009)	(412,519)	(427,478)	(440,226)	(486,784)	(524,698)	(548,889)	(563,141)	(563,141)
Net investment income	-	(125)	(125)	-	-	-	-	-	(2,300)	(3,200)
Benefit payments	(47,859)	(3,048)	20,744	4,921	5,491	2,796	(48,132)	(34,754)	(93,465)	(263,943)
Administration expenses	69,603	72,651	51,907	46,986	41,495	38,699	86,831	121,585	215,050	478,993
Other	21,744	69,603	72,651	51,907	46,986	41,495	38,699	86,831	121,585	215,050
Net change in plan fiduciary net position	\$ 4,243,050	\$ 4,354,914	\$ 4,631,278	\$ 5,060,805	\$ 5,263,507	\$ 4,912,640	\$ 5,559,554	\$ 4,909,973	\$ 5,419,475	\$ 5,027,324
Plan fiduciary net position-beginning	0.51 %	1.57 %	1.54 %	1.02 %	0.88 %	0.84 %	0.69 %	1.74 %	2.19 %	4.10 %
Plan fiduciary net position as a percentage of the total pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's net position as a percentage of covered payroll										

CITY OF MADISONVILLE, KENTUCKY
POLICEMEN AND FIREFIGHTERS PENSION FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution	\$ 521,676	\$ 521,676	\$ 421,386	\$ 421,386	\$ 510,117	\$ 510,117	\$ 556,103	\$ 556,103	\$ 459,050	\$ 459,050
Contributions in relation to the actuarially determined contribution	339,556	396,000	432,000	432,000	445,000	488,439	475,000	500,000	450,000	300,000
Contribution deficiency (excess)	\$ 182,120	\$ 125,676	\$ (10,614)	\$ (10,614)	\$ 65,117	\$ 21,678	\$ 81,103	\$ 56,103	\$ 9,050	\$ 159,050
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date July 1, 2021
Actuarial cost method Entry age normal
Amortization method Level percent of payroll
Amortization period 10 years
Asset valuation method Market
Inflation None
Salary increases None
Investment rate of return 2.25%
Retirement age Age 51 with at least 20 years of service
Mortality RP-2000 Mortality Table projected to 2021 without collar adjustment

Other information:

The actuarially determined contribution was calculated using the following amortization periods:
Fiscal years beginning 7/1/2011 through fiscal year ending 6/30/2013 - 20 year amortization
Fiscal years beginning 7/1/2013 through fiscal year ending 6/30/2019 - 15 year amortization
Fiscal years beginning 7/1/2019 and later - 10 year amortization

CITY OF MADISONVILLE, KENTUCKY
POLICEMEN AND FIREFIGHTERS PENSION FUND
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual money-weighted rate of return, net of investment expense	- %	- %	- %	- %	- %	(5.30)%	(0.98)%	11.14 %	10.19 %	(2.78)%

**CITY OF MADISONVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST EIGHT MEASUREMENT DATES (1)**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<i>Nonhazardous</i>								
City's proportion of the net pension liability (asset)	0.323816 %	0.317418 %	0.309797 %	0.303223 %	0.269313 %	0.280283 %	0.282624 %	0.282624 %
City's proportionate share of the net pension liability (asset)	\$ 24,836,419	\$ 22,324,149	\$ 18,867,582	\$ 17,748,574	\$ 13,259,953	\$ 12,050,851	\$ 9,169,400	\$ 10,375,372
City's covered payroll	\$ 8,372,997	\$ 8,162,462	\$ 7,892,687	\$ 7,502,956	\$ 6,448,164	\$ 6,555,682	\$ 6,483,857	\$ 6,162,654
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	296.63 %	273.50 %	239.05 %	236.55 %	205.64 %	183.82 %	141.42 %	168.36 %
Plan fiduciary net position as a percentage of the total pension liability (2)	47.81 %	50.45 %	53.54 %	53.30 %	55.50 %	59.97 %	66.80 %	61.22 %
<i>Hazardous</i>								
City's proportion of the net pension liability (asset)	1.008277 %	1.035314 %	1.049628 %	1.064520 %	1.025227 %	1.066680 %	1.101041 %	1.101041 %
City's proportionate share of the net pension liability (asset)	\$ 30,399,838	\$ 28,598,431	\$ 25,384,801	\$ 23,816,277	\$ 17,592,300	\$ 16,374,689	\$ 13,232,585	\$ 14,777,378
City's covered payroll	\$ 5,890,063	\$ 5,896,881	\$ 5,847,319	\$ 5,889,237	\$ 5,400,004	\$ 5,817,674	\$ 5,576,718	\$ 5,410,725
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	516.12 %	484.98 %	434.13 %	404.40 %	325.78 %	281.46 %	237.28 %	273.11 %
Plan fiduciary net position as a percentage of the total pension liability (2)	44.11 %	46.63 %	49.26 %	49.80 %	53.95 %	57.52 %	63.46 %	57.73 %

(1) The amounts presented are for the measurement dates used by CERS which differ from the City's current fiscal year end.
(2) This will be the same percentage for all participant employers in the CERS plan.

Note:
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

**CITY OF MADISONVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
LAST EIGHT FISCAL YEARS**

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<i>Nonhazardous</i>								
Contractually required contributions	\$ 1,701,184	\$ 1,615,988	\$ 1,323,951	\$ 1,142,861	\$ 1,046,662	\$ 800,801	\$ 835,849	\$ 890,882
Contributions in relation to the contractually required contributions	1,701,184	1,615,988	1,323,951	1,142,861	1,046,662	800,801	835,849	890,882
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 8,814,424	\$ 8,372,997	\$ 8,162,462	\$ 7,892,687	\$ 7,502,956	\$ 6,448,164	\$ 6,555,682	\$ 6,483,857
Contributions as a percentage of covered payroll	19.30 %	19.30 %	16.22 %	14.48 %	13.95 %	12.42 %	12.75 %	13.74 %
<i>Hazardous</i>								
Contractually required contributions	\$ 1,888,819	\$ 1,770,553	\$ 1,466,554	\$ 1,298,105	\$ 1,278,553	\$ 1,094,041	\$ 1,206,004	\$ 1,214,052
Contributions in relation to the contractually required contributions	1,888,819	1,770,553	1,466,554	1,298,105	1,278,553	1,094,041	1,206,004	1,214,052
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,283,496	\$ 5,890,063	\$ 5,896,881	\$ 5,847,319	\$ 5,889,237	\$ 5,400,004	\$ 5,817,674	\$ 5,576,718
Contributions as a percentage of covered payroll	30.06 %	30.06 %	24.87 %	22.20 %	21.71 %	20.26 %	20.73 %	21.77 %

Notes to Schedule

- Valuation date June 30, 2018
- Actuarial cost method Entry age normal
- Amortization method Level percent of pay
- Amortization period 25 years, closed
- Asset valuation method 20% of the difference between the fair value of assets and the expected actuarial value of assets is recognized
- Inflation 2.30%
- Salary increases 3.30% to 11.55%, varies by service for nonhazardous, 3.05% to 18.55%, varies by service for hazardous
- Payroll growth rate 2.00%
- Investment rate of return 6.25%
- Mortality RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those allocated directly to the CERS pension fund.

CITY OF MADISONVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2021

Changes of Benefit Terms:

The following changes in benefit terms were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

2018: House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty.

2020: House Bill 271 was enacted, which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage.

Changes of Assumptions:

The following changes in assumptions were adopted by the KRS Board of Trustees and reflected in the valuation performed as of June 30 listed below:

2015: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

2017: Based on reviewing investment trends, inflation, and payroll growth historical trends, the following actuarial assumptions were updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- Salary increases were reduced from 4.00% to 3.05% on average.

2019: Based upon a 2018 Experience Study, the following actuarial assumptions were updated as follows:

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

Notes:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

CITY OF MADISONVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
LAST FOUR MEASUREMENT DATES (1)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Nonhazardous</u>				
City's proportion of the net OPEB liability (asset)	0.323722 %	0.317348 %	0.309785 %	0.303223 %
City's proportionate share of the net OPEB liability (asset)	\$ 7,816,902	\$ 5,337,650	\$ 5,500,171	\$ 6,095,819
City's covered payroll	\$ 8,372,997	\$ 8,162,462	\$ 7,892,687	\$ 7,502,956
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	93.36 %	65.39 %	69.69 %	81.25 %
Plan fiduciary net position as a percentage of the total OPEB liability (2)	51.67 %	60.44 %	57.62 %	52.40 %
<u>Hazardous</u>				
City's proportion of the net OPEB liability (asset)	1.008019 %	1.035110 %	1.049687 %	1.064520 %
City's proportionate share of the net OPEB liability (asset)	\$ 9,315,160	\$ 7,658,363	\$ 7,483,843	\$ 8,800,084
City's covered payroll	\$ 5,890,063	\$ 5,896,881	\$ 5,847,319	\$ 5,889,237
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	158.15 %	129.87 %	127.99 %	149.43 %
Plan fiduciary net position as a percentage of the total OPEB liability (2)	58.84 %	64.44 %	64.24 %	59.00 %

(1) The amounts presented are for the measurement dates used by CERS which differ from the City's current fiscal year end.
(2) This will be the same percentage for all participant employers in the CERS plan.

Note:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

CITY OF MADISONVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF CITY CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Nonhazardous</u>					
Contractually required contributions	\$ 419,567	\$ 398,555	\$ 429,346	\$ 370,956	\$ 354,890
Contributions in relation to the contractually required contribution	<u>419,567</u>	<u>398,555</u>	<u>429,346</u>	<u>370,956</u>	<u>354,890</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 8,814,424	\$ 8,372,997	\$ 8,162,462	\$ 7,892,687	\$ 7,502,956
Contributions as a percentage of covered payroll	4.76 %	4.76 %	5.26 %	4.70 %	4.73 %
<u>Hazardous</u>					
Contractually required contributions	\$ 598,189	\$ 560,734	\$ 617,403	\$ 546,724	\$ 550,644
Contributions in relation to the contractually required contribution	<u>598,189</u>	<u>560,734</u>	<u>617,403</u>	<u>546,724</u>	<u>550,644</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 6,283,496	\$ 5,890,063	\$ 5,896,881	\$ 5,847,319	\$ 5,889,237
Contributions as a percentage of covered payroll	9.52 %	9.52 %	10.47 %	9.35 %	9.35 %

Notes to Schedule

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Amortization period	25 years, closed
Asset valuation method	20% of the difference between the fair value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increases	3.30% to 11.55%, varies by service for nonhazardous 3.05% to 18.55%, varies by service for hazardous
Payroll growth rate	2.00%
Investment rate of return	6.25%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
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
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
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

Notes:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those allocated directly to the CERS insurance fund.

CITY OF MADISONVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM OPEB PLAN
SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2021

Changes of Benefit Terms:

The following changes in benefit terms were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2018: House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty.

Changes of Assumptions:

The following changes in assumptions were adopted by the KRS Board of Trustees and reflected in the valuation performed as of June 30 listed below:

2017: Based on reviewing investment trends, inflation, and payroll growth historical trends, the following actuarial assumptions were updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.

2019: Based upon a 2018 Experience Study, the following actuarial assumptions were updated as follows:

- Annual salary increases.
- Annual rates of retirement, disability, withdrawal, and mortality.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for nonhazardous members and to 50% for hazardous members.
- The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees.
- The assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

2020: Based upon reviewing future health care costs, or trend assumption, the following actuarial assumptions were updated as follows:

- The discount rate was decreased from 5.68% to 5.34% for nonhazardous and from 5.69% to 5.30% for hazardous.
- Anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee". 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.
- Healthcare Trend rates decreased from 7.25% to 7.00% for nonhazardous and from 5.10% to 5.00% for hazardous.

Notes:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Alcoholic Beverage Control Fund

This fund accounts for revenues and expenditures of the alcoholic beverages tax and related license fees on retailers of alcoholic beverages.

Municipal Aid Fund

This fund accounts for revenues and expenditures of Commonwealth of Kentucky gasoline tax refunds.

Coal Severance Tax Fund

This fund accounts for revenues and expenditures of Commonwealth of Kentucky coal and mineral severance tax refunds.

Restaurant Tax Fund

This fund accounts for revenues and expenditures of the restaurant tax imposed on food service establishments.

CITY OF MADISONVILLE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds				
Assets	Alcoholic Beverage Control Fund	Municipal Aid Fund	Coal Severance Tax Fund	Restaurant Tax Fund	Total Other Governmental Funds
Cash equivalents	\$ 81,003	\$ 130,151	\$ 43,427	\$ 1,376,597	\$ 1,631,178
Due from other funds	-	-	16	-	16
Prepayments	107,921	-	-	406,044	513,965
Taxes receivable	32,732	-	-	-	32,732
Other accounts receivable	-	-	-	441,290	441,290
Total Assets	\$ 221,656	\$ 130,151	\$ 43,443	\$ 2,223,931	\$ 2,619,181
Liabilities and Fund Balances					
Liabilities					
Trade accounts payable	\$ 582	\$ 65,475	\$ -	\$ 22,562	\$ 88,619
Construction accounts payable	-	-	-	98,056	98,056
Unearned revenue	-	-	-	56,540	56,540
Due to other funds	54,734	225	-	173,590	228,549
Total Liabilities	55,316	65,700	-	350,748	471,764
Fund balances					
Nonspendable	-	-	-	-	-
Prepayments	107,921	-	-	406,044	513,965
Restricted for	-	-	-	-	-
Municipal aid	-	64,451	-	-	64,451
Coal severance	-	-	43,443	-	43,443
Committed for	-	-	-	-	-
Alcoholic beverage control	58,419	-	-	-	58,419
Restaurant tax	-	-	-	1,467,139	1,467,139
Total Fund Balances	166,340	64,451	43,443	1,873,183	2,147,417
Total Liabilities and Fund Balances	\$ 221,656	\$ 130,151	\$ 43,443	\$ 2,223,931	\$ 2,619,181

CITY OF MADISONVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds					Total Other Governmental Funds
	Alcoholic Beverage Control Fund	Municipal Aid Fund	Coal Severance Tax Fund	Restaurant Tax Fund		
Revenues						
Intergovernmental revenue	\$ -	\$ 617,962	\$ 63,707	\$ -	\$ -	\$ 681,669
Tax revenues	345,519	-	-	1,612,607	-	1,958,126
Contributions	-	-	-	387,158	-	387,158
Fees	22,575	-	-	-	-	22,575
Investment income	1,370	793	342	5,322	-	7,827
Total Revenues	<u>369,464</u>	<u>618,755</u>	<u>64,049</u>	<u>2,005,087</u>	<u>-</u>	<u>3,057,355</u>
Expenditures						
Current:						
General government/other	458,440	-	-	106,188	-	564,628
Capital outlay	32,091	538,704	-	1,134,579	-	1,705,374
Total Expenditures	<u>490,531</u>	<u>538,704</u>	<u>-</u>	<u>1,240,767</u>	<u>-</u>	<u>2,270,002</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(121,067)</u>	<u>80,051</u>	<u>64,049</u>	<u>764,320</u>	<u>-</u>	<u>787,353</u>
Other Financing Sources (Uses)						
Transfers in	-	19,112	-	-	-	19,112
Transfers out	-	(171,000)	(69,112)	-	-	(240,112)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(151,888)</u>	<u>(69,112)</u>	<u>-</u>	<u>-</u>	<u>(221,000)</u>
Net Change In Fund Balances	<u>(121,067)</u>	<u>(71,837)</u>	<u>(5,063)</u>	<u>764,320</u>	<u>-</u>	<u>566,353</u>
Fund Balances - Beginning of Year	<u>287,407</u>	<u>136,288</u>	<u>48,506</u>	<u>1,108,863</u>	<u>-</u>	<u>1,581,064</u>
Fund Balances - End of Year	<u>\$ 166,340</u>	<u>\$ 64,451</u>	<u>\$ 43,443</u>	<u>\$ 1,873,183</u>	<u>\$ -</u>	<u>\$ 2,147,417</u>

**SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

The supplementary statements and schedules are included to provide management additional information for financial analysis.

