



**Financial Statements and Supplementary Information**

**for**

**CITY OF SHIVELY, KENTUCKY**

*Year Ended June 30, 2021  
with Independent Auditor's Report*

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## **Independent Auditor's Report**

To the Honorable Mayor and City Council  
City of Shively, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of the City of Shively, Kentucky (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City, as of June 30, 2021, and the respective changes in financial position, and the budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, opening net position of the government-wide financial statements and fund balance of the fund financial statements as of July 1, 2020 have been restated to reflect corrections to certain liabilities and accrued compensated absences. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Supplementary Pension and OPEB Information on pages 35 through 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on pages 41 and 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

City Council  
City of Shively, Kentucky  
Independent Auditor's Report, continued

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2025 on our consideration of the City'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'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's internal control over financial reporting and compliance.

*Dean Dorton Allen Ford, PLLC*

Louisville, Kentucky  
January 27, 2025

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF SHIVELY, KENTUCKY**

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,101,579
Investments	2,527,282
Accounts receivable	1,437,350
Capital assets, net	<u>6,410,984</u>
Total assets	<u>\$ 13,477,195</u>
<b>Deferred Outflows of Resources</b>	
Deferred amount related to pension plan	\$ 4,549,962
Deferred amount related to OPEB	<u>2,758,287</u>
Total deferred outflow of resources	<u>\$ 7,308,249</u>
<b>Liabilities</b>	
Accrued liabilities	\$ 427,850
Accrued compensated absences	1,753,441
Net pension liability	24,004,317
Net OPEB liability	<u>7,374,945</u>
Total liabilities	<u>\$ 33,560,553</u>
<b>Deferred Inflows of Resources</b>	
Deferred amount related to OPEB	<u>\$ 794,795</u>
<b>Net Position</b>	
Investment in capital assets	\$ 6,410,984
Restricted for road fund	\$ 101,954
Unrestricted	<u>(20,082,842)</u>
Total net position	<u>\$ (13,569,904)</u>

*See accompanying notes.*



# CITY OF SHIVELY, KENTUCKY

## Statement of Activities

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 2,812,408	\$ 427,916	\$ 11,815	\$ 1,487,914	\$ (884,763)
Police department	7,774,275	378,158	48,554	-	(7,347,563)
Fire department	4,764,783	2,949	157,456	-	(4,604,378)
Public works	1,019,237	12,840	-	-	(1,006,397)
Parks and recreation	67,798	-	-	-	(67,798)
Streets and snow removal	209,507	-	-	-	(209,507)
Depreciation	<u>804,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(804,067)</u>
Total Governmental Activities	\$ 17,452,075	\$ 821,863	\$ 217,825	\$ 1,487,914	(14,924,473)
General revenues:					
Property tax					2,896,106
Occupational tax					3,165,016
Franchise tax					72,983
Insurance tax					2,380,785
Gross receipts and net profits tax					636,161
Whiskey tax					514,183
Bank shares tax					19,976
Motor vehicle tax					245,308
Omitted tangible tax					3,213
Intergovernmental					270,798
License and permits					56,326
Interest income					216
Rental income					49,408
Insurance proceeds					57,498
Penalties and interest					110,036
Gain on disposal of assets					2,075
Investment income					<u>84,224</u>
Total general revenues					<u>10,564,312</u>
Change in net position					(4,360,161)
Net position, beginning of year, as previously reported					(7,888,566)
Adjustment to opening net position (Note 2)					<u>(1,321,177)</u>
Net position, beginning of year, as restated					<u>(9,209,743)</u>
Net position, end of year					<u><u>\$ (13,569,904)</u></u>

See accompanying notes.

## **FUND FINANCIAL STATEMENTS**

**CITY OF SHIVELY, KENTUCKY**

**Balance Sheet - Governmental Funds**

June 30, 2021

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,999,625	\$ 101,954	\$ 3,101,579
Investments	2,527,282	-	2,527,282
Accounts receivable	<u>1,437,350</u>	<u>-</u>	<u>1,437,350</u>
Total assets	<u>\$ 6,964,257</u>	<u>\$ 101,954</u>	<u>\$ 7,066,211</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accrued liabilities	\$ 427,850	\$ -	\$ 427,850
Fund balances:			
Restricted for road maintenance	-	101,954	101,954
Unassigned	<u>6,536,407</u>	<u>-</u>	<u>6,536,407</u>
Total fund balances	<u>6,536,407</u>	<u>101,954</u>	<u>6,638,361</u>
Total liabilities and fund balances	<u>\$ 6,964,257</u>	<u>\$ 101,954</u>	<u>\$ 7,066,211</u>

*See accompanying notes.*

## CITY OF SHIVELY, KENTUCKY

### Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

June 30, 2021

Total fund balances for governmental funds	\$ 6,638,361
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets, net of depreciation, used in governmental activities are not financial resources, and therefore, not reported in the governmental funds.	6,410,984
Long-term liabilities and deferred inflows and outflows of resources are not financial resources or current liabilities, and therefore, the net impact of the pension-related liabilities and deferred inflows and outflows of resources are not reported in the governmental funds.	(19,454,355)
Long-term liabilities and deferred inflows and outflows of resources are not financial resources or current liabilities, and therefore, the net impact of the OPEB-related liabilities and deferred inflows and outflows of resources are not reported in the governmental funds.	(5,411,453)
Compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds.	<u>(1,753,441)</u>
Total net position of governmental activities	\$ <u>(13,569,904)</u>