GOVERNMENTAL FUND

General Fund

This fund accounts for resources traditionally associated with governments which are not required to be accounted for in another fund.

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 2021 AND 2020

<u>ASSETS</u>	2021	2020
<u>Assets</u>		
Cash equivalents	\$ 4,473,110	\$ 3,462,474
Investments, at fair value	17,529	17,385
Accounts receivable:		
Taxpayer assessed revenues	1,881,373	2,048,107
Property taxes (less allowance for uncollectible accounts of \$27,353 and \$29,052)	80,473	76,405
Grants receivable	154,594	1,564,288
Other	209,446	256,658
Materials and supplies	80,150	51,009
Real estate held for resale	702,058	552,794
Interest receivable	11	36
Prepayments	76,540	107,278
Due from other funds	227,904	287,193
Restricted assets:		
Cash equivalents	16,401	10,862
<u>Total Assets</u>	\$ 7,919,589	\$ 8,434,489

**LIABILITIES, DEFERRED INFLOWS
AND FUND BALANCES**

Current Liabilities

Liabilities		
Trade accounts payable	\$ 882,755	\$ 348,107
Construction accounts payable	46,156	109,062
Unearned revenue	27,399	4,591
Due to other funds	419,988	1,194,721
Accrued payroll and payroll taxes	869,859	874,175
Total Liabilities	2,246,157	2,530,656

Deferred Inflows of Resources

Unavailable revenues - property taxes	33,238	39,764
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Fund Balances

Nonspendable:		
Real estate held for resale	702,058	552,794
Materials and supplies	80,150	51,009
Prepayments	76,540	107,278
Long-term receivables	46,000	90,694
Unassigned	4,735,446	5,062,294
Total Fund Balance	5,640,194	5,864,069

<u>Total Liabilities, Deferred Inflows and Fund Balances</u>	\$ 7,919,589	\$ 8,434,489
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CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Occupational	\$ 7,250,000	\$ 7,250,000	\$ 8,514,544	\$ 1,264,544	\$ 8,101,151
Insurance premiums	3,000,000	3,000,000	3,004,588	4,588	2,918,005
Property	1,830,000	1,830,000	1,939,293	109,293	1,771,341
Franchise	430,000	430,000	426,879	(3,121)	417,915
Emergency telephone	305,000	305,000	326,736	21,736	314,908
Intergovernmental:					
Grant income	220,500	540,500	818,900	278,400	1,995,181
Police/Fire incentive	657,231	657,231	601,379	(55,852)	563,523
Fuel sales	253,377	253,377	259,881	6,504	189,974
Contributions	7,500	7,500	84,950	77,450	1,056,268
Recreational fees	145,200	145,200	209,804	64,604	136,798
Miscellaneous	896,930	896,930	871,158	(25,772)	729,725
Police fines and base court	248,100	248,100	228,033	(20,067)	214,760
Cemetery revenues	75,000	75,000	95,700	20,700	73,900
Rental income	168,800	168,800	164,931	(3,869)	110,987
Investment income	25,000	25,000	39,138	14,138	48,377
Total Revenues	<u>15,512,638</u>	<u>15,832,638</u>	<u>17,585,914</u>	<u>1,753,276</u>	<u>18,642,813</u>
Expenditures					
Current:					
Public safety	13,514,464	13,204,464	12,603,275	601,189	11,919,639
General government	2,598,717	2,598,717	2,450,920	147,797	2,259,131
Transportation	2,092,244	2,092,244	2,007,658	84,586	1,841,222
Health and public welfare	1,092,850	1,092,850	1,086,758	6,092	1,100,989
Parks and recreation	1,204,390	1,204,390	1,326,697	(122,307)	1,137,560
Airport	506,689	506,689	520,153	(13,464)	413,142
Cemetery	353,850	353,850	350,532	3,318	321,235
Capital outlay	543,517	1,173,517	1,394,264	(220,747)	3,857,476
Debt service	180,000	180,000	175,650	4,350	-
Total Expenditures	<u>22,086,721</u>	<u>22,406,721</u>	<u>21,915,907</u>	<u>490,814</u>	<u>22,850,394</u>
Excess (Deficiency) of Revenues					
Over Expenditures	(6,574,083)	(6,574,083)	(4,329,993)	2,244,090	(4,207,581)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	85,118	85,118	421,376
Issuance of debt	-	-	-	-	1,115,649
Transfers in	5,700,000	5,700,000	4,021,000	(1,679,000)	3,970,000
Net Change in Fund Balance	<u>\$ (874,083)</u>	<u>\$ (874,083)</u>	<u>(223,875)</u>	<u>\$ 650,208</u>	<u>1,299,444</u>
Fund Balance - Beginning of Year			<u>5,864,069</u>	<u>4,564,625</u>	
Fund Balance - End of Year			<u>\$ 5,640,194</u>	<u>\$ 5,864,069</u>	

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020
Continued

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020	
	Budgeted Amounts				Actual GAAP Basis	Actual GAAP Basis
	Original	Final				
<u>GENERAL GOVERNMENT</u>						
<u>Elected Officials</u>						
Current:						
Salaries and wages	\$ 109,420	\$ 109,420	\$ 118,928	\$ (9,508)	\$ 116,579	
Contingencies	100,000	100,000	49,686	50,314	71,019	
Supplies and miscellaneous	41,300	41,300	60,622	(19,322)	67,703	
Employee benefits	32,935	32,935	36,114	(3,179)	25,611	
Pension/post employment benefits	14,101	14,101	14,990	(889)	14,628	
Travel	20,000	20,000	4,761	15,239	12,803	
Insurance and bonds	16,225	16,225	8,723	7,502	9,977	
Payroll taxes	8,371	8,371	8,740	(369)	8,635	
Communications and postage	5,500	5,500	3,676	1,824	3,560	
Capital outlay	-	-	58,698	(58,698)	20,363	
Total Elected Officials	<u>347,852</u>	<u>347,852</u>	<u>364,938</u>	<u>(17,086)</u>	<u>350,878</u>	
<u>Administration</u>						
Current:						
Salaries and wages	561,000	561,000	484,184	76,816	406,774	
Nuisance abatement	100,000	100,000	131,718	(31,718)	94,058	
Supplies and miscellaneous	97,200	97,200	138,365	(41,165)	93,432	
Pension/post employment benefits	134,977	134,977	99,626	35,351	80,677	
Professional fees	58,000	58,000	79,507	(21,507)	63,283	
Employee benefits	72,080	72,080	51,828	20,252	35,159	
Payroll taxes	43,682	43,682	37,389	6,293	31,531	
Printing and duplicating	55,000	55,000	34,118	20,882	15,754	
Travel	12,000	12,000	5,572	6,428	6,994	
Insurance and bonds	3,500	3,500	4,611	(1,111)	3,732	
Communications and postage	1,500	1,500	6,940	(5,440)	2,882	
Dues and subscriptions	1,000	1,000	1,408	(408)	792	
Maintenance and repairs	-	-	1,275	(1,275)	-	
Capital outlay	50,000	50,000	20,202	29,798	32,614	
Total Administration	<u>1,189,939</u>	<u>1,189,939</u>	<u>1,096,743</u>	<u>93,196</u>	<u>867,682</u>	
<u>Finance Office</u>						
Current:						
Salaries and wages	306,510	306,510	309,613	(3,103)	299,773	
Professional fees	152,000	152,000	123,140	28,860	116,439	
Pension/post employment benefits	73,746	73,746	74,115	(369)	71,754	
Employee benefits	51,055	51,055	46,768	4,287	36,831	
Payroll taxes	24,098	24,098	23,550	548	22,659	
Supplies and miscellaneous	16,500	16,500	17,907	(1,407)	17,641	
Communications and postage	10,250	10,250	12,300	(2,050)	10,851	
Insurance and bonds	2,650	2,650	2,974	(324)	2,724	
Printing and duplicating	3,000	3,000	-	3,000	2,236	
Dues and subscriptions	2,000	2,000	1,783	217	1,945	
Travel	3,000	3,000	786	2,214	1,360	
Capital outlay	3,000	3,000	-	3,000	-	
Total Finance Office	<u>647,809</u>	<u>647,809</u>	<u>612,936</u>	<u>34,873</u>	<u>584,213</u>	

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020
Continued

	2021			Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>City Clerk/Treasurer</u>					
Current:					
Salaries and wages	\$ 141,270	\$ 141,270	\$ 150,918	\$ (9,648)	\$ 139,165
Supplies and miscellaneous	18,100	18,100	14,643	3,457	77,174
Communications and postage	32,000	32,000	34,216	(2,216)	34,535
Pension/post employment benefits	33,990	33,990	35,077	(1,087)	33,451
Printing and duplicating	18,000	18,000	6,156	11,844	18,912
Employee benefits	20,960	20,960	21,376	(416)	16,976
Insurance and bonds	10,054	10,054	11,751	(1,697)	12,234
Payroll taxes	11,021	11,021	11,645	(624)	10,766
Professional fees	7,500	7,500	7,949	(449)	9,827
Travel	5,000	5,000	736	4,264	3,063
Total City Clerk/Treasurer	<u>297,895</u>	<u>297,895</u>	<u>294,467</u>	<u>3,428</u>	<u>356,103</u>
<u>Planning and Zoning</u>					
Current:					
Salaries and wages	101,490	101,490	101,227	263	99,901
Pension/post employment benefits	24,418	24,418	24,306	112	23,951
Employee benefits	20,480	20,480	20,295	185	15,562
Payroll taxes	7,934	7,934	7,269	665	7,065
Supplies and miscellaneous	10,500	10,500	5,207	5,293	4,680
Professional fees	2,050	2,050	2,277	(227)	1,237
Travel	1,200	1,200	-	1,200	700
Insurance and bonds	150	150	155	(5)	136
Total Planning and Zoning	<u>168,222</u>	<u>168,222</u>	<u>160,736</u>	<u>7,486</u>	<u>153,232</u>
<u>TOTAL GENERAL GOVERNMENT</u>	<u>\$ 2,651,717</u>	<u>\$ 2,651,717</u>	<u>\$ 2,529,820</u>	<u>\$ 121,897</u>	<u>\$ 2,312,108</u>

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020
Continued

	2021			Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>HEALTH AND PUBLIC WELFARE</u>					
Current:					
Grants and subsidies:					
Library maintenance	\$ 180,000	\$ 180,000	\$ 190,392	\$ (10,392)	\$ 196,078
Economic Development	140,000	140,000	140,000	-	140,000
Humane Society	85,000	85,000	86,815	(1,815)	90,480
Madisonville Transit System	85,000	85,000	98,689	(13,689)	69,886
PACS	40,000	40,000	40,000	-	40,000
Planning Commission	40,000	40,000	40,000	-	40,000
Glema Mahr Center for the Arts	25,000	25,000	25,000	-	25,000
Youth Athletic Association	13,000	13,000	26,914	(13,914)	10,125
Minority Economic Development	-	-	-	-	10,000
PADD	9,850	9,850	9,818	32	9,818
Historical Society	14,000	14,000	8,738	5,262	9,817
Hopkins Co YMCA	-	-	-	-	5,000
Community Clinic	5,000	5,000	5,000	-	5,000
Minority Students	2,500	2,500	2,500	-	2,500
Utilities and other expenses	442,600	442,600	409,735	32,865	432,355
Other employee benefits	10,900	10,900	3,157	7,743	14,930
Capital outlay	-	-	79,885	(79,885)	137,270
<u>TOTAL HEALTH AND PUBLIC WELFARE</u>	<u>\$ 1,092,850</u>	<u>\$ 1,092,850</u>	<u>\$ 1,166,643</u>	<u>\$ (73,793)</u>	<u>\$ 1,238,259</u>

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020
Continued

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts				Actual
	Original	Final			GAAP Basis
<u>PUBLIC SAFETY</u>					
<u>Police Department</u>					
Current:					
Salaries and wages	\$ 3,783,100	\$ 3,526,967	\$ 3,446,590	\$ 80,377	\$ 3,371,144
Pension/post employment benefits	1,328,139	1,391,973	1,187,481	204,492	1,190,357
Employee benefits	649,840	603,840	503,490	100,350	402,598
Police incentive	219,998	180,000	185,672	(5,672)	171,125
Communications and postage	111,000	111,000	181,548	(70,548)	146,487
Insurance and bonds	137,000	137,000	135,042	1,958	128,668
Supplies and miscellaneous	84,338	84,338	131,440	(47,102)	119,012
Payroll taxes	145,336	113,633	112,654	979	103,727
Professional fees	125,300	125,300	111,900	13,400	88,210
Fuel and oil	100,000	100,000	80,678	19,322	72,831
Travel and training	88,000	88,000	60,677	27,323	69,324
Maintenance and repairs	67,000	67,000	69,636	(2,636)	61,005
Uniforms and clothing	54,000	54,000	52,802	1,198	47,017
Workmen's compensation	26,650	26,650	43,887	(17,237)	40,402
Utilities	25,000	25,000	18,646	6,354	18,551
Printing and duplicating	5,000	5,000	4,304	696	3,311
Equipment parts	1,500	1,500	1,630	(130)	1,585
Capital outlay	150,000	660,000	513,735	146,265	170,161
Total Police Department	<u>7,101,201</u>	<u>7,301,201</u>	<u>6,841,812</u>	<u>459,389</u>	<u>6,205,515</u>
<u>Fire Department</u>					
Current:					
Salaries and wages	3,358,843	3,358,843	3,179,190	179,653	3,063,793
Pension/post employment benefits	1,419,888	1,419,888	1,373,597	46,291	1,275,185
Employee benefits	631,920	631,920	576,633	55,287	419,399
Pension plan contribution	400,000	400,000	339,556	60,444	396,000
Fire incentive	248,000	248,000	248,405	(405)	230,023
Maintenance and repairs	93,070	93,070	110,165	(17,095)	116,141
Supplies, grant and miscellaneous	84,995	84,995	127,225	(42,230)	88,232
Uniforms and clothing	80,025	80,025	76,556	3,469	71,027
Payroll taxes	59,149	59,149	57,993	1,156	52,165
Insurance and bonds	44,500	44,500	43,630	870	48,710
Workmen's compensation	28,000	28,000	44,177	(16,177)	38,803
Utilities	40,000	40,000	33,555	6,445	32,616
Training	39,108	39,108	34,728	4,380	27,612
Fuel and oil	25,000	25,000	21,058	3,942	20,540
Communications and postage	5,765	5,765	4,990	775	3,928
Equipment parts	5,000	5,000	3,740	1,260	111
Capital outlay	38,882	38,882	107,503	(68,621)	1,345,994
Debt service	180,000	180,000	175,650	4,350	-
Total Fire Department	<u>6,782,145</u>	<u>6,782,145</u>	<u>6,558,351</u>	<u>223,794</u>	<u>7,230,279</u>
<u>TOTAL PUBLIC SAFETY</u>	<u>\$ 13,883,346</u>	<u>\$ 14,083,346</u>	<u>\$ 13,400,163</u>	<u>\$ 683,183</u>	<u>\$ 13,435,794</u>

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020
Continued

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts				Actual
	Original	Final			GAAP Basis
<u>TRANSPORTATION</u>					
Current:					
Salaries and wages	\$ 744,000	\$ 744,000	\$ 864,000	\$ (120,000)	\$ 753,737
Other contractual services	220,000	220,000	213,000	7,000	213,280
Pension/post employment benefits	171,788	171,788	199,518	(27,730)	159,046
Maintenance and repairs	234,000	234,000	155,325	78,675	143,687
Employee benefits	261,440	261,440	218,561	42,879	128,289
Construction materials	125,000	125,000	104,922	20,078	109,045
Salt and technical supplies	93,000	93,000	25,607	67,393	84,430
Supplies and miscellaneous	50,600	50,600	41,916	8,684	59,860
Payroll taxes	56,416	56,416	64,375	(7,959)	57,141
Fuel and oil	50,000	50,000	42,317	7,683	45,851
Insurance and bonds	33,500	33,500	28,117	5,383	29,306
Uniforms and clothing	33,000	33,000	24,977	8,023	23,146
Workmen's compensation	10,000	10,000	14,956	(4,956)	16,416
Professional fees	8,000	8,000	8,402	(402)	16,042
Rent and storage	1,500	1,500	1,137	363	1,932
Communications and postage	-	-	528	(528)	14
Capital outlay	24,635	24,635	150,295	(125,660)	588,858
<u>TOTAL TRANSPORTATION</u>	<u>\$ 2,116,879</u>	<u>\$ 2,116,879</u>	<u>\$ 2,157,953</u>	<u>\$ (41,074)</u>	<u>\$ 2,430,080</u>
<u>AIRPORT</u>					
Current:					
Fuel and oil	\$ 164,260	\$ 164,260	\$ 165,279	\$ (1,019)	\$ 131,943
Salaries and wages	148,825	148,825	152,914	(4,089)	106,302
Supplies and miscellaneous	13,000	13,000	21,725	(8,725)	32,777
Pension/post employment benefits	35,683	35,683	36,717	(1,034)	25,176
Employee benefits	40,755	40,755	37,518	3,237	23,704
Utilities	22,500	22,500	22,695	(195)	21,053
Maintenance and repairs	33,500	33,500	27,187	6,313	21,026
Professional fees	11,000	11,000	15,437	(4,437)	14,396
Insurance and bonds	12,500	12,500	14,837	(2,337)	13,822
Payroll taxes	11,466	11,466	11,535	(69)	8,032
Mowing and snow removal	10,000	10,000	9,592	408	7,909
Communications and postage	3,200	3,200	4,617	(1,417)	5,749
Travel	-	-	100	(100)	1,253
Capital outlay	-	120,000	167,667	(47,667)	950,438
<u>TOTAL AIRPORT</u>	<u>\$ 506,689</u>	<u>\$ 626,689</u>	<u>\$ 687,820</u>	<u>\$ (61,131)</u>	<u>\$ 1,363,580</u>

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020
Continued

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020	
	Budgeted Amounts				Actual GAAP Basis	Actual GAAP Basis
	Original	Final				
<u>CEMETERY</u>						
Current:						
Salaries and wages	\$ 202,270	\$ 202,270	\$ 193,424	\$ 8,846	\$ 185,464	
Employee benefits	50,480	50,480	52,096	(1,616)	38,190	
Pension/post employment benefits	46,260	46,260	45,641	619	36,808	
Maintenance and repairs	11,000	11,000	7,537	3,463	22,505	
Payroll taxes	15,025	15,025	14,647	378	14,446	
Supplies and miscellaneous	14,500	14,500	25,629	(11,129)	11,620	
Fuel and oil	5,000	5,000	4,293	707	4,186	
Workmen's compensation	2,315	2,315	2,995	(680)	2,736	
Equipment parts	4,000	4,000	1,227	2,773	2,659	
Uniforms and clothing	3,000	3,000	3,043	(43)	2,621	
Capital outlay	-	-	6,199	(6,199)	53,349	
<u>TOTAL CEMETERY</u>	<u>\$ 353,850</u>	<u>\$ 353,850</u>	<u>\$ 356,731</u>	<u>\$ (2,881)</u>	<u>\$ 374,584</u>	
<u>PARKS AND RECREATION</u>						
Current:						
Salaries and wages	\$ 572,478	\$ 572,478	\$ 620,647	\$ (48,169)	\$ 567,142	
Pension/post employment benefits	132,921	132,921	124,761	8,160	108,749	
Employee benefits	142,400	142,400	139,561	2,839	100,231	
Supplies and miscellaneous	82,800	82,800	93,190	(10,390)	78,724	
Maintenance and repairs	53,700	53,700	105,613	(51,913)	68,156	
Utilities	58,000	58,000	56,257	1,743	51,703	
Payroll taxes	43,610	43,610	46,034	(2,424)	42,566	
Equipment parts	22,000	22,000	32,054	(10,054)	30,791	
Fuel and oil	25,000	25,000	23,548	1,452	21,030	
Insurance and bonds	18,500	18,500	21,037	(2,537)	17,296	
Pool operations	8,750	8,750	18,056	(9,306)	14,369	
Concessions	16,000	16,000	11,919	4,081	10,088	
Professional fees	5,000	5,000	7,982	(2,982)	6,448	
Workmen's compensation	4,231	4,231	9,162	(4,931)	6,228	
Uniforms and clothing	6,000	6,000	7,322	(1,322)	3,907	
Construction materials	5,000	5,000	5,782	(782)	3,584	
Resale merchandise	3,500	3,500	1,996	1,504	3,054	
Advertising and printing	2,500	2,500	1,499	1,001	2,285	
Travel	1,500	1,500	-	1,500	1,209	
Communications and postage	500	500	277	223	-	
Capital outlay	277,000	277,000	290,080	(13,080)	558,429	
<u>TOTAL PARKS AND RECREATION</u>	<u>\$ 1,481,390</u>	<u>\$ 1,481,390</u>	<u>\$ 1,616,777</u>	<u>\$ (135,387)</u>	<u>\$ 1,695,989</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

These supplementary statements and schedules are included to provide management additional information for financial analysis.

CITY OF MADISONVILLE, KENTUCKY
ALCOHOLIC BEVERAGE CONTROL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Revenues</u>					
Tax revenues	\$ 300,200	\$ 300,200	\$ 345,519	\$ 45,319	\$ 315,377
Fees	20,000	20,000	22,575	2,575	22,092
Investment income	1,000	1,000	1,370	370	3,513
Total Revenues	<u>321,200</u>	<u>321,200</u>	<u>369,464</u>	<u>48,264</u>	<u>340,982</u>
<u>Expenditures</u>					
Current:					
General government/other	445,780	445,780	458,440	(12,660)	119,363
Capital outlay	40,000	40,000	32,091	7,909	233,208
Total Expenditures	<u>485,780</u>	<u>485,780</u>	<u>490,531</u>	<u>(4,751)</u>	<u>352,571</u>
<u>Net Change in Fund Balance</u>	<u>\$ (164,580)</u>	<u>\$ (164,580)</u>	(121,067)	<u>\$ 43,513</u>	(11,589)
<u>Fund Balance - Beginning of Year</u>			287,407		298,996
<u>Fund Balance - End of Year</u>			<u>\$ 166,340</u>		<u>\$ 287,407</u>

CITY OF MADISONVILLE, KENTUCKY
MUNICIPAL AID SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts				Actual GAAP Basis
	Original	Final			
<u>Revenues</u>					
Intergovernmental revenue	\$ 372,000	\$ 609,000	\$ 617,962	\$ 8,962	\$ 389,965
Investment income	-	-	793	793	2,409
Total Revenues	<u>372,000</u>	<u>609,000</u>	<u>618,755</u>	<u>9,755</u>	<u>392,374</u>
<u>Expenditures</u>					
Capital outlay	<u>250,000</u>	<u>487,000</u>	<u>538,704</u>	<u>(51,704)</u>	<u>268,252</u>
Total Expenditures	<u>250,000</u>	<u>487,000</u>	<u>538,704</u>	<u>(51,704)</u>	<u>268,252</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>122,000</u>	<u>122,000</u>	<u>80,051</u>	<u>(41,949)</u>	<u>124,122</u>
<u>Other Financing Sources (Uses)</u>					
Transfers:					
Coal Severance Fund	10,500	10,500	19,112	8,612	27,048
General Fund	<u>(250,000)</u>	<u>(250,000)</u>	<u>(171,000)</u>	<u>79,000</u>	<u>(250,000)</u>
Total Other Financing Sources (Uses)	<u>(239,500)</u>	<u>(239,500)</u>	<u>(151,888)</u>	<u>87,612</u>	<u>(222,952)</u>
<u>Net Change in Fund Balance</u>	<u>\$ (117,500)</u>	<u>\$ (117,500)</u>	<u>(71,837)</u>	<u>\$ 45,663</u>	<u>(98,830)</u>
<u>Fund Balance - Beginning of Year</u>			<u>136,288</u>		<u>235,118</u>
<u>Fund Balance - End of Year</u>			<u>\$ 64,451</u>		<u>\$ 136,288</u>

CITY OF MADISONVILLE, KENTUCKY
COAL SEVERANCE TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Revenues</u>					
Intergovernmental revenue	\$ 35,000	\$ 35,000	\$ 63,707	\$ 28,707	\$ 90,159
Investment income	50	50	342	292	1,481
Total Revenues	<u>35,050</u>	<u>35,050</u>	<u>64,049</u>	<u>28,999</u>	<u>91,640</u>
<u>Expenditures</u>					
Current:					
General government/other	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>35,050</u>	<u>35,050</u>	<u>64,049</u>	<u>28,999</u>	<u>91,640</u>
<u>Other Financing Sources (Uses)</u>					
Transfers:					
General Fund	(50,000)	(50,000)	(50,000)	-	(20,000)
Municipal Aid Fund	(10,500)	(10,500)	(19,112)	(8,612)	(27,048)
Total Other Financing Sources (Uses)	<u>(60,500)</u>	<u>(60,500)</u>	<u>(69,112)</u>	<u>(8,612)</u>	<u>(47,048)</u>
<u>Net Change in Fund Balance</u>	<u>\$ (25,450)</u>	<u>\$ (25,450)</u>	(5,063)	<u>\$ 20,387</u>	44,592
<u>Fund Balance - Beginning of Year</u>			48,506		3,914
<u>Fund Balance - End of Year</u>			<u>\$ 43,443</u>		<u>\$ 48,506</u>

CITY OF MADISONVILLE, KENTUCKY
RESTAURANT TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020	
	Budgeted Amounts				Actual GAAP Basis	Actual GAAP Basis
	Original	Final				
<u>Revenues</u>						
Tax revenues	\$ 1,410,000	\$ 1,650,500	\$ 1,612,607	\$ (37,893)	\$ 1,445,864	
Other income	500	500	-	(500)	5,315	
Contributions	-	340,000	387,158	47,158	63,800	
Investment income	1,000	1,000	5,322	4,322	12,625	
Total Revenues	<u>1,411,500</u>	<u>1,992,000</u>	<u>2,005,087</u>	<u>13,087</u>	<u>1,527,604</u>	
<u>Expenditures</u>						
Current:						
General government/other	310,000	310,000	106,188	203,812	494,353	
Capital outlay	950,000	1,530,500	1,134,579	395,921	862,867	
Total Expenditures	<u>1,260,000</u>	<u>1,840,500</u>	<u>1,240,767</u>	<u>599,733</u>	<u>1,357,220</u>	
<u>Net Change in Fund Balance</u>	<u>\$ 151,500</u>	<u>\$ 151,500</u>	764,320	<u>\$ 612,820</u>	170,384	
<u>Fund Balance - Beginning of Year</u>			1,108,863		938,479	
<u>Fund Balance - End of Year</u>			<u>\$ 1,873,183</u>		<u>\$ 1,108,863</u>	

**SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

Proprietary Funds

These supplementary statements and schedules are included to provide management additional information for financial analysis.

Light Fund

This fund accounts for the provision of electricity service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Water and Sewer Fund

This fund accounts for the provisions of water and sewer services to the residents of the City and some residents of Hopkins County Kentucky. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, financing and related debt service.

Sanitation Fund

This fund accounts for the provision of sanitary waste collection and disposal services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, financing and related debt service.