*See accompanying notes.*

# CITY OF SHIVELY, KENTUCKY

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2021

	Actual				
	Total Budget	General Fund	Road Fund	Total Governmental Funds	Over (Under) Budget
Revenues:					
Property tax	\$ 2,861,295	\$ 2,896,106	\$ -	\$ 2,896,106	\$ 34,811
Occupational tax	2,000,000	3,165,016	-	3,165,016	1,165,016
Franchise tax	153,000	72,983	-	72,983	(80,017)
Insurance tax	1,800,000	2,380,785	-	2,380,785	580,785
Whiskey tax	500,000	514,183	-	514,183	14,183
Gross receipts and net profits tax	575,000	636,161	-	636,161	61,161
Bank shares tax	50,000	19,976	-	19,976	(30,024)
Motor vehicle tax	260,000	245,308	-	245,308	(14,692)
Omitted tangible tax	5,000	3,213	-	3,213	(1,787)
Intergovernmental	524,850	1,705,739	270,798	1,976,537	1,451,687
License and permits	60,000	56,326	-	56,326	(3,674)
Charges for services	159,500	821,863	-	821,863	662,363
Interest income	2,150	216	-	216	(1,934)
Rental income	30,000	49,408	-	49,408	19,408
Insurance reimbursement	-	57,498	-	57,498	57,498
Penalties and interest	55,500	110,036	-	110,036	54,536
Investment income	-	84,224	-	84,224	84,224
Proceeds from Sale of Assets	-	2,075	-	2,075	2,075
Reserve	<u>3,851,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,851,247)</u>
Total revenues	12,887,542	12,821,116	270,798	13,091,914	204,372
Expenditures:					
General government	2,984,470	2,565,407	-	2,565,407	(419,063)
Police department	4,477,388	5,265,707	-	5,265,707	788,319
Fire department	3,309,212	3,148,454	-	3,148,454	(160,758)
Public works	1,355,640	1,019,237	-	1,019,237	(336,403)
Parks and recreation	112,650	67,798	-	67,798	(44,852)
Streets and snow removal	278,000	-	209,507	209,507	(68,493)
Capital expenditures	<u>359,000</u>	<u>299,637</u>	<u>-</u>	<u>299,637</u>	<u>(59,363)</u>
Total expenditures	<u>12,876,360</u>	<u>12,366,240</u>	<u>209,507</u>	<u>12,575,747</u>	<u>(300,613)</u>
Net change in fund balances	\$ <u>11,182</u>	454,876	61,291	516,167	\$ <u>504,985</u>
Fund balances, beginning of year, as previously reported		5,707,726	40,663	5,748,389	
Adjustment to opening fund balance (Note 2)		<u>373,805</u>	<u>-</u>	<u>373,805</u>	
Fund balances, beginning of year, as restated		<u>6,081,531</u>	<u>40,663</u>	<u>6,122,194</u>	
Fund balances, end of year		\$ <u>6,536,407</u>	\$ <u>101,954</u>	\$ <u>6,638,361</u>	

See accompanying notes.

## CITY OF SHIVELY, KENTUCKY

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 516,167
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$299,637 was less than depreciation of \$804,067.	(504,430)
Net difference between pension and OPEB plan contributions of \$2,498,250 reported as expense in the governmental funds and the pension and OPEB expense of \$6,811,689 recorded in the statement of activities.	(4,313,439)
Changes in the accrual for compensated absences are reported in the combined statement of activities but do not require the use of current financial resources, and therefore, are not reported as expenses in governmental funds.	<u>(58,459)</u>
Change in net position of governmental activities	\$ <u>(4,360,161)</u>

See accompanying notes.

## **CITY OF SHIVELY, KENTUCKY**

### **Notes to the Financial Statements**

#### **1. Reporting Entity**

The City of Shively, Kentucky (the City) is a home rule city located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: public safety, public works, recreation, and community development. Primary revenue sources are property taxes, occupational taxes, insurance premium taxes, business licenses, municipal road aid, and base court revenue. Those revenues susceptible to accrual are property taxes, occupational taxes, insurance premium taxes and municipal road aid.

All significant activities and organizations on which the City exercises oversight responsibility have been included in the City's financial statements for the year ended June 30, 2021. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial interdependency - The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority - The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions it makes.

Ability to significantly influence operations - The City Council has the statutory authority under the provisions of the Kentucky Revised Statutes (KRS) to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters - The responsibility and accountability over all funds is vested in the City Council.

There are no component units recognized in the basic financial statements of the City.

#### **2. Restatements**

Opening net position for the government-wide financial statements as of July 1, 2020 has been decreased by \$1,321,177 to correct various liabilities and accrued compensated absences that were not properly accrued in prior years. Additionally, opening fund balance for the fund financial statements as of July 1, 2020, has been increased by \$373,805 to correct various liabilities that were improperly accrued in prior years.

During the current year it was determined that the City had \$373,805 of accrued liabilities recorded within the government-wide financial statements and the fund financial statements as of June 30, 2020, that were invalid. Thus, the City corrected these errors by writing off these liabilities and increasing the net position and fund balance of the financial statements as of July 1, 2020. During the current year it was also determined that the City had erroneously not recorded a liability for earned but unpaid accumulated compensated absences as of June 30, 2020. Thus, the City corrected this error by establishing an appropriate accrual in the government-wide financial statements of \$1,694,982 and decreasing the net position as of July 1, 2020.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements

#### 3. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governmental entities. The Government Accounting Standards Board (GASB) is the standard-setting body for government accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below to assist the user in interpreting these financial statements.