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash equivalents	\$ 7,048,537	\$ 6,590,085
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$167,000 and \$165,000)	2,762,037	2,733,921
Other	154,626	60,054
Due from other funds	752,014	869,437
Materials and supplies	1,234,780	1,102,086
Prepayments	85,085	50,765
Restricted assets:		
Cash equivalents	27,784	67,390
Total Current Assets	12,064,863	11,473,738
<u>Noncurrent Assets</u>		
Capital assets	28,843,879	26,540,787
Accumulated depreciation	(13,580,842)	(12,727,653)
Total Noncurrent Assets	15,263,037	13,813,134
Total Assets	27,327,900	25,286,872
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to pensions and other post employment benefits	1,966,412	1,819,470
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Trade accounts payable	1,855,283	1,728,358
Accrued payroll and payroll taxes	84,152	65,925
Compensated absences	111,376	90,715
Customer deposits payable	594,696	653,885
Customer deposit interest payable	10,743	13,159
Total Current Liabilities	2,656,250	2,552,042
<u>Long-Term Liabilities Due After One Year</u>		
Net pension and other post employment benefit liabilities	7,840,109	6,840,021
Total Long-Term Liabilities	7,840,109	6,840,021
Total Liabilities	10,496,359	9,392,063
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to pensions and other post employment benefits	317,279	573,950
<u>NET POSITION</u>		
Net investment in capital assets	15,263,037	13,813,134
Restricted for customer deposits	27,784	67,390
Unrestricted	3,189,853	3,259,805
Total Net Position	\$ 18,480,674	\$ 17,140,329

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Operating Revenues</u>		
Sale of electricity	\$ 24,844,190	\$ 25,811,425
Grant income	375	-
Service and miscellaneous	<u>666,720</u>	<u>748,453</u>
Total Operating Revenues	<u>25,511,285</u>	<u>26,559,878</u>
<u>Operating Expenses</u>		
Electricity purchased	15,593,617	17,148,816
Maintenance	2,623,742	2,759,600
Depreciation	1,055,268	983,774
Commercial operations	887,110	790,321
Other	<u>899,214</u>	<u>859,852</u>
Total Operating Expenses	<u>21,058,951</u>	<u>22,542,363</u>
<u>Income From Operations</u>	<u>4,452,334</u>	<u>4,017,515</u>
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	119,771	136,020
Gain on disposal of assets	-	<u>22,000</u>
Total Nonoperating Revenues (Expenses)	<u>119,771</u>	<u>158,020</u>
<u>Income Before Contributions and Transfers</u>	4,572,105	4,175,535
Capital contributions	268,240	71,994
Transfers out	<u>(3,500,000)</u>	<u>(3,500,000)</u>
<u>Change in Net Position</u>	1,340,345	747,529
<u>Net Position - Beginning of Year</u>	<u>17,140,329</u>	<u>16,392,800</u>
<u>Net Position - End of Year</u>	<u>\$ 18,480,674</u>	<u>\$ 17,140,329</u>

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
COMPARATIVE SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Electricity Purchased</u>	\$ <u>15,593,617</u>	\$ <u>17,148,816</u>
<u>Maintenance</u>		
Overhead conductors	1,546,679	1,710,027
Poles, towers, and fixtures	515,247	518,286
Tree trimming	288,450	231,441
Other	222,430	280,422
Street lights	<u>50,936</u>	<u>19,424</u>
Total	<u>2,623,742</u>	<u>2,759,600</u>
<u>Depreciation</u>	<u>1,055,268</u>	<u>983,774</u>
<u>Commercial Office Operations</u>		
Billing and commercial office salaries and wages	602,465	548,454
Office supplies and other expenses	198,198	165,620
Postage	53,470	53,838
Computer services and supplies	<u>32,977</u>	<u>22,409</u>
Total	<u>887,110</u>	<u>790,321</u>
<u>Other</u>		
Professional fees	320,273	221,508
Pension and other post employment benefits	389,769	491,198
Employee benefits	121,315	91,482
Uncollectible accounts	12,685	13,224
Payroll taxes	44,390	40,278
Engineering	9,704	947
Customer deposit interest	<u>1,078</u>	<u>1,215</u>
Total	<u>899,214</u>	<u>859,852</u>
<u>Total Operating Expenses</u>	<u>\$ 21,058,951</u>	<u>\$ 22,542,363</u>

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 25,167,691	\$ 26,288,313
Cash received from interfund services provided	220,906	211,245
Cash payments to suppliers for goods and services	(17,193,976)	(18,412,727)
Cash payments to employees for services	(2,276,038)	(2,224,136)
Net Cash Provided (Used) By Operating Activities	<u>5,918,583</u>	<u>5,862,695</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Transfers out	(3,500,000)	(3,500,000)
Net decrease (increase) in amounts due from other funds	117,423	(656,744)
Net increase (decrease) in amounts due to other funds	-	(68,081)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(3,382,577)</u>	<u>(4,224,825)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Contributed capital	268,240	71,994
Acquisition of property, plant and equipment	(2,505,171)	(1,838,215)
Proceeds from sale of property, plant and equipment	-	22,000
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(2,236,931)</u>	<u>(1,744,221)</u>
<u>Cash Flows From Investing Activities</u>		
Income received on investments	119,771	136,020
Net Cash Provided (Used) By Investing Activities	<u>119,771</u>	<u>136,020</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	418,846	29,669
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>6,657,475</u>	<u>6,627,806</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 7,076,321</u>	<u>\$ 6,657,475</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities</u>		
Operating income	\$ 4,452,334	\$ 4,017,515
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,055,268	983,774
Customer deposit interest accrued	(2,416)	(2,926)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(122,688)	(60,320)
Decrease (increase) in materials and supplies	(132,694)	(39,041)
Decrease (increase) in prepayments	(34,320)	(17,287)
Decrease (increase) in deferred outflows	(146,942)	(394,391)
Increase (decrease) in trade accounts payable	126,925	(173,425)
Increase (decrease) in customer deposits	(59,189)	(32,835)
Increase (decrease) in accrued expenses	38,888	27,427
Increase (decrease) in net pension and opeb liabilities	1,000,088	1,340,546
Increase (decrease) in deferred inflows	(256,671)	213,658
Net Cash Provided (Used) By Operating Activities	<u>\$ 5,918,583</u>	<u>\$ 5,862,695</u>
<u>Reconciliation of Total Cash Equivalents</u>		
Current Assets - Cash equivalents	\$ 7,048,537	\$ 6,590,085
Restricted Assets - Cash equivalents	27,784	67,390
Total Cash Equivalents	<u>\$ 7,076,321</u>	<u>\$ 6,657,475</u>
<u>Noncash Investing, Capital and Related Financing Activities</u>		
None	<u>\$ -</u>	<u>\$ -</u>

CITY OF MADISONVILLE, KENTUCKY

LIGHT FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts				Actual GAAP Basis
	Original	Final			
<u>Operating Revenues</u>					
Sale of electricity	\$ 27,758,500	\$ 27,758,500	\$ 24,844,190	\$ (2,914,310)	\$ 25,811,425
Grant income	-	-	375	375	-
Service and miscellaneous	588,600	588,600	666,720	78,120	748,453
Total Operating Revenues	<u>28,347,100</u>	<u>28,347,100</u>	<u>25,511,285</u>	<u>(2,835,815)</u>	<u>26,559,878</u>
<u>Operating Expenses</u>					
Electricity purchased	17,575,100	17,575,100	15,593,617	1,981,483	17,148,816
Maintenance	4,238,522	4,238,522	2,623,742	1,614,780	2,759,600
Depreciation	900,000	900,000	1,055,268	(155,268)	983,774
Commercial operations	820,550	820,550	887,110	(66,560)	790,321
Other	716,542	716,542	899,214	(182,672)	859,852
Total Operating Expenses	<u>24,250,714</u>	<u>24,250,714</u>	<u>21,058,951</u>	<u>3,191,763</u>	<u>22,542,363</u>
<u>Income from Operations</u>	<u>4,096,386</u>	<u>4,096,386</u>	<u>4,452,334</u>	<u>355,948</u>	<u>4,017,515</u>
<u>Nonoperating Revenues (Expenses)</u>					
Investment income	65,000	65,000	119,771	54,771	136,020
Gain on disposal of assets	-	-	-	-	22,000
Total Nonoperating Revenues (Expenses)	<u>65,000</u>	<u>65,000</u>	<u>119,771</u>	<u>54,771</u>	<u>158,020</u>
<u>Income Before Contributions and Transfers</u>	<u>4,161,386</u>	<u>4,161,386</u>	<u>4,572,105</u>	<u>410,719</u>	<u>4,175,535</u>
Capital contributions	40,000	40,000	268,240	228,240	71,994
Transfers out	(5,100,000)	(5,100,000)	(3,500,000)	1,600,000	(3,500,000)
<u>Change in Net Position</u>	<u>\$ (898,614)</u>	<u>\$ (898,614)</u>	<u>\$ 1,340,345</u>	<u>\$ 2,238,959</u>	<u>\$ 747,529</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash equivalents	\$ 6,756,455	\$ 5,995,243
Investments, at fair value	97,003	95,874
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$198,000 and \$175,000)	1,057,188	943,437
Other	38,715	73,680
Grant receivable	-	4,931
Due from other funds	133,914	393,124
Materials and supplies	543,630	611,250
Real estate held for resale	300,000	-
Interest receivable	6,953	7,667
Prepayments	29,726	35,138
Restricted assets:		
Cash equivalents	186	186
Investments, at fair value	4,161,448	4,134,600
Total Current Assets	<u>13,125,218</u>	<u>12,295,130</u>
<u>Noncurrent Assets</u>		
Capital assets	92,713,374	91,719,384
Accumulated depreciation	(52,864,704)	(50,361,113)
Total Noncurrent Assets	<u>39,848,670</u>	<u>41,358,271</u>
Total Assets	<u>52,973,888</u>	<u>53,653,401</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to refunding debt	542,481	587,068
Related to pensions and other post employment benefits	2,243,185	2,020,896
Total Deferred Outflows of Resources	<u>2,785,666</u>	<u>2,607,964</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Trade accounts payable	761,462	395,181
Construction accounts payable	87,520	-
Due to other funds	510,641	121,897
Unearned revenue	165,000	206,040
Accrued interest payable	41,718	47,877
Accrued payroll and payroll taxes	88,073	84,432
Compensated absences	117,727	102,782
Current portion of debt	1,015,414	998,632
Total Current Liabilities	<u>2,787,555</u>	<u>1,956,841</u>
<u>Long-Term Liabilities Due After One Year</u>		
Long-term portion of debt	4,842,888	5,851,559
Net pension and other post employment benefit liabilities	8,943,603	7,597,249
Total Long-Term Liabilities	<u>13,786,491</u>	<u>13,448,808</u>
Total Liabilities	<u>16,574,046</u>	<u>15,405,649</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to pensions and other post employment benefits	361,935	637,489
<u>NET POSITION</u>		
Net investment in capital assets	34,771,081	35,420,817
Restricted for debt service	2,871,050	2,853,300
Unrestricted	1,181,442	1,944,110
Total Net Position	<u>\$ 38,823,573</u>	<u>\$ 40,218,227</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<u>Operating Revenues</u>		
Sewer revenues	\$ 5,109,435	\$ 5,142,850
Water revenues	4,717,579	4,796,860
Grant income	750	-
Total Operating Revenues	9,827,764	9,939,710
<u>Operating Expenses</u>		
Depreciation	2,789,693	2,879,247
Wastewater collection	2,190,131	2,068,027
Wastewater treatment	1,732,712	1,685,657
Purification	1,715,016	1,371,663
Distribution maintenance	1,768,725	1,708,033
Other	600,079	541,288
Power purchased	418,036	345,170
Total Operating Expenses	11,214,392	10,599,085
<u>Income (Loss) From Operations</u>	(1,386,628)	(659,375)
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	81,855	163,325
Interest expense and amortization	(199,881)	(219,982)
Total Nonoperating Revenues (Expenses)	(118,026)	(56,657)
<u>Income (Loss) Before Contributions</u>	(1,504,654)	(716,032)
Capital contributions	110,000	191,693
<u>Change in Net Position</u>	(1,394,654)	(524,339)
<u>Net Position - Beginning of Year</u>	40,218,227	40,742,566
<u>Net Position - End of Year</u>	\$ 38,823,573	\$ 40,218,227