##### **Management's Use of Estimates**

The preparation of financial statements in conformity with GAAP requires City management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### **Government-Wide Financial Statements**

The City has presented a statement of net position and a statement of activities for the City as a whole. These statements include the primary government and its component units, if applicable. Government-wide accounting is designed to provide a more comprehensive view of the City's operations and financial position as a single economic entity.

Government-wide financial statements distinguish between governmental-type and business-type activities. Governmental-type activities are those financed through property taxes, intergovernmental revenues, municipal aid, and other non-exchange revenues and are usually reported in governmental and internal service funds. The City has no business-type activities.

Policies specific to the government-wide financial statements are as follows:

**Capital Assets** – Tangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Capital assets, including infrastructure, are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the statement of net position. The City capitalizes general infrastructure assets acquired on or after July 1, 2004.

All capital assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Furniture and fixtures	5 - 10 years
Infrastructure	10 - 25 years
Equipment	5 - 15 years
Vehicles	5 - 10 years



## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 3. Summary of Significant Accounting Policies, continued

##### **Government-Wide Financial Statements, continued**

***Pensions and Other Post-Employment Benefits (OPEB)*** – The City participates in the County Employees Retirement System (CERS) administered by the Board of Trustees of CERS. This is a cost-sharing, multiple employer defined benefit pension and OPEB plan, which covers all eligible full-time employees and provides for retirement, disability, health insurance and death benefits to plan members.

Cost-sharing governmental employers, such as the City, are required to report a net pension and OPEB liability, pension and OPEB expense, and pension and OPEB related deferred inflows and deferred outflows of resources based on their proportionate share of the collective amounts for all governments in the plan. For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of CERS and additions to or deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. The CERS financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

All governments participating in the defined benefit pension and OPEB plan also are required to disclose various information in the footnotes to the financial statements – see Note 8.

##### **Fund Financial Statements**

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

A fund is a separate entity with a self-balancing set of accounts. Funds of the City are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

***Governmental Funds*** – Governmental funds account for all or most of the City's general activities, including the collection of legally restricted monies, administrative expenses, and the acquisition or construction of capital assets. Governmental funds include:

General Fund – The general operating fund of the City accounts for all financial resources, except those required to be accounted for in other funds.

Road Fund – Repairs and improvements to the City's road system are conducted through the Road Fund.

## **CITY OF SHIVELY, KENTUCKY**

### **Notes to the Financial Statements, continued**

#### **3. Summary of Significant Accounting Policies, continued**

##### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized 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. Capital assets are reported and depreciated.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except pension and OPEB liabilities are accounted for as expenditures in the period when contributions are made. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

##### **Budgetary Accounting**

The budget information reflected in the financial statements is the annual budget adopted by the City in accordance with the provisions of Commonwealth of Kentucky law. The budget is prepared on a basis consistent with GAAP.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations can be made within a City department. The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the governing council. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Budgeted amounts, as amended, in the required supplementary information are as adopted by ordinances of the City.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on-hand and highly liquid investments with an original maturity of three months or less from the date of acquisition.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 3. Summary of Significant Accounting Policies, continued

##### Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reflected in the statement of activities and the statement of revenues, expenditures, and changes in fund balances – governmental funds.

##### Receivables

Receivables consist of all revenues earned at year end and not yet received. Receivables include revenue accruals for property taxes, occupational taxes, insurance taxes, and other similar intergovernmental revenues not yet received. The City considers all receivables to be fully collectible; therefore, an allowance for doubtful accounts is not necessary.

##### Compensated Absences

Compensated absences include accumulated unpaid leave benefits. City employees are granted leave benefits in varying amounts in accordance with administrative policy.

The City allows employees to accumulate unused sick leave at various amounts between the different departments ranging from a maximum of 200 days to unlimited sick leave. Earned vacation time is based on department and is generally required to be used within the year of accrual or limited to a carryover of 40 hours. Upon termination, both accumulated sick leave and accumulated vacation time is paid to the employees.

All accumulated leave benefits are accrued when incurred in the government-wide financial statements. In governmental funds, compensated absences are not payable with available and spendable resources, therefore, they are only recorded when they have matured, for example, as a result of employee resignations and retirements, or when employees have taken vacation or sick time.

A summary of the City's accrued compensated absences activity is as follows:

	June 30, 2020 (as restated)	Net increases	June 30, 2021
Accrued compensated absences	\$ 1,694,982	\$ 58,459	\$ 1,753,441

In June 2022, the GASB issued Statement No. 101 *Compensated Absences* requiring the City to recognize liabilities for compensated absences for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement was to become effective for the fiscal year ending June 30, 2025; however, the City adopted it in the current fiscal year.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 3. Summary of Significant Accounting Policies, continued

##### **Net Position/Fund Balances**

In the statement of net position, the components of net position are as follows:

***Investment in Capital Assets*** – This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowing attributable to the acquisition, construction, or improvement of capital assets.

***Restricted*** – Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has restricted funds of \$101,954 for road maintenance as of June 30, 2021.

***Unrestricted*** – This category represents net position not appropriated for expenditures or legally segregated for a specific future use.

In the balance sheet of governmental funds, fund balance is divided into the following classifications, as applicable:

***Nonspendable*** – These resources include amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The City had no nonspendable funds as of June 30, 2021.