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
COMPARATIVE SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Depreciation</u>	\$ <u>2,789,693</u>	\$ <u>2,879,247</u>
<u>Wastewater Collection</u>		
Maintenance	2,028,451	1,931,754
Fuel and power	126,527	132,073
Materials and supplies	34,793	3,123
Engineering/billing fees	360	1,077
Total	<u>2,190,131</u>	<u>2,068,027</u>
<u>Wastewater Treatment</u>		
Salaries and wages	447,034	429,645
Fuel and power	335,431	322,772
Sludge hauling	185,073	167,864
Pension and other post employment benefits	277,623	304,348
Materials and supplies	150,657	146,965
Employee benefits	162,966	123,905
Maintenance	105,088	126,256
Payroll taxes	34,553	32,382
Professional fees	34,287	31,520
Total	<u>1,732,712</u>	<u>1,685,657</u>
<u>Purification</u>		
Salaries and wages	468,549	440,089
Materials and supplies	405,468	426,879
Pension and other post employment benefits	296,980	99,917
Maintenance	219,585	136,744
Employee benefits	168,712	128,067
Filter water analysis	54,292	35,335
Payroll taxes	35,561	33,386
Engineering	59,931	67,234
Small tools and work equipment	5,938	4,012
Total	<u>1,715,016</u>	<u>1,371,663</u>
<u>Distribution Maintenance</u>		
Water mains	1,505,961	1,281,203
Hydrants	201,464	369,366
Other	61,300	57,464
Total	<u>1,768,725</u>	<u>1,708,033</u>
<u>Other</u>		
Billing and collection	261,000	261,000
Professional fees	126,000	109,000
Insurance	65,870	72,056
Miscellaneous	126,130	68,878
Uncollectible accounts	21,079	30,354
Total	<u>600,079</u>	<u>541,288</u>
<u>Power Purchased</u>	<u>418,036</u>	<u>345,170</u>
<u>Total Operating Expenses</u>	<u>\$ 11,214,392</u>	<u>\$ 10,599,085</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 9,697,196	\$ 9,734,163
Cash received from interfund services provided	51,782	55,298
Cash payments to suppliers for goods and services	(4,658,803)	(4,572,166)
Cash payments to employees for services	(2,708,076)	(2,597,105)
Net Cash Provided (Used) By Operating Activities	<u>2,382,099</u>	<u>2,620,190</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Net decrease (increase) in amounts due from other funds	259,210	(387,312)
Net increase (decrease) in amounts due to other funds	388,744	(44,638)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>647,954</u>	<u>(431,950)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Principal paid on debt	(947,302)	(930,556)
Contributed capital	110,000	191,693
Acquisition of property, plant and equipment	(1,291,751)	(1,951,100)
Proceeds from sale of property, plant and equipment	11,659	-
Interest paid on debt	(206,039)	(226,010)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(2,323,433)</u>	<u>(2,915,973)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of investments	(2,169,795)	(3,594,582)
Proceeds from sales and maturities of investments	2,141,818	3,517,555
Income received on investments	82,569	175,394
Net Cash Provided (Used) By Investing Activities	<u>54,592</u>	<u>98,367</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	761,212	(629,366)
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>5,995,429</u>	<u>6,624,795</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 6,756,641</u>	<u>\$ 5,995,429</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u>		
Operating income (loss)	\$ (1,386,628)	\$ (659,375)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,789,693	2,879,247
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(78,786)	(150,249)
Decrease (increase) in grant receivable	4,931	(4,931)
Decrease (increase) in materials and supplies	67,620	(64,129)
Decrease (increase) in real estate held for resale	(300,000)	-
Decrease (increase) in prepayments	5,412	2,595
Decrease (increase) in deferred outflows	(222,289)	(326,104)
Increase (decrease) in trade accounts payable	453,801	(409,144)
Increase (decrease) in unearned revenue	(41,040)	41,040
Increase (decrease) in accrued expenses	18,585	45,301
Increase (decrease) in net pension and opeb liabilities	1,346,354	1,056,931
Increase (decrease) in deferred inflows	(275,554)	209,008
Net Cash Provided (Used) By Operating Activities	<u>\$ 2,382,099</u>	<u>\$ 2,620,190</u>
<u>Reconciliation of Total Cash Equivalents</u>		
Current Assets - Cash equivalents	\$ 6,756,455	\$ 5,995,243
Restricted Assets - Cash equivalents	186	186
Total Cash Equivalents	<u>\$ 6,756,641</u>	<u>\$ 5,995,429</u>
<u>Noncash Investing, Capital and Related Financing Activities</u>		
Net increase (decrease) in fair value of investments	\$ -	\$ (9,937)
Net Noncash Investing, Capital and Related Financing Activities	<u>\$ -</u>	<u>\$ (9,937)</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts				Actual
	Original	Final			GAAP Basis
Operating Revenues					
Sewer revenues	\$ 5,001,000	\$ 5,001,000	\$ 5,109,435	\$ 108,435	\$ 5,142,850
Water revenues	4,785,780	4,785,780	4,717,579	(68,201)	4,796,860
Grant income	-	-	750	750	-
Total Operating Revenues	<u>9,786,780</u>	<u>9,786,780</u>	<u>9,827,764</u>	<u>40,984</u>	<u>9,939,710</u>
Operating Expenses					
Depreciation	2,644,000	2,644,000	2,789,693	(145,693)	2,879,247
Wastewater collection	2,511,090	2,511,090	2,190,131	320,959	2,068,027
Wastewater treatment	1,929,103	1,929,103	1,732,712	196,391	1,685,657
Purification	1,744,098	1,744,098	1,715,016	29,082	1,371,663
Distribution maintenance	1,686,238	1,686,238	1,768,725	(82,487)	1,708,033
Other	585,495	585,495	600,079	(14,584)	541,288
Power purchased	460,000	460,000	418,036	41,964	345,170
Total Operating Expenses	<u>11,560,024</u>	<u>11,560,024</u>	<u>11,214,392</u>	<u>345,632</u>	<u>10,599,085</u>
Income (Loss) from Operations	<u>(1,773,244)</u>	<u>(1,773,244)</u>	<u>(1,386,628)</u>	<u>386,616</u>	<u>(659,375)</u>
Nonoperating Revenues (Expenses)					
Investment income	80,000	80,000	81,855	1,855	163,325
Interest expense and fees	(229,528)	(229,528)	(199,881)	29,647	(219,982)
Total Nonoperating Revenues (Expenses)	<u>(149,528)</u>	<u>(149,528)</u>	<u>(118,026)</u>	<u>31,502</u>	<u>(56,657)</u>
Income (Loss) Before Contributions	<u>(1,922,772)</u>	<u>(1,922,772)</u>	<u>(1,504,654)</u>	<u>418,118</u>	<u>(716,032)</u>
Capital contributions	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>	<u>191,693</u>
Change in Net Position	<u>\$ (1,812,772)</u>	<u>\$ (1,812,772)</u>	<u>\$ (1,394,654)</u>	<u>\$ 418,118</u>	<u>\$ (524,339)</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash equivalents	\$ 1,104,647	\$ 804,748
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$54,000 and \$42,000)	320,603	249,070
Other	231,142	114,831
Due from other funds	93,995	-
Materials and supplies	111,482	81,334
Prepayments	11,357	11,248
Total Current Assets	1,873,226	1,261,231
<u>Noncurrent Assets</u>		
Capital assets	5,376,796	5,516,923
Accumulated depreciation	(2,704,615)	(2,432,376)
Total Noncurrent Assets	2,672,181	3,084,547
Total Assets	4,545,407	4,345,778
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to pensions and other post employment benefits	840,735	948,225
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Trade accounts payable	179,995	96,796
Due to other funds	242,031	217,185
Accrued interest payable	989	1,662
Accrued payroll and payroll taxes	50,345	30,483
Compensated absences	45,660	33,421
Current portion of debt	1,413,010	1,643,410
Total Current Liabilities	1,932,030	2,022,957
<u>Long-Term Liabilities Due After One Year</u>		
Net pension and other post employment benefit liabilities	3,352,018	3,564,708
Total Long-Term Liabilities	3,352,018	3,564,708
Total Liabilities	5,284,048	5,587,665
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to pensions and other post employment benefits	135,652	299,116
<u>NET POSITION</u>		
Net investment in capital assets	1,259,171	1,441,137
Unrestricted (deficit)	(1,292,729)	(2,033,915)
Total Net Position	\$ (33,558)	\$ (592,778)

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Operating Revenues</u>		
Sanitation fees	\$ 3,742,766	\$ 3,426,092
Recycling income	99,081	70,522
Grant income	1,030	-
Service and miscellaneous	358,419	290,583
Total Operating Revenues	<u>4,201,296</u>	<u>3,787,197</u>
<u>Operating Expenses</u>		
Sanitation collection and disposal	2,247,320	2,993,771
Depreciation	334,095	329,998
Maintenance	469,530	372,458
Other	204,143	195,122
Total Operating Expenses	<u>3,255,088</u>	<u>3,891,349</u>
<u>Income (Loss) From Operations</u>	<u>946,208</u>	<u>(104,152)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	18,108	17,403
Gain (loss) on disposal of assets	(99,307)	(116,568)
Interest expense and fees	(45,144)	(60,422)
Total Nonoperating Revenues (Expenses)	<u>(126,343)</u>	<u>(159,587)</u>
<u>Income (Loss) Before Contributions and Transfers</u>	<u>819,865</u>	<u>(263,739)</u>
Capital contributions	39,355	38,156
Transfers out	<u>(300,000)</u>	<u>(200,000)</u>
<u>Change in Net Position</u>	<u>559,220</u>	<u>(425,583)</u>
<u>Net Position - Beginning of Year</u>	<u>(592,778)</u>	<u>(167,195)</u>
<u>Net Position - End of Year</u>	<u>\$ (33,558)</u>	<u>\$ (592,778)</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
COMPARATIVE SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Sanitation Collection and Disposal</u>		
Salaries and wages	\$ 947,329	\$ 1,162,273
Pension and other post employment benefits	(50,958)	599,959
Hauling and landfill tipping fees	568,025	479,418
Materials and supplies	226,936	226,541
Fuel and oil	165,632	160,662
Employee benefits	251,612	217,612
Payroll taxes	71,314	84,222
Uniforms and clothing	35,997	41,961
Workers compensation	31,433	21,123
Total	<u>2,247,320</u>	<u>2,993,771</u>
<u>Depreciation</u>	<u>334,095</u>	<u>329,998</u>
<u>Maintenance</u>		
Equipment	453,243	367,593
Facilities	16,287	4,865
Total	<u>469,530</u>	<u>372,458</u>
<u>Other</u>		
Billing and collection	83,000	83,000
Insurance	69,800	67,698
Professional fees	40,000	42,000
Uncollectible accounts	11,343	2,424
Total	<u>204,143</u>	<u>195,122</u>
<u>Total Operating Expenses</u>	<u>\$ 3,255,088</u>	<u>\$ 3,891,349</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
COMPARATIVE SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 3,887,814	\$ 3,659,820
Cash received from interfund services provided	125,638	116,607
Cash payments to suppliers for goods and services	(2,118,072)	(2,067,192)
Cash payments to employees for services	(986,542)	(1,241,964)
Net Cash Provided (Used) By Operating Activities	<u>908,838</u>	<u>467,271</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Transfers out	(300,000)	(200,000)
Net decrease (increase) in amounts due from other funds	(93,995)	-
Net increase (decrease) in amounts due to other funds	24,846	104,114
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(369,149)</u>	<u>(95,886)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from issuance of debt	1,413,010	1,643,410
Principal paid on debt	(1,643,410)	(1,577,380)
Contributed capital	39,355	38,156
Acquisition of property, plant and equipment	(1,140,229)	(1,810,639)
Proceeds from sale of property, plant and equipment	1,119,193	1,355,355
Interest paid on debt	(45,817)	(60,556)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(257,898)</u>	<u>(411,654)</u>
<u>Cash Flows From Investing Activities</u>		
Income received on investments	18,108	17,403
Net Cash Provided (Used) By Investing Activities	<u>18,108</u>	<u>17,403</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	299,899	(22,866)
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>804,748</u>	<u>827,614</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 1,104,647</u>	<u>\$ 804,748</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u>		
Operating income (loss)	\$ 946,208	\$ (104,152)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	334,095	329,998
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(187,844)	(10,770)
Decrease (increase) in materials and supplies	(30,148)	1,188
Decrease (increase) in prepayments	(109)	(551)
Decrease (increase) in deferred outflows	107,490	(120,673)
Increase (decrease) in trade accounts payable	83,199	(55,167)
Increase (decrease) in unearned revenue	-	(38,156)
Increase (decrease) in accrued expenses	32,101	4,531
Increase (decrease) in net pension and opeb liabilities	(212,690)	371,131
Increase (decrease) in deferred inflows	(163,464)	89,892
Net Cash Provided (Used) By Operating Activities	<u>\$ 908,838</u>	<u>\$ 467,271</u>
<u>Reconciliation of Total Cash Equivalents</u>		
Current Assets - Cash equivalents	\$ 1,104,647	\$ 804,748
Total Cash Equivalents	<u>\$ 1,104,647</u>	<u>\$ 804,748</u>
<u>Noncash Investing, Capital and Related Financing Activities</u>		
Increase in capital lease obligations	<u>\$ 1,413,010</u>	<u>\$ 1,643,410</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Variance with Final Budget Positive (Negative)	2020
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Operating Revenues</u>					
Sanitation fees	\$ 3,275,589	\$ 3,525,589	\$ 3,742,766	\$ 217,177	\$ 3,426,092
Recycling income	-	-	99,081	99,081	70,522
Grant income	-	-	1,030	1,030	-
Service and miscellaneous	230,500	230,500	358,419	127,919	290,583
Total Operating Revenues	<u>3,506,089</u>	<u>3,756,089</u>	<u>4,201,296</u>	<u>445,207</u>	<u>3,787,197</u>
<u>Operating Expenses</u>					
Sanitation collection and disposal	2,170,521	2,370,521	2,247,320	123,201	2,993,771
Depreciation	300,000	300,000	334,095	(34,095)	329,998
Maintenance	316,000	366,000	469,530	(103,530)	372,458
Other	188,000	188,000	204,143	(16,143)	195,122
Total Operating Expenses	<u>2,974,521</u>	<u>3,224,521</u>	<u>3,255,088</u>	<u>(30,567)</u>	<u>3,891,349</u>
<u>Income (Loss) from Operations</u>	<u>531,568</u>	<u>531,568</u>	<u>946,208</u>	<u>414,640</u>	<u>(104,152)</u>
<u>Nonoperating Revenues (Expenses)</u>					
Investment income	2,500	2,500	18,108	15,608	17,403
Gain (loss) on disposal of assets	-	-	(99,307)	(99,307)	(116,568)
Interest expense and fees	(275,000)	(275,000)	(45,144)	229,856	(60,422)
Total Nonoperating Revenues (Expenses)	<u>(272,500)</u>	<u>(272,500)</u>	<u>(126,343)</u>	<u>146,157</u>	<u>(159,587)</u>
<u>Income (Loss) Before Contributions and Transfers</u>	259,068	259,068	819,865	560,797	(263,739)
Capital contributions	-	-	39,355	39,355	38,156
Transfers out	(300,000)	(300,000)	(300,000)	-	(200,000)
<u>Change in Net Position</u>	<u>\$ (40,932)</u>	<u>\$ (40,932)</u>	<u>\$ 559,220</u>	<u>\$ 600,152</u>	<u>\$ (425,583)</u>

COMPARATIVE FINANCIAL STATEMENTS

Internal Service Fund

Self Insured Health Care Trust Fund

This fund accounts for the accumulation of resources to be used in providing health and life insurance benefits to all employees electing coverage as determined by the City Council.

CITY OF MADISONVILLE, KENTUCKY
INTERNAL SERVICE FUND
SELF INSURED HEALTH CARE TRUST FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash equivalents	\$ 642,782	\$ 646,509
Investments, at fair value	665,961	655,137
Accounts receivable	45,552	36,352
Due from other funds	193,878	195,479
Interest receivable	<u>145</u>	<u>546</u>
Total Current Assets	<u>1,548,318</u>	<u>1,534,023</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Claims payable	184,068	142,373
Due to other funds	<u>512</u>	<u>-</u>
Total Current Liabilities	<u>184,580</u>	<u>142,373</u>
<u>NET POSITION</u>		
Unrestricted	<u>1,363,738</u>	<u>1,391,650</u>
Total Net Position	<u>\$ 1,363,738</u>	<u>\$ 1,391,650</u>

CITY OF MADISONVILLE, KENTUCKY
INTERNAL SERVICE FUND
SELF INSURED HEALTH CARE TRUST FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Revenues</u>		
Charges for premiums and services	\$ <u>3,599,233</u>	\$ <u>2,888,810</u>
<u>Expenses</u>		
Claims expense	2,801,056	2,540,639
Insurance premiums	500,849	472,215
Employee clinic fees	264,395	252,682
Administration	<u>80,438</u>	<u>77,578</u>
Total Expenses	<u>3,646,738</u>	<u>3,343,114</u>
<u>Income (Loss) From Operations</u>	(47,505)	(454,304)
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	<u>19,593</u>	<u>28,153</u>
<u>Change in Net Position</u>	(27,912)	(426,151)
<u>Net Position - Beginning of Year</u>	<u>1,391,650</u>	<u>1,817,801</u>
<u>Net Position - End of Year</u>	\$ <u><u>1,363,738</u></u>	\$ <u><u>1,391,650</u></u>

CITY OF MADISONVILLE, KENTUCKY
INTERNAL SERVICE FUND
SELF INSURED HEALTH CARE TRUST FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u>
<u>Cash Flows From Operating Activities</u>		
Cash received for premiums and services	\$ 3,590,033	\$ 2,897,438
Cash payments for premiums, claims and other	<u>(3,605,043)</u>	<u>(3,393,045)</u>
Net Cash Provided (Used) By Operating Activities	<u>(15,010)</u>	<u>(495,607)</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Net decrease (increase) in amounts due from other funds	1,601	1,303
Net increase (decrease) in amounts due to other funds	<u>512</u>	<u>-</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>2,113</u>	<u>1,303</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	<u>-</u>	<u>-</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of investments	(10,824)	(14,740)
Income received on investments	<u>19,994</u>	<u>28,281</u>
Net Cash Provided (Used) By Investing Activities	<u>9,170</u>	<u>13,541</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(3,727)	(480,763)
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>646,509</u>	<u>1,127,272</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 642,782</u>	<u>\$ 646,509</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u>		
Operating income (loss)	\$ (47,505)	\$ (454,304)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in receivables	(9,200)	8,628
Increase (decrease) in payables	<u>41,695</u>	<u>(49,931)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (15,010)</u>	<u>\$ (495,607)</u>
<u>Reconciliation of Total Cash Equivalents</u>		
Current Assets - Cash equivalents	<u>\$ 642,782</u>	<u>\$ 646,509</u>
Total Cash Equivalents	<u>\$ 642,782</u>	<u>\$ 646,509</u>

CITY OF MADISONVILLE, KENTUCKY

**SUPPLEMENTAL SCHEDULES
JUNE 30, 2021**

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF NOTE PAYABLE
JUNE 30, 2021

Schedule 1

Amount of Loan \$ 1,115,649

Date of Loan June 10, 2020

Interest Rate 2.75%

Loan Outstanding June 30, 2021 \$ 968,714

Creditor First United Bank

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>	<u>Obligation at June 30</u>
2021 - 2022	\$ 150,517	\$ 25,115	\$ 175,632	\$ 818,197
2022 - 2023	154,767	20,865	175,632	663,430
2023 - 2024	159,095	16,537	175,632	504,335
2024 - 2025	163,631	12,001	175,632	340,704
2025 - 2026	168,253	7,379	175,632	172,451
2026 - 2027	<u>172,451</u>	<u>2,628</u>	<u>175,079</u>	-
	<u>\$ 968,714</u>	<u>\$ 84,525</u>	<u>\$ 1,053,239</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
DEBT SERVICE REQUIREMENTS
2021-2022 THROUGH 2033-2034

Schedule 2

TOTAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Series 2012</u>	<u>Kentucky Infrastructure Authority</u>	<u>Total Requirement</u>
2021 - 2022	\$ 1,036,896	\$ 112,916	\$ 1,149,812
2022 - 2023	1,042,196	112,735	1,154,931
2023 - 2024	1,041,076	112,549	1,153,625
2024 - 2025	238,156	112,360	350,516
2025 - 2026	238,594	112,167	350,761
2026 - 2027	238,669	111,970	350,639
2027 - 2028	238,375	111,770	350,145
2028 - 2029	237,694	111,565	349,259
2029 - 2030	236,619	111,356	347,975
2030 - 2031	240,184	111,143	351,327
2031 - 2032	238,387	55,490	293,877
2032 - 2033	236,294	-	236,294
2033 - 2034	238,819	-	238,819
	<u>\$ 5,501,959</u>	<u>\$ 1,176,021</u>	<u>\$ 6,677,980</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
SCHEDULE OF BONDED INDEBTEDNESS
WATER AND SEWER REVENUE BONDS (SERIES OF 2012)
JUNE 30, 2021

Schedule 3

DESCRIPTION

The bonds were issued on March 6, 2012 in the amount of \$9,810,000 to partially advance refund bonds originally issued in connection with the construction of water supply/treatment system improvements performed in 2003. The bonds maintain a stated interest rate varying between 0.50% and 3.25% per annum with interest payments falling on March 1 and September 1 with September 1 being the stated principal payment date. The bond issue is on a parity basis with other bonded indebtedness of the water and sewer system and are payable with income and revenues derived by the operation of the City's combined and consolidated water and sewer system.

DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest		Requirement For Year	Bonds Outstanding at June 30
		September 1	March 1		
2021 - 2022	\$ 925,000	\$ 60,573	\$ 51,323	\$ 1,036,896	\$ 3,970,000
2022 - 2023	950,000	51,323	40,873	1,042,196	3,020,000
2023 - 2024	970,000	40,873	30,203	1,041,076	2,050,000
2024 - 2025	180,000	30,203	27,953	238,156	1,870,000
2025 - 2026	185,000	27,953	25,641	238,594	1,685,000
2026 - 2027	190,000	25,641	23,028	238,669	1,495,000
2027 - 2028	195,000	23,028	20,347	238,375	1,300,000
2028 - 2029	200,000	20,347	17,347	237,694	1,100,000
2029 - 2030	205,000	17,347	14,272	236,619	895,000
2030 - 2031	215,000	14,272	10,912	240,184	680,000
2031 - 2032	220,000	10,912	7,475	238,387	460,000
2032 - 2033	225,000	7,475	3,819	236,294	235,000
2033 - 2034	235,000	3,819	-	238,819	-
	<u>\$ 4,895,000</u>	<u>\$ 333,766</u>	<u>\$ 273,193</u>	<u>\$ 5,501,959</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
SCHEDULE OF NOTE PAYABLE
KENTUCKY INFRASTRUCTURE AUTHORITY
JUNE 30, 2021

Schedule 4

DESCRIPTION

The American Recovery and Reinvestment Act ("ARRA") note from the Kentucky Infrastructure Authority was finalized on December 21, 2011 in the amount of \$1,466,459 (original loan amount of \$3,061,500 less principal forgiveness of \$1,595,041) to construct the South Main Sewer Interceptor Project - Phase 1B. The note bears interest at 2.0% per annum with the Kentucky Infrastructure Authority charging an additional 0.2% servicing fee for a total effective interest rate of 2.2% per annum. Payments of principal and interest are due each June 1 and December 1. The note is subordinated to various previous bond issues which are payable with income and revenues derived by the operation of the City's combined water and sewer system.

DEBT SERVICE REQUIREMENTS

Fiscal Year	December 1		June 1		Requirement For Year	Debt Outstanding at June 30
	Principal	Interest	Principal	Interest		
2021 - 2022	\$ 36,240	\$ 9,264	\$ 36,603	\$ 8,866	\$ 90,973	\$ 769,345
2022 - 2023	36,969	8,463	37,337	8,056	90,825	695,039
2023 - 2024	37,711	7,645	38,089	7,231	90,676	619,239
2024 - 2025	38,469	6,813	38,854	6,388	90,524	541,916
2025 - 2026	39,243	5,961	39,635	5,529	90,368	463,038
2026 - 2027	40,032	5,093	40,432	4,653	90,210	382,574
2027 - 2028	40,836	4,209	41,244	3,759	90,048	300,494
2028 - 2029	41,657	3,305	42,074	2,847	89,883	216,763
2029 - 2030	42,494	2,385	42,919	1,917	89,715	131,350
2030 - 2031	43,348	1,445	43,782	968	89,543	44,220
2031 - 2032	44,220	486	-	-	44,706	-
	<u>\$ 441,219</u>	<u>\$ 55,069</u>	<u>\$ 400,969</u>	<u>\$ 50,214</u>	<u>\$ 947,471</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
SCHEDULE OF NOTE PAYABLE
KENTUCKY INFRASTRUCTURE AUTHORITY
JUNE 30, 2021

Schedule 5

DESCRIPTION

The American Recovery and Reinvestment Act ("ARRA") note from the Kentucky Infrastructure Authority was finalized on December 21, 2011 in the amount of \$353,741 (original loan amount of \$738,500 less principal forgiveness of \$384,758) to construct the South Main Sewer Interceptor Project - Phase 1B. The note bears interest at 2.0% per annum with the Kentucky Infrastructure Authority charging an additional 0.2% servicing fee for a total effective interest rate of 2.2% per annum. Payments of principal and interest are due each June 1 and December 1. The note is subordinated to various previous bond issues which are payable with income and revenues derived by the operation of the City's combined water and sewer system.

DEBT SERVICE REQUIREMENTS

Fiscal Year	December 1		June 1		Requirement For Year	Debt Outstanding at June 30
	Principal	Interest	Principal	Interest		
2021 - 2022	\$ 8,741	\$ 2,235	\$ 8,830	\$ 2,138	\$ 21,944	\$ 185,583
2022 - 2023	8,918	2,041	9,007	1,943	21,909	167,658
2023 - 2024	9,096	1,845	9,188	1,744	21,873	149,374
2024 - 2025	9,280	1,643	9,372	1,541	21,836	130,722
2025 - 2026	9,466	1,438	9,561	1,334	21,799	111,695
2026 - 2027	9,657	1,229	9,753	1,121	21,760	92,285
2027 - 2028	9,850	1,016	9,949	907	21,722	72,486
2028 - 2029	10,049	797	10,149	687	21,682	52,288
2029 - 2030	10,251	575	10,353	462	21,641	31,684
2030 - 2031	10,456	349	10,561	234	21,600	10,667
2031 - 2032	10,667	117	-	-	10,784	-
	<u>\$ 106,431</u>	<u>\$ 13,285</u>	<u>\$ 96,723</u>	<u>\$ 12,111</u>	<u>\$ 228,550</u>	

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2021

Schedule 6

DESCRIPTION

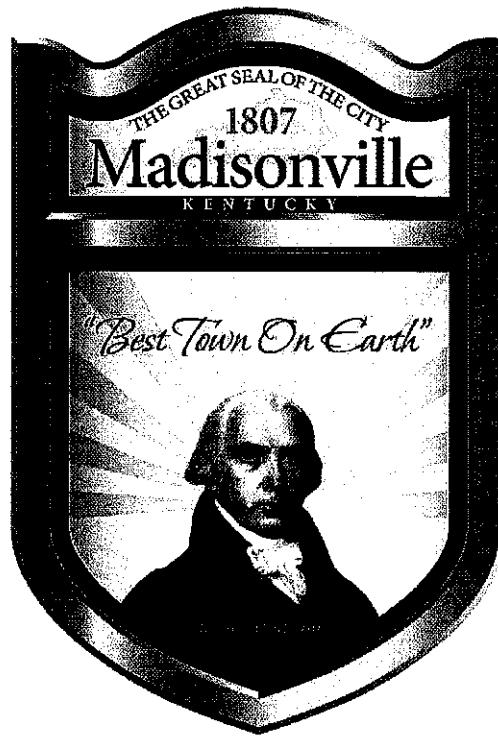
The lease from Kentucky Association of Counties Leasing Trust was finalized October 8, 2020 in the amount of \$1,413,010 to lease with the option to purchase four 2021 Mack Garbage Trucks and two 2020 Mack Garbage Trucks. The lease agreement requires monthly interest only lease payments with a lump sum principal payment due at the expiration of the lease and bears interest at 2.52% per annum. Payments of amounts representing interest are due on the 20th day of each month with the lump sum principal payment due on March 20, 2022.

CAPITAL LEASE REQUIREMENTS

<u>Fiscal Year</u>	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Requirement</u>	<u>Amount Outstanding at June 30</u>
2021 - 2022	\$ 1,413,010	\$ 26,706	\$ 1,439,716	\$ -
	<u>\$ 1,413,010</u>	<u>\$ 26,706</u>	<u>\$ 1,439,716</u>	

CITY OF MADISONVILLE, KENTUCKY

STATISTICAL SECTION



ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF MADISONVILLE, KENTUCKY
STATISTICAL SECTION
TABLE OF CONTENTS
(Unaudited)

This part of the City of Madisonville's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends

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-These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

123

-These schedules contain information to help the reader assess the City's most significant local revenue source, sale of electricity.

Debt Capacity

126

-These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

130

-These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with the other governments.

Operating Information

132

-These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF MADISONVILLE, KENTUCKY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
All amounts in thousands
(Unaudited)

Table 1

	Fiscal Year									
	2012	2013	2014	2015 (a)	2016	2017	2018 (b)	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 24,470	\$ 24,919	\$ 25,342	\$ 25,769	\$ 28,137	\$ 28,813	\$ 29,445	\$ 30,512	\$ 32,008	\$ 32,896
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	5,169	6,205	6,532	(13,976)	(15,098)	(15,667)	(25,591)	(31,174)	(34,638)	(39,786)
Total governmental activities net position	29,639	31,124	31,874	11,793	13,039	13,146	3,854	(662)	(2,630)	(6,890)
Business-type activities										
Net investment in capital assets	\$ 37,641	\$ 39,671	\$ 41,058	\$ 42,855	\$ 45,792	\$ 46,369	\$ 48,129	\$ 49,694	\$ 50,675	\$ 51,293
Restricted	3,641	3,756	3,040	3,103	3,096	2,789	2,791	2,821	2,921	2,899
Unrestricted	11,142	13,073	14,316	9,765	9,828	9,844	5,098	5,260	3,798	3,669
Total business-type activities net position	52,424	56,500	58,414	55,723	58,716	59,002	56,018	57,775	57,394	57,861
Primary government										
Net investment in capital assets	\$ 62,111	\$ 64,590	\$ 66,400	\$ 68,624	\$ 73,929	\$ 75,182	\$ 77,574	\$ 80,206	\$ 82,683	\$ 84,189
Restricted	3,641	3,756	3,040	3,103	3,096	2,789	2,791	2,821	2,921	2,899
Unrestricted (deficit)	16,311	19,278	20,848	(4,211)	(5,270)	(5,823)	(20,493)	(25,914)	(30,840)	(36,117)
Total primary government net position	82,063	87,624	90,288	67,516	71,755	72,148	59,872	57,113	54,764	50,971
GMAIA Component Unit										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	184	182	189	185	110	-	-	-	-	-
Total component unit net position	184	182	189	185	110	-	-	-	-	-

(a) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.

(b) In 2018, the City implemented GASB 75 which changed how governments measure and report post employment benefits other than pensions.