***Restricted*** – Amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation. The City has restricted funds of \$101,954 for road maintenance as of June 30, 2021.

***Committed*** – Amounts constrained for a specific purpose by the City using its highest level of decision-making authority. For resources to be considered committed, the City Council issues an ordinance that can only be changed with another corresponding ordinance. The City had no committed funds as of June 30, 2021.

***Assigned*** – Amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the City Council or by a City official given authority to assign amounts. The City has no assigned amounts as of June 30, 2021.

***Unassigned*** – Amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted are available. Once restricted funds are spent then committed, assigned and unassigned funds are spent in that order.

## **CITY OF SHIVELY, KENTUCKY**

### **Notes to the Financial Statements, continued**

#### **3. Summary of Significant Accounting Policies, continued**

##### **Revenue Recognition**

Tax revenues are recognized when cash is received. At year-end, revenue and a receivable are recorded for taxes applicable to the current fiscal year-end and collected within 60 days of the fiscal year-end. The most significant tax revenues are as follows:

##### ***Property Tax***

The City assesses property taxes on January 1st, and bills are due and payable October 1st, in the year assessed, for all real and personal property in the county. All bills paid after October 1st are charged a 10% penalty per annum and 1/2% interest per month until collected. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2021, to finance the General Fund operations were \$.339 per \$100 valuation for real property and \$.363 per \$100 valuation for personal property based on the most available Property Valuation Office assessment.

As of January 1, 2020, the taxable value of real and certain personal property, as assessed by the Property Valuation Administrator (PVA), was \$782,793,375. Property tax revenues, after applicable discounts, were \$2,896,106 for the year ended June 30, 2021.

##### ***Occupational Tax***

The City imposes a tax of 1.5% of wages on persons who work within the City in any business, profession, trade, or occupation. Such amounts are withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing total wages and tax withholdings.

##### ***Insurance Tax***

The City receives insurance fee income based on the number of insurance policies held by residents of the City and based on the size of the associated premiums paid.

##### ***Gross Receipts and Net Profits Tax***

The City imposes a tax on the gross receipts of any business operating within the City. Under this ordinance, the minimum tax on gross receipts is \$50 and the maximum amount is \$590. The City also imposes a tax on the net profits of any business operating within the City in any capacity in the amount of 1.5%.

##### **Subsequent Events**

Management has evaluated subsequent events for accounting and disclosure requirements through January 27, 2025, the date that the financial statements were available to be issued.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 4. Deposits and Investments

##### Deposits

The City maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by Kentucky Revised Statutes (KRS). According to KRS, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the City and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

##### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a depository institution failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

##### Investments

As of June 30, 2021, the City had the following investments:

	Maturity Date	Cost	Fair Value
Money Market Funds		\$ 1,337,113	\$ 1,337,113
Mutual Funds		229,251	270,431
Certificate of Deposit	12/27/2023	10,865	14,119
Certificate of Deposit	6/30/2023	260,100	260,100
Certificate of Deposit	3/28/2022	125,000	127,239
Certificate of Deposit	12/19/2024	51,000	55,901
Certificate of Deposit	8/30/2023	203,000	204,969
Certificate of Deposit	12/31/2021	46,920	46,920
Certificate of Deposit	5/18/2023	200,000	210,490
		<u>\$ 2,463,249</u>	<u>\$ 2,527,282</u>

##### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

## **CITY OF SHIVELY, KENTUCKY**

### **Notes to the Financial Statements, continued**

#### **4. Deposit and Investments, continued**

##### **Investments, continued**

##### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. KRS limits the City's investments to the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the FDIC or similar entity.
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
- Bankers' acceptances for bank's rate in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized agency.
- Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency.
- Shares of mutual funds meeting specific characteristics outlined in the statute.

Also, the City is limited to investing no more than 20% in any one of four specifically mentioned investments as allowed by KRS. The City had no investment policy that would further limit its investment choices. In general, certificates of deposit are not subject to investment credit risk.

##### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have a formal investment policy that limits its concentration of credit risk.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 5. Fair Value of Measurements

The City classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis:

*Money market funds:* Valued at cost, plus accrued interest, which approximates fair value.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the City are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the City are deemed to be actively traded.

*Certificates of deposits:* Valued at cost, plus accrued interest, which approximates fair value.

There have been no changes in the valuation methodologies used at June 30, 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Management evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer. For the year ended June 30, 2021, there were no significant transfers in or out of Level 3.

The following table sets forth by level, within the fair value hierarchy, the City's investments at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	1,337,113	-	-	1,337,113
Mutual funds	270,431	-	-	270,431
Certificates of deposit	<u>919,738</u>	<u>-</u>	<u>-</u>	<u>919,738</u>
Total investments	<u>\$ 2,527,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,527,282</u>



## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 6. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings and improvements	\$ 2,425,074	\$ -	\$ -	\$ 2,425,074
Vehicles	4,695,443	179,124	(22,748)	4,851,819
Equipment	1,424,484	31,578	-	1,456,062
Furniture and fixtures	43,497	19,025	-	62,522
Infrastructure	<u>6,328,458</u>	<u>69,910</u>	<u>-</u>	<u>6,398,368</u>
Total capital assets	14,916,956	299,637	(22,748)	15,193,845
Less accumulated depreciation:				
Buildings and improvements	(1,279,646)	(56,152)	-	(1,335,798)
Vehicles	(3,113,824)	(372,723)	22,748	(3,463,799)
Equipment	(1,265,631)	(69,690)	-	(1,335,321)
Furniture and fixtures	(35,702)	(4,912)	-	(40,614)
Infrastructure	<u>(2,306,739)</u>	<u>(300,590)</u>	<u>-</u>	<u>(2,607,329)</u>
Total accumulated depreciation	<u>(8,001,542)</u>	<u>(804,067)</u>	<u>22,748</u>	<u>(8,782,861)</u>
Capital assets, net	<u>\$ 6,915,414</u>	<u>\$ (504,430)</u>	<u>\$ -</u>	<u>\$ 6,410,984</u>

#### 7. COVID-19 Impact

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. During fiscal year 2021, the City applied for and received \$1,487,914 of Coronavirus, Aid, Relief, and Economic Security (CARES) funding through the Coronavirus Relief Fund grants. These grants were provided from the U.S. Department of Treasury through the Commonwealth of Kentucky. These funds were included in revenues in fiscal year 2021 and were used to cover payroll expenses for public safety, public health, human service and similar employees whose services were substantially dedicated to mitigating or responding to the COVID-19 public health emergency. In accordance with the grant requirements, these were necessary expenditures incurred during the period from March 1, 2020 through December 31, 2020 and not accounted for in the previously approved budget.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans

##### CERS Plan

*Plan description and benefits provided* – House Bill 484, passed during the 2020 Regular Session of the Kentucky General Assembly, and House Bill 9, passed during the 2021 Regular Session of the General Assembly, made significant changes to the governance and administrative structure of the Kentucky Retirement Systems. Most notably, the governance of the CERS has been transferred to a separate 9-member board of trustees. Another 9-member board of trustees called the Kentucky Retirement Systems oversees the Kentucky Employees Retirement Systems (KERS) and the State Police Retirement System (SPRS). The administrative entity comprising the office of counselors and professional staff that has traditionally been known as the Kentucky Retirement System has changed its name to the Kentucky Public Pensions Authority (KPPA) which is governed by a third 8-member board composed of trustees from CERS and Kentucky Retirement Systems. CERS, KERS, and SPRS are cost-sharing, multiple employer defined benefit pension and OPEB plans. The City has elected to participate in CERS pursuant to KRS Section 78.530. The Board of Trustees of the Kentucky Retirement Systems and CERS administer the Kentucky Retirement Systems' Insurance Fund (the Insurance Fund). The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds: (1) KERS; (2) CERS; and (3) SPRS.

The CERS Pension Fund and CERS Insurance Fund cover all eligible full-time employees and provide retirement, disability and death benefits, and health insurance benefits. Benefit contributions and provisions are established by statute. CERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, by visiting the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or by calling (502) 696-8800.

Non-hazardous employees can retire with full retirement benefits after 27 years of service or age 65. Non-hazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. Retirement benefits are determined based upon a maximum of 2.2 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the five highest fiscal years (or last five fiscal years for employees who begin participation on or after September 1, 2008) of salary prior to attainment of the CERS specified age (or age and service combinations).

Hazardous employees can retire with full retirement benefits after 20 years of service or age 55. Hazardous employees who begin participation on or after September 1, 2008 must have 25 years of service or the member is age 60, with a minimum of 60 months of service credit. Retirement benefits are determined based upon a maximum of 2.5 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the three highest fiscal years of salary prior to attainment of the CERS specified age (or age and service combinations).

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans, continued

##### CERS Plan, continued

CERS allows non-hazardous and hazardous employees to retire prior to meeting the requirements above and receive partial benefits, providing they meet certain age and service related criteria.

Employees are eligible for service-related disability benefits regardless of length of service. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits equal the employee's final full-year salary.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of service	% Paid by Insurance	
	Fund	% Paid by Members
20 or more	100%	0%
15 - 19	75%	25%
14 - 10	50%	50%
4 - 9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars 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, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

*Contributions* – Benefit and contribution rates are established by state statute. Non-hazardous covered employees are required to contribute 5.00% of their salary to the plan. Non-hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6.00% of their salary to be allocated as follows: 5.00% to the member's account and 1.00% to the Insurance Fund. The City's contribution rate for non-hazardous employees was 24.06%, 24.06%, and 21.48% for the years ended June 30, 2021, 2020 and 2019, respectively.

## **CITY OF SHIVELY, KENTUCKY**

### **Notes to the Financial Statements, continued**

#### **8. Retirement Plans, continued**

##### **CERS Plan, continued**

Hazardous covered employees are required to contribute 8.00% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9.00% of their salary to be allocated as follows: 8.00% will go to the member's account and 1.00% will go to the Insurance Fund. The City's contribution rate for hazardous employees was 39.58%, 39.58%, and 35.34% for the years ended June 30, 2021, 2020 and 2019, respectively.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute 5% (non-hazardous) and 8% (hazardous) of their creditable compensation each month to their own account, and 1% to the Insurance Fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Trustees of the Kentucky Retirement Systems and CERS based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

##### **Pension Plan**

*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 liability of \$24,004,317 for its proportionate share of the 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 that date. The City's proportion of the net pension liability was based on the City's actual contributions to the pension plan relative to the actual contributions of all participating organizations.

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described previously.