CITY OF MADISONVILLE, KENTUCKY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
All amounts in thousands
(Unaudited)

Table 2

	Fiscal Year									
	2012	2013	2014	2015 (a)	2016	2017	2018 (b)	2019	2020	2021
Expenses										
Governmental activities:										
General government	5,954	5,720	5,815	4,645	5,035	5,254	5,340	5,616	6,401	7,614
Public safety	10,132	10,228	10,636	10,659	10,517	11,558	14,295	15,291	16,713	16,863
Transportation	2,747	2,697	2,626	2,201	2,188	2,777	2,484	3,157	2,280	3,179
Recreation	784	761	852	1,092	1,054	1,335	1,476	1,461	1,706	1,911
Health and welfare	716	835	790	889	1,301	1,668	1,148	1,249	1,101	1,087
Airport				855	862	810	905	930	981	1,197
Cemetery	309	310	319	337	341	315	277	362	399	512
Interest on long-term debt	58	56	33	26	17					29
Total governmental activities expenses	20,700	20,607	21,071	20,704	21,315	23,717	25,925	28,066	29,581	32,392
Business-type activities:										
Electric distribution	21,240	22,165	23,214	22,110	20,937	24,164	25,890	23,459	22,587	21,064
Water and sewer services	8,364	8,213	8,396	8,251	9,333	8,802	9,979	9,775	10,913	11,426
Sanitation services	1,930	2,360	2,229	2,389	2,293	3,362	4,515	3,869	4,108	3,420
Total business-type activities expenses	31,534	32,738	33,839	32,750	32,563	36,328	40,384	37,103	37,608	35,910
Total primary government expenses	52,234	53,345	54,910	53,454	53,878	60,045	66,309	65,169	67,189	68,302
Component unit activities (GMAIA):										
Expenses	99	104	94	105	100					
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	119	130	114	161	156	202	171	204	215	228
Recreation	162	151	147	135	120	121	121	174	137	210
Cemetery	77	81	79	78	84	68	70	72	74	95
Airport				249	241	237	316	285	228	309
Other activities	2,642	2,443	2,443	1,936	1,796	2,053	1,895	2,036	2,983	3,738
Operating grants and contributions	544	496	589	650	726	779	669	638	2,135	1,077
Capital grants and contributions	1,077	2,700	1,215	1,573	2,183	1,137	875	1,020	2,024	1,497
Total governmental activities program revenues	4,621	6,001	4,587	4,782	5,306	4,597	4,117	4,429	7,796	7,154
Business-type activities:										
Charges for services:										
Electric distribution	25,174	26,110	27,152	26,204	25,652	26,686	28,761	27,561	26,560	25,511
Water and sewer services	10,517	10,239	9,996	9,935	9,745	9,938	9,928	9,696	9,940	9,827
Sanitation services	2,093	2,175	2,179	2,316	2,592	3,555	4,226	3,930	3,787	4,200
Operating grants and contributions	1	1	184	1				3		2
Capital grants and contributions	483	1,049	158	170	345	198	309	327	302	417
Total business-type activities program revenues	38,268	39,574	39,669	38,626	38,334	40,377	43,224	41,517	40,589	39,957
Total primary government program revenues	42,889	45,575	44,256	43,408	43,640	44,974	47,341	45,946	48,385	47,111
Component unit activities (GMAIA):										
Revenues	101	101	101	101	25					
Total Component unit activities (GMAIA)	101	101	101	101	25					

CITY OF MADISONVILLE, KENTUCKY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
All amounts in thousands
(Unaudited)

Table 2 - Continued

	Fiscal Year									
	2012	2013	2014	2015 (a)	2016	2017	2018 (b)	2019	2020	2021
Net (Expense)/Revenue										
Governmental activities	\$ (16,079)	\$ (14,606)	\$ (16,484)	\$ (15,922)	\$ (16,009)	\$ (19,120)	\$ (21,808)	\$ (23,637)	\$ (21,785)	\$ (25,238)
Business-type activities	6,734	6,836	5,830	5,876	5,771	4,049	2,840	4,414	2,981	4,047
Total primary government net expense	\$ (9,345)	\$ (7,770)	\$ (10,654)	\$ (10,046)	\$ (10,238)	\$ (15,071)	\$ (18,968)	\$ (19,223)	\$ (18,804)	\$ (21,191)
Total component unit net expense	\$ 2	\$ (3)	\$ 7	\$ (4)	\$ (75)	\$ -	\$ -	\$ -	\$ -	\$ -
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes:										
Occupational	\$ 7,131	\$ 7,069	\$ 7,410	\$ 7,361	\$ 7,772	\$ 7,523	\$ 7,467	\$ 8,001	\$ 8,101	\$ 8,515
Property	1,660	1,651	1,680	1,772	1,657	1,708	1,834	1,814	1,771	1,972
Insurance premium	2,614	2,800	2,715	2,771	2,822	2,995	2,914	2,996	2,918	3,005
Alcoholic beverage	401	400	388	393	406	402	380	344	315	327
Emergency telephone	234	228	240	221	221	254	347	268	315	327
Restaurant	-	-	-	-	635	1,514	1,488	1,536	1,446	1,613
Franchise and other	396	402	426	420	400	404	423	422	418	427
Investment income	10	9	8	9	10	16	33	78	97	67
Gain (loss) on sale of capital assets	(1)	9	-	-	42	40	22	-	-	36
Miscellaneous	399	673	516	448	441	501	708	632	871	871
Transfers	2,850	2,850	3,850	2,850	2,850	3,910	3,430	3,030	3,700	3,800
Total governmental activities	15,694	16,091	17,233	16,245	17,256	19,227	19,046	19,121	19,816	20,978
Business-type activities:										
Investment earnings	176	86	62	41	55	112	210	372	317	220
Gain (loss) on sale of capital assets	2	4	42	-	16	35	-	-	22	-
Miscellaneous	-	-	-	25	-	-	-	-	-	-
Transfers	(2,850)	(2,850)	(3,850)	(2,850)	(2,850)	(3,910)	(3,430)	(3,030)	(3,700)	(3,800)
Total business-type activities	(2,672)	(2,760)	(3,746)	(2,784)	(2,779)	(3,763)	(3,220)	(2,658)	(3,361)	(3,580)
Total primary government	\$ 13,022	\$ 13,331	\$ 13,487	\$ 13,461	\$ 14,477	\$ 15,464	\$ 15,826	\$ 16,463	\$ 16,455	\$ 17,398
Component unit activities (GMAIA):										
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on sale of capital assets	-	-	-	-	-	(110)	-	-	-	-
Transfers	-	-	-	-	-	(110)	-	-	-	-
Total component unit activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (110)	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental activities	\$ (385)	\$ 1,485	\$ 749	\$ 323	\$ 1,247	\$ 107	\$ (2,762)	\$ (4,516)	\$ (1,969)	\$ (4,260)
Business-type activities	4,062	4,076	2,084	3,092	2,992	286	(380)	1,756	(380)	467
Total primary government	\$ 3,677	\$ 5,561	\$ 2,833	\$ 3,415	\$ 4,239	\$ 393	\$ (3,142)	\$ (2,760)	\$ (2,349)	\$ (3,793)
Component unit	\$ 2	\$ (3)	\$ 7	\$ (4)	\$ (75)	\$ (110)	\$ -	\$ -	\$ -	\$ -

(a) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.
(b) In 2018, the City implemented GASB 75 which changed how governments measure and report post employment benefits other than pensions.

CITY OF MADISONVILLE, KENTUCKY
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)

Table 3

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 622,005	\$ 662,308	\$ 748,605	\$ 925,204	\$ 878,172	\$ 917,384	\$ 895,722	\$ 815,451	\$ 801,775	\$ 904,748
Unassigned	4,844,699	5,520,127	5,609,890	5,673,276	5,114,697	4,982,806	4,488,407	3,749,174	5,062,294	4,735,446
Total General Fund	\$ 5,466,704	\$ 6,182,435	\$ 6,358,495	\$ 6,598,480	\$ 5,992,869	\$ 5,900,190	\$ 5,384,129	\$ 4,564,625	\$ 5,864,069	\$ 5,640,194
All Other Governmental Funds										
Nonspendable	\$ 81,613	\$ 77,681	\$ 92,710	\$ 11,935	\$ 34,820	\$ 133,311	\$ 175,203	\$ 269,883	\$ 132,882	\$ 513,965
Restricted	535,472	614,416	558,006	435,659	284,638	139,038	369,767	239,032	184,794	107,894
Committed	436,127	404,054	37,786	29,531	623,584	1,167,581	1,239,153	967,592	1,263,388	1,525,558
Unassigned (deficit)	(267,545)	(310,899)	5,142	(154,970)	(269,067)	-	-	-	-	-
Total All Other Governmental Funds	\$ 785,667	\$ 785,252	\$ 693,644	\$ 322,155	\$ 673,975	\$ 1,439,930	\$ 1,784,123	\$ 1,476,507	\$ 1,581,064	\$ 2,147,417

CITY OF MADISONVILLE, KENTUCKY
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
All amounts in thousands
(Unaudited)

Table 4

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 12,436	\$ 12,550	\$ 12,859	\$ 12,939	\$ 13,913	\$ 14,761	\$ 14,853	\$ 15,381	\$ 15,284	\$ 16,170
Intergovernmental	1,621	1,695	1,799	1,820	2,316	1,436	1,266	1,571	3,039	2,102
Fuel sales	400	279	273	217	201	196	272	243	190	260
Recreation	162	151	147	135	120	121	120	174	137	210
Police fines and base court	119	130	114	161	156	201	171	204	215	228
Fees	25	29	28	22	26	25	26	24	22	22
Miscellaneous	399	673	515	811	441	501	708	632	735	871
Contributions	-	1,502	6	41	593	480	279	87	1,120	472
Cemetery	77	81	79	78	84	68	70	72	74	96
Rental income	48	46	69	72	100	89	92	95	111	165
Investment income	2	3	4	5	6	12	29	57	68	47
Total Revenues	15,289	17,139	15,893	16,301	17,956	17,890	17,886	18,540	20,995	20,643
Expenditures										
Public safety	9,653	10,157	10,490	10,223	9,636	10,310	10,743	11,254	11,920	12,603
Transportation	1,348	1,495	1,661	1,712	1,558	1,909	1,979	2,195	1,841	2,008
General government/other	2,959	2,852	3,016	2,673	2,885	2,939	3,184	2,988	2,873	3,015
Recreation	681	678	763	911	810	1,025	1,061	1,088	1,137	1,327
Health and welfare	716	835	790	889	1,301	1,668	1,148	1,249	1,101	1,087
Cemetery	305	310	314	302	301	299	255	285	321	350
Airport	-	-	-	343	332	314	375	400	413	520
Debt service:										
Interest	58	56	33	26	17	-	-	-	-	29
Principal	111	127	163	161	837	-	-	-	-	147
Capital outlay	1,111	2,775	2,491	2,069	3,611	2,695	2,765	3,258	5,222	3,100
Total Expenditures	16,942	19,285	19,721	19,309	21,288	21,159	21,510	22,717	24,828	24,186
Excess (Deficiency) of Revenues	(1,653)	(2,146)	(3,828)	(3,008)	(3,332)	(3,269)	(3,624)	(4,177)	(3,833)	(3,543)
Other Financing Sources (Uses)										
Proceeds from debt issues	14	-	-	-	-	-	-	-	1,116	-
Proceeds from sale of capital assets	10	11	63	27	228	32	22	20	421	85
Transfers in	3,511	3,507	5,000	3,758	3,426	4,539	3,649	3,180	3,997	4,040
Transfers out	(661)	(657)	(1,150)	(908)	(576)	(629)	(219)	(150)	(297)	(240)
Total Other Financing Sources (Uses)	2,874	2,861	3,913	2,877	3,078	3,942	3,452	3,050	5,237	3,885
Net Change in Fund Balances	1,221	715	85	(131)	(254)	673	(172)	(1,127)	1,404	342
Debt Service as a Percentage of Noncapital Expenditures	1.1 %	1.1 %	1.1 %	1.1 %	4.8 %	- %	- %	- %	- %	0.8 %

**CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND SALE OF ELECTRICITY
LAST TEN FISCAL YEARS
(Unaudited)**

Table 5

Fiscal Year	Kilowatt Hours Sold	Residential Charges	Commercial Charges	Commercial KW Demand Charges	Residential Rates		Commercial Rates		
					Customer Charge	Energy Rate (per KWH)	Customer Charge	Energy Rate (per KWH)	Demand Charge (per KWH)
2012	316,681,683	\$ 7,252,590	\$ 12,076,985	\$ 5,106,800	\$ 6.00	\$ 0.0697	\$ 18.01	\$ 0.0369	\$ 11.74
2013	316,543,448	7,344,327	12,792,793	5,221,454	6.00	0.0697	18.01	0.0369	11.74
2014	308,941,340	7,870,054	13,414,902	5,156,410	6.00	0.0697	18.01	0.0369	11.74
2015	298,445,857	7,550,746	12,915,824	5,073,190	6.00	0.0697	18.01	0.0369	11.74
2016	290,879,810	7,213,997	12,486,234	4,926,720	6.00	0.0697	18.01	0.0369	11.74
2017	297,955,670	7,600,349	13,108,288	5,055,571	6.00	0.0697	18.01	0.0369	11.74
2018	293,388,928	8,248,077	14,234,326	4,997,984	6.00	0.0697	18.01	0.0369	11.74
2019	294,300,806	8,189,921	13,773,862	5,046,206	6.00	0.0697	18.01	0.0369	11.74
2020	271,252,375	7,964,353	12,725,574	4,890,427	6.00	0.0697	18.01	0.0369	11.74
2021	258,990,556	8,011,311	12,285,656	4,416,823	6.00	0.0697	18.01	0.0369	11.74

Data Source: City of Madisonville Municipal Utilities Billing Office

CITY OF MADISONVILLE, KENTUCKY
NUMBER OF ELECTRIC CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Table 6

Fiscal Year	Residential	Commercial	Security Lights	Total
2012	6,919	1,487	560	8,966
2013	6,949	1,489	568	9,006
2014	6,888	1,481	576	8,945
2015	6,924	1,483	570	8,977
2016	6,914	1,483	575	8,972
2017	6,877	1,489	568	8,934
2018	6,874	1,503	568	8,945
2019	6,862	1,495	579	8,936
2020	6,880	1,491	621	8,992
2021	6,887	1,500	623	9,010

Data Source: City of Madisonville Municipal Utilities Billing Office

CITY OF MADISONVILLE, KENTUCKY
TEN LARGEST ELECTRIC CUSTOMERS
CURRENT YEAR AND TEN YEARS AGO
(Unaudited)

Table 7

<u>Customer</u>	<u>Year Ended June 30, 2021</u>	
	<u>Amount</u>	<u>%</u>
Baptist Health Madisonville	\$ 2,058,017	8.29 %
Ahlstrom Filtration	2,019,130	8.13 %
GE Aircraft Engines	1,632,932	6.57 %
Electrocycle	1,269,678	5.11 %
City of Madisonville	947,805	3.81 %
IAC Madisonville	510,402	2.05 %
Hopkins County Board of Education	475,859	1.92 %
Madisonville Community College	465,245	1.87 %
AT&T (Bell South)	281,250	1.13 %
Hopkins County Fiscal Court	257,515	1.04 %
Subtotal (10 largest)	9,917,833	39.92 %
Balance from other customers	14,926,357	60.08 %
Grand totals	\$ 24,844,190	100.00 %

<u>Customer</u>	<u>Year Ended June 30, 2012</u>	
	<u>Amount</u>	<u>%</u>
GE Aircraft Engines	\$ 2,182,195	8.81 %
Trover Foundation	1,735,794	7.02 %
Ahlstrom Filtration	1,376,089	5.56 %
Electrocycle	1,122,388	4.54 %
IAC Madisonville	1,187,454	4.80 %
City of Madisonville	669,405	2.71 %
Hopkins County Board of Education	471,650	1.91 %
Madisonville Community College	421,918	1.71 %
UC Milk Company	357,939	1.45 %
Gemtron	270,791	1.09 %
Subtotal (10 largest)	9,795,623	39.60 %
Balance from other customers	14,942,241	60.40 %
Grand totals	\$ 24,737,864	100.00 %