# CITY OF SHIVELY, KENTUCKY

## Notes to the Financial Statements, continued

### 8. Retirement Plans, continued

#### Pension Plan, continued

For the year ended June 30, 2021, the City recognized pension expense of \$5,813,691. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:		
Hazardous	\$ 486,810	\$ -
Non-hazardous	59,928	-
Difference between expected and actual experience:		
Hazardous	670,194	-
Non-hazardous	59,720	-
Change of assumptions:		
Hazardous	819,552	-
Non-hazardous	93,515	-
Change in proportion and differences between employer contributions and proportionate share of contributions:		
Hazardous	897,757	-
Non-hazardous	157,339	-
City's contributions subsequent to the measurement date:		
Hazardous	1,157,542	-
Non-hazardous	<u>147,605</u>	<u>-</u>
Total	<u>\$ 4,549,962</u>	<u>\$ -</u>

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans, continued

##### Pension Plan, continued

The deferred outflows of resources related to the City's contributions to the pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The deferred outflows of resources related to the net difference between projected and actual earnings on pension plan investments are amortized and recognized in pension expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized and recognized in pension expense over the average expected remaining service life of the entire plan membership, which is 3.14 years for non-hazardous employees and 4.39 years for hazardous employees. The net increase in pension expense related to the amortization of these deferred outflows of resources is as follows:

Year ending June 30:	
2022	\$ 1,670,249
2023	878,199
2024	414,655
2025	<u>281,712</u>
Total	\$ <u>3,244,815</u>

*Actuarial assumptions* – For financial reporting, the actuarial valuation as of June 30, 2020 was performed by Gabriel, Roeder, Smith & Company (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 ended June 30, 2020, using generally accepted actuarial principles.

The Board of Trustees of the Kentucky Retirement Systems and CERS have not 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 assumptions.

Senate Bill 249, passed during the 2020 legislative session, changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of 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.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans, continued

##### Pension Plan, continued

The actuarial assumptions for CERS are:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for CERS non-hazardous
	3.05% to 19.05%, varies by service for CERS hazardous
Investment rate of return	6.25%

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous Plan, and the PUB-2010 Public Safety Mortality table for the Hazardous Plan, 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.

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

Asset Class:	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
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:		
Core Bonds	13.50 %	(0.25)%
Cash	1.00 %	(0.75)%
Diversifying Strategies:		
Real Estate	5.00 %	5.30%
Opportunistic	3.00 %	2.25%
Real Return	15.00 %	3.95%
Total	<u>100.00 %</u>	

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans, continued

##### Pension Plan, continued

*Discount rate* – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at required contribution rates. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate* – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25 percent) or 1 percentage point higher (7.25 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's share of the net pension liability	\$ 29,659,595	\$ 24,004,317	\$ 19,381,540

##### OPEB Plan

*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 liability of \$7,374,945 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's actual contributions to the OPEB plan relative to the actual contributions of all participating organizations.

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described previously.



# CITY OF SHIVELY, KENTUCKY

## Notes to the Financial Statements, continued

### 8. Retirement Plans, continued

#### OPEB Plan, continued

For the year ended June 30, 2021, the City recognized OPEB expense of \$918,664. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments:		
Hazardous	\$ 293,914	\$ -
Non-hazardous	25,053	-
Difference between expected and actual experience:		
Hazardous	227,213	661,199
Non-hazardous	125,935	126,034
Change of assumptions:		
Hazardous	1,080,170	6,101
Non-hazardous	131,107	797
Change in proportion and differences between employer contributions and proportionate share of contributions:		
Hazardous	358,196	150
Non-hazardous	64,088	514
City's contributions subsequent to the measurement date:		
Hazardous	397,708	-
Non-hazardous	<u>54,903</u>	<u>-</u>
Total	<u>\$ 2,758,287</u>	<u>\$ 794,795</u>

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans, continued

##### OPEB Plan, continued

The deferred outflows of resources related to the City's contributions to the OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. The deferred outflows of resources related to the net difference between projected and actual earnings on OPEB plan investments are amortized and recognized in OPEB expense over five years. All other amounts reported as deferred outflows of resources and deferred inflows of resources are amortized and recognized in OPEB expense over the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan which is 5.92 years for hazardous employees and 4.94 years for non-hazardous employees. The net increase in OPEB expense for future years related to the amortization of deferred inflows and outflows of resources is as follows:

Year ending June 30:	
2022	\$ 481,607
2023	306,384
2024	352,798
2025	270,578
2026	<u>99,514</u>
Total	\$ <u>1,510,881</u>

*Actuarial assumptions* – For financial reporting, the actuarial valuation as of June 30, 2020 was performed by 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.

Senate Bill 249, passed during the 2020 legislative session, changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of 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 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 relating to anticipated future increases in the medical costs. Also, the June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. 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.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans, continued

##### OPEB Plan, continued

The actuarial assumptions for CERS are:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service for CERS non-hazardous 3.55% to 19.05%, varies by service for CERS hazardous
Investment rate of return	6.25%
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.
Mortality:	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Plan, and the PUB-2010 Public Safety Mortality table for the Hazardous Plan, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans, continued

##### OPEB Plan, continued

*Discount Rate* – The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the non-hazardous fund and from 5.69% to 5.30% for the hazardous fund. The projection of cash flows used to determine the discount rate of 5.34% for non-hazardous and 5.30% for hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of KPPA's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of KPPA's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the pension section above.