Data Source: City of Madisonville Municipal Utilities Billing Office

CITY OF MADISONVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Table 8

Fiscal Year	Business Type Activities										Total Primary Government	Percentage of Personal Income	Per Capita		
	Governmental Activities			Water & Sewer Fund			Sanitation Fund			Light Fund					
	Capital Leases	Term Loan	Revenue Bonds	Capital Leases	Term Loan	Unamortized Bond Discount	Capital Leases	Term Loan	Capital Leases	Term Loan				Capital Leases	Term Loan
2012	\$ 1,288,225	\$ -	\$ 14,540,000	\$ 1,025,224	\$ 6,117,980	\$ -	\$ -	\$ 155,293	\$ 68,565	\$ 23,195,287	3.64 %	\$ 1,167			
2013	1,161,003	-	13,470,000	881,161	5,122,129	-	-	-	-	20,634,293	3.11 %	1,042			
2014	998,427	-	12,370,000	731,653	4,100,676	(151,225)	708,516	-	-	18,758,047	2.73 %	948			
2015	836,933	-	11,230,000	691,898	3,052,961	(131,555)	931,792	-	-	16,612,029	2.38 %	850			
2016	-	-	10,045,000	503,763	1,471,379	(119,781)	971,432	-	-	12,871,793	1.82 %	664			
2017	-	-	8,825,000	247,998	1,389,529	(109,588)	1,356,337	-	-	11,709,276	1.68 %	614			
2018	-	-	7,575,000	74,312	1,306,033	(102,269)	1,385,188	-	-	10,238,264	1.43 %	544			
2019	-	-	6,700,000	-	1,220,860	(95,526)	1,577,380	-	-	9,402,714	1.29 %	505			
2020	-	1,115,649	5,805,000	-	1,133,974	(88,783)	1,643,410	-	-	9,609,250	1.22 %	492			
2021	-	968,714	4,895,000	-	1,045,342	(82,040)	1,413,010	-	-	8,240,026	(1)	(1)			

(1) Not Available

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF MADISONVILLE, KENTUCKY
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2021
(Unaudited)

Table 9

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Madisonville</u>	<u>Amount Applicable to City of Madisonville</u>
Direct Debt:			
City of Madisonville	\$ <u>968,714</u>	100.00 %	\$ <u>968,714</u>
Total Direct Debt	<u>968,714</u>		<u>968,714</u>
Overlapping Debt:			
Hopkins County School Board	<u>50,821,249</u>	56.03 %	<u>28,475,146</u>
Total Overlapping Debt	<u>50,821,249</u>		<u>28,475,146</u>
Total Direct and Overlapping Debt	<u>\$ 51,789,963</u>		<u>\$ 29,443,860</u>

Note: The percentage used for the Hopkins County School Board is based upon the percentage of school facilities located within the City of Madisonville compared to Hopkins County as a whole.

Data Source: Hopkins County Board of Education and Council minutes.

CITY OF MADISONVILLE, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

Table 10

<u>Fiscal Year</u>	<u>Net Assessed Value *</u>	<u>Less: Exempt Property</u>	<u>Total Assessed Value</u>	<u>Debt Limit (1)</u>	<u>Amount of Debt Applicable</u>	<u>Legal Debt Margin</u>
2012	\$ 898,303,287	\$ 59,933,775	\$ 838,369,512	\$ 41,918,476	\$ 1,288,225	\$ 40,630,251
2013	910,444,989	62,861,975	847,583,014	42,379,151	1,161,003	41,218,148
2014	924,219,641	63,925,775	860,293,866	43,014,693	998,427	42,016,266
2015	922,303,963	65,393,000	856,910,963	42,845,548	836,933	42,008,615
2016	958,995,210	66,413,500	892,581,710	44,629,086	-	44,629,086
2017	974,571,009	67,821,200	906,749,809	45,337,490	-	45,337,490
2018	993,861,528	69,437,800	924,423,728	46,221,186	-	46,221,186
2019	1,012,891,778	72,303,800	940,587,978	47,029,399	-	47,029,399
2020	1,058,194,538	73,801,600	984,392,938	49,219,647	1,115,649	48,103,998
2021	1,083,201,996	73,819,500	1,009,382,496	50,469,125	968,714	49,500,411

(1) Section 158 of the Commonwealth of Kentucky Constitution states:
"Cities shall not be authorized or permitted to incur indebtedness to an amount, including existing indebtedness in the aggregate exceeding the following named maximum percentage on the value of the taxable property therein, to be estimated by the assessment next before Cities and towns of the fourth class 5 per centum."

* Source: PVA Certified Assessment

CITY OF MADISONVILLE, KENTUCKY
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Table 11

Fiscal Year	Gross Revenue	(1) Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2012	\$ 10,690,185	\$ 5,037,576	\$ 5,652,609	\$ 1,070,000	\$ 364,015	\$ 1,434,015	3.94
2013	10,321,590	5,148,646	5,172,944	1,100,000	331,003	1,431,003	3.61
2014	10,053,073	5,360,040	4,693,033	1,140,000	292,925	1,432,925	3.28
2015	9,971,881	5,306,778	4,665,103	1,185,000	252,502	1,437,502	3.25
2016	9,785,786	6,345,662	3,440,124	1,220,000	217,721	1,437,721	2.39
2017	10,005,472	5,877,600	4,127,872	1,250,000	189,196	1,439,196	2.87
2018	10,050,770	6,963,084	3,087,686	875,000	165,996	1,040,996	2.97
2019	9,911,469	6,645,706	3,265,763	895,000	148,296	1,043,296	3.13
2020	10,103,035	7,719,838	2,383,197	910,000	130,246	1,040,246	2.29
2021	9,909,619	8,424,699	1,484,920	925,000	111,896	1,036,896	1.43

(1) Depreciation excluded

CITY OF MADISONVILLE, KENTUCKY
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Table 12

Fiscal Year	(1) Population	(2) Per Capita Income	(2) Personal Income	(3) School Enrollment	(4) Unemployment Rate
2012	19,877	\$ 32,099	\$ 638,031,823	8,567	7.8 %
2013	19,798	33,467	662,579,666	9,173	8.8 %
2014	19,791	34,670	686,153,970	8,906	7.4 %
2015	19,539	35,657	696,702,123	8,772	5.8 %
2016	19,399	36,518	708,412,682	7,878	6.2 %
2017	19,067	36,460	695,182,820	7,872	5.6 %
2018	18,833	38,097	717,480,801	7,887	5.0 %
2019	18,621	39,236	730,613,556	7,320	5.2 %
2020	19,542	40,317	787,874,814	6,917	6.0 %
2021	(5)	42,918	(5)	7,791	5.6 %

Data Sources: (1) Census Data
(2) Bureau of Economic Analysis
(3) Kentucky Department of Education
(4) Kentucky Department For Employment Services
(5) Not Available

CITY OF MADISONVILLE, KENTUCKY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
(Unaudited)

Table 13

2021				
<u>Employer</u>	<u>Taxable Wages</u>	<u>Occupational Tax</u>	<u>Rank</u>	<u>% of Total Occupational Tax</u>
Baptist Health Madisonville	\$ 62,496,829	\$ 937,452	1	11.01 %
General Electric Company	39,352,176	590,283	2	6.93 %
Baptist Medical Associates	30,572,183	458,583	3	5.39 %
Hopkins County Board of Education	22,158,933	332,384	4	3.90 %
City of Madisonville	15,738,822	236,082	5	2.77 %
Berry Plastics, IK, LLC	13,754,211	206,313	6	2.42 %
Fred E. Clark	14,626,198	182,036	7	2.14 %
Land O'Frost, Inc	11,670,045	174,811	8	2.05 %
Ahlstrom-Munksjo USA Inc.	10,964,744	164,471	9	1.93 %
Baptist Healthcare System	9,894,600	148,419	10	1.74 %

2012				
<u>Employer</u>	<u>Taxable Wages</u>	<u>Occupational Tax</u>	<u>Rank</u>	<u>% of Total Occupational Tax</u>
Trover Clinic Foundation	\$ 77,679,063	\$ 1,165,182	1	16.34 %
General Electric Company	59,617,114	894,257	2	12.54 %
Hopkins County Board of Education	19,725,052	306,190	3	4.29 %
City of Madisonville	11,789,692	176,845	4	2.48 %
Ahlstrom Engine Filtration, LLC	11,513,519	172,761	5	2.42 %
Kentucky Community and Technical College	11,336,086	170,041	6	2.38 %
Commonwealth of Kentucky	9,600,952	144,014	7	2.02 %
Wal-mart Associates, Inc	8,353,323	125,300	8	1.76 %
Owensboro Medical Health System	5,866,085	87,993	9	1.23 %
Land O'Frost, Inc.	4,439,256	66,199	10	0.93 %

Data Source: City of Madisonville Tax and Finance Office
Tax Rate: Occupational taxes are calculated at 1.5% of all taxable wages earned inside the City of Madisonville
Note: Fred E. Clark has a tax abatement agreement with the City of Madisonville regarding payroll taxes

CITY OF MADISONVILLE, KENTUCKY
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Table 14

Full-Time Equivalent Employees	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function/Program:										
General government	23	24	24	21	22	22	21	17	19	21
Police	52	55	52	52	47	48	48	47	49	49
Emergency telephone	2	2	2	3	9	9	12	14	12	13
Fire	53	56	56	58	60	58	61	62	61	65
Transportation	18	18	19	14	24	23	23	23	21	24
Recreation	9	9	9	10	11	12	11	14	14	17
Airport	1	1	1	2	2	2	2	3	3	4
Cemetery	5	4	4	4	5	5	5	5	6	6
Electric distribution	30	27	29	32	30	32	33	34	34	35
Water and sewer services	54	52	55	52	54	53	57	58	56	58
Sanitation services	18	18	18	16	18	24	31	27	23	23
Totals	265	266	269	264	282	288	304	304	298	315

Data Source: City of Madisonville Human Resources Department

CITY OF MADISONVILLE, KENTUCKY
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

Table 15

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Building permits issued	215	194	194	202	191	187	171	162	159	176
Police										
Physical arrests	3,625	3,927	3,910	3,764	4,271	4,354	4,063	3,263	2,401	2,664
Traffic violations and warnings	6,112	10,548	9,250	7,380	8,615	5,502	4,145	3,766	2,426	4,327
Fire										
Emergency responses	481	467	478	489	1,302	1,481	1,719	1,638	1,371	1,234
Fires extinguished	157	123	144	144	102	138	94	96	86	80
Water										
Number of water consumers	10,121	10,161	10,128	10,149	10,140	10,143	10,209	10,210	10,261	10,253
Annual consumption (in 1,000 gallons)	1,037,355	1,016,999	1,010,423	986,022	938,505	977,195	970,781	949,652	965,026	961,768
Sewer										
Number of sewer consumers	8,985	9,017	9,014	9,054	9,031	9,041	9,117	9,104	9,224	9,208
Electric										
Number of electric consumers	8,406	8,438	8,369	8,407	8,397	8,366	8,377	8,357	8,371	8,387
Annual consumption (in 1,000 kwh)	316,682	316,543	308,941	298,446	290,880	297,956	293,389	294,301	271,252	258,991
Sanitation										
Number of sanitation customers	8,075	8,061	8,007	8,054	8,021	8,267	8,234	8,233	8,272	8,223

Data Source: City of Madisonville Planning & Zoning, Police, Fire Departments and Municipal Utilities Billing Office

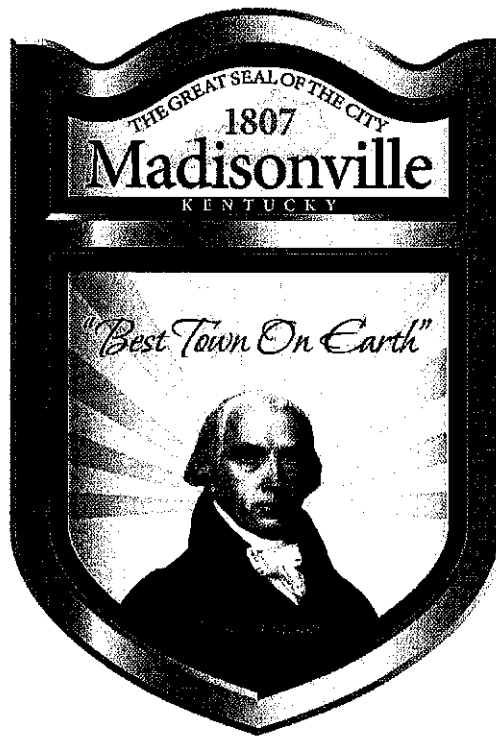
CITY OF MADISONVILLE, KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

Table 16

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General										
Number of municipal airports	1	1	1	1	1	1	1	1	1	1
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations	4	4	4	4	4	4	4	4	4	4
Parks & recreation										
Number of parks	6	6	6	6	6	6	6	6	6	6
Number of lakes	3	3	3	3	3	3	3	3	3	3
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Sewer										
Number of miles of lines	160	160	160	160	160	160	160	160	160	160
Number of lift stations	50	50	50	50	50	50	50	50	50	50

Data Source: City of Madisonville Clerk's Office, Parks & Recreation, Police, Fire and Wastewater Collection Departments.

CITY OF MADISONVILLE, KENTUCKY
COMPLIANCE AND INTERNAL CONTROL SECTION



ANNUAL COMPREHENSIVE FINANCIAL REPORT

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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

To The Honorable Mayor Kevin Cotton
And Members of the City Council
City of Madisonville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Madisonville, 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 Madisonville, Kentucky's basic financial statements, and have issued our report thereon dated December 17, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Madisonville, 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*.

We noted certain matters other than significant deficiencies and material weaknesses that we reported to management of the City of Madisonville, Kentucky, in a separate letter dated December 17, 2021.

City of Madisonville, Kentucky's Response to Findings

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



Alford, Nance, Jones, & Oakley LLP

Madisonville, Kentucky
December 17, 2021

CITY OF MADISONVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

2021-1 Significant Deficiency

Condition: Some employees were paid an incorrect rate of pay because wage increases were updated incorrectly.

Criteria: Management is responsible for designing effective internal controls over payroll processing to prevent or detect misstatements in payroll on a timely basis.

Cause: Internal controls over the application of approved wage changes are not sufficient to detect errors in processing a change in pay rate. There are no procedures in place to verify that the intended change in pay rate is properly reflected in the first affected pay.

Effect: Employees were paid at a rate not approved by management.

Recommendation: We recommend each pay rate changed be verified by someone, other than the payroll clerk, upon calculation of the first pay after the change in rate is effective. The Employee Action Notice (EANs) should be signed by the person that verified the calculation noting agreement with the approved change in pay.

Management's Response: The administration agrees with the above finding. We appreciate our auditor's bringing this to our attention. Upon notice of the finding, additional procedures were immediately put into place to reduce the likelihood of errors of this nature from occurring again. All pay rate changes are now verified by two employees (the payroll clerk and human resources) and noted on the Employee Action Notice (EAN) following the first affected pay. Department heads are no longer allowed to change pay rates in the same pay period that the cost-of-living adjustment is applied.

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