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate* – The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's share of the net OPEB liability	\$ 9,956,447	\$ 7,374,945	\$ 5,291,444

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates* – The following presents the City's proportionate share of the net OPEB liability, 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 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City's share of the net OPEB liability	\$ 5,315,292	\$ 7,374,945	\$ 9,904,409

## CITY OF SHIVELY, KENTUCKY

### Notes to the Financial Statements, continued

#### 8. Retirement Plans, continued

##### **Deferred Compensation Plans**

The City's employees may elect to participate in two deferred compensation plans offered by the Kentucky Public Employees Deferred Compensation Authority under sections 401(k) and 457 of the Internal Revenue Code. Under the plans, employees may defer up to 100% of their compensation after deducting required contributions to the CERS plan. The City does not make matching contributions to these plans.

#### 9. Recent Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases*, requiring all leases to be recognized as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the City will recognize: 1) a lease liability for the City's obligation to make payments under the lease agreement, measured on a present value basis; and 2) a right-to-use asset that represents the City's right to use, or control the use of, the specified asset for the lease term. Over the term of the lease, the City will report amortization expense for using the leased asset, interest expense on the lease liability, and note disclosures about the City's leases. Another objective of this statement is to address government lessors recognition of a lease receivable and deferred inflow, and to report lease revenue, interest income, and note disclosures about the government's leases. This statement becomes effective for the fiscal year ending June 30, 2022. The adoption of this new standard will not have a significant impact on the financial statements of the City or the net position or fund balance as a result of the implementation of GASB 87.

In May 2019, the GASB issued Statement No. 91 *Conduit Debt Obligations* requiring a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with related obligations, commitments, and footnote disclosures. This statement becomes effective for the fiscal year June 30, 2023. The adoption of this new standard will not have a significant impact on the financial statements of the City or the net position or fund balance as a result of the implementation of GASB 91.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITA) requiring all SBITAs to be recognized as a right-to-use subscription intangible asset and a corresponding subscription liability, unless the SBITA is a short-term agreement (generally an agreement with a term of twelve months or less). At the commencement date of the agreement, the City will recognize: 1) a subscription liability for the City's obligation to make payments under the SBITA, measured on a present value basis; and 2) a right-to-use subscription asset that represents the City's right to use, or control the use of, the specified asset for the SBITA term. Over the term of the SBITA, the City will report amortization expense for using the subscription asset, interest expense on the lease liability, and note disclosures about the City's SBITAs. This statement becomes effective for the fiscal year ending June 30, 2023. The adoption of this new standard will not have a significant impact on the financial statements of the City or the net position or fund balance as a result of the implementation of GASB 96.

## **CITY OF SHIVELY, KENTUCKY**

### **Notes to the Financial Statements, continued**

#### **10. Contingent Liability**

The City from time to time, in the ordinary course of business, is named as a defendant in various lawsuits. In management's opinion, the gross liability from such lawsuits with insurance coverage is not considered to be material to the City's financial condition or results of operations.

#### **11. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage for each of the above risks of loss. Management believes that such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

#### **12. Conduit Debt Obligations**

During the fiscal year ended June 30, 2008, the City issued educational, cultural, and recreational revenue bonds in the amount of \$4,500,000 to Presentation Academy Foundation. The purpose of the issuance was so that the borrower could finance the costs of a new arts and athletics center. The City incurs no liability as part of this agreement.

During the fiscal year ended June 30, 2009, the City issued industrial revenue bonds in the amount of \$2,000,000 to New Millennium Development Company, LLC. The purpose of the issuance was so that the borrower could finance the costs of construction and equipping of a manufacturing facility to be used for the manufacture of plastic injection molded parts. The City incurs no liability as part of this agreement.

During the fiscal year ended June 30, 2018, the City issued educational, cultural, and recreational revenue bonds in the amount of \$5,000,000 to St. Francis DeSales High School. The purpose of the issuance was so that the borrower could finance the costs associated with construction of a multi-sport athletic center. The City incurs no liability as part of this agreement.

The City has no system in place to track the outstanding balances on the bond issues.

#### **13. Subsequent Events**

Subsequent to June 30, 2021, the City received \$4,133,806 from the U.S. Department of Treasury through the Commonwealth of Kentucky as part of the American Rescue Plan Act. Funds received were provided to assist with COVID-19 including, but not limited to, support public health expenditures, provide premium pay for essential workers, invest in infrastructure to improve access to clean drinking water or support vital wastewater and storm water or expand access to broadband internet, address negative impacts caused by COVID-19, and replace lost tax revenue. The City used these funds for multiple purposes, including premium pay, upgrading various equipment, and investment in infrastructure. The City expects to utilize these funds by December 31, 2024.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# **CITY OF SHIVELY, KENTUCKY**

## **Schedule of the City's Proportionate Share of the Net Pension Liability**

### **County Employees Retirement System**

**For the Years Ended June 30 for the Last Ten Years**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportionate percentage of the net pension liability:							
Hazardous	0.72 %	0.71 %	0.63 %	0.60 %	0.60 %	0.58 %	0.42 %
Non-hazardous	0.031 %	0.029 %	0.027 %	0.026 %	0.026 %	0.023 %	0.021 %
City's proportionate share of the net pension liability	\$ 24,004,317	\$ 21,651,440	\$ 16,895,736	\$ 14,837,508	\$ 11,675,453	\$ 9,442,518	\$ 7,364,919
City's covered-employee payroll*	\$ 4,983,484	\$ 4,769,540	\$ 4,179,667	\$ 4,176,134	\$ 2,465,477	\$ 2,322,784	\$ 3,140,686
City's proportionate share of the net pension liability as a percentage of its covered payroll	481.68 %	453.95 %	404.24 %	355.29 %	473.56 %	406.52 %	234.50 %
Plan fiduciary net position as a percentage of the total pension liability:							
Hazardous	44.11 %	46.63 %	49.26 %	49.78 %	53.95 %	57.52 %	63.46 %
Non-hazardous	47.81 %	50.45 %	53.54 %	53.32 %	55.50 %	59.97 %	66.80 %

\*The amounts presented for each fiscal year were determined as of the measurement date of the net pension liability, which is as of the City's prior fiscal year end.

*See Independent Auditor's Report and Notes to the Supplemental Schedules.*



# **CITY OF SHIVELY, KENTUCKY**

## **Schedule of City Pension Contributions**

### **County Employees Retirement System**

**For the Years Ended June 30 for the Last Ten Years**

	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 1,305,147	\$ 1,376,159	\$ 1,124,301	\$ 876,658	\$ 797,482	\$ 682,500	\$ 646,130
Contributions in relation to the contractually required contribution	<u>1,305,147</u>	<u>1,376,159</u>	<u>1,124,301</u>	<u>876,658</u>	<u>797,482</u>	<u>682,500</u>	<u>646,130</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,615,566	\$ 4,983,484	\$ 4,769,540	\$ 4,179,667	\$ 4,176,134	\$ 2,465,477	\$ 2,322,784
Contributions as a percentage of covered employee payroll	28.28 %	27.61 %	23.57 %	20.97 %	19.10 %	27.68 %	27.82 %

*See Independent Auditor's Report and Notes to the Supplemental Schedules.*

# **CITY OF SHIVELY, KENTUCKY**

## **Schedule of the City's Proportionate Share of the Net OPEB Liability**

### **County Employees Retirement System**

**For the Years Ended June 30 for the Last Ten Years**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
City's proportionate percentage of the net OPEB liability:				
Hazardous	0.72 %	0.63 %	0.63 %	0.60 %
Non-hazardous	0.030 %	0.029 %	0.027 %	0.026 %
City's proportionate share of the net OPEB liability	\$ 7,374,945	\$ 5,739,305	\$ 4,975,746	\$ 3,837,508
City's covered-employee payroll*	\$ 4,983,484	\$ 4,769,540	\$ 4,179,667	\$ 4,176,134
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	147.99 %	120.33 %	119.05 %	91.89 %
Plan fiduciary net position as a percentage of the total OPEB liability:				
Hazardous	58.84 %	64.44 %	64.24 %	58.99 %
Non-hazardous	51.67 %	60.44 %	57.62 %	52.39 %

\*The amounts presented for each fiscal year were determined as of the measurement date of the net OPEB liability, which is as of the City's prior fiscal year end.

*See Independent Auditor's Report and Notes to the Supplemental Schedules.*

**CITY OF SHIVELY, KENTUCKY**

**Schedule of City OPEB Contributions**

**County Employees Retirement System**

For the Years Ended June 30 for the Last Ten Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 402,998	\$ 452,863	\$ 457,348	\$ 337,925
Contributions in relation to the contractually required contribution	<u>402,998</u>	<u>452,863</u>	<u>457,348</u>	<u>337,925</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 4,615,566	\$ 4,983,484	\$ 4,769,540	\$ 4,179,667
Contributions as a percentage of covered employee payroll	8.73 %	9.09 %	9.59 %	8.08 %

*See Independent Auditor's Report and Notes to the Supplemental Schedules.*

## CITY OF SHIVELY, KENTUCKY

### Notes to the Required Supplementary Information

1. Each of the supplemental schedules is intended to show information for ten years. Additional years will be displayed as they become available.
2. The following summarizes key changes in assumptions and benefit terms from year to year.

2021 (CERS plan year ended June 30, 2020): Since the prior measurement date, there were no significant assumption changes. However, Senate Bill 249, passed during the 2020 Legislative Session, changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. Additionally, House Bill 271, passed during the 2020 Legislative Session, 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 of the spouse. It also increased benefits for a very small number of beneficiaries. The payroll growth assumption was changed to 3.30% to 10.30% for non-hazardous employees and 3.55% to 19.05% for hazardous employees for the pension plan and OPEB plan. The discount rate used to calculate the total OPEB liability changed from 5.69% to 5.30% for the hazardous plan and from 5.68% to 5.34% for the non-hazardous plan.

2020 (CERS plan year ended June 30, 2019): Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous 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; and 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. The payroll growth assumption changed to 3.30% to 11.55% for non-hazardous employees and 3.05% to 18.55% for hazardous employees for the pension plan and 3.30% to 10.30% for non-hazardous employees and 3.55% to 19.05% for hazardous employees for the OPEB plan. The discount rate used to calculate the total OPEB liability changed from 5.85% to 5.69% for the hazardous plan and from 5.97% to 5.68% for the non-hazardous plan.

2019 (CERS plan year ended June 30, 2018): Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

2018 (CERS plan year ended June 30, 2017): Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as described: (i) the assumed investment rate of return was decreased from 7.50% to 6.25%, (ii) the assumed rate of inflation was reduced from 3.25% to 2.30%, and (iii) payroll growth assumption was reduced from 4.00% to 2.00%.

## CITY OF SHIVELY, KENTUCKY

### Notes to the Required Supplementary Information, continued

2017 (CERS plan year ended June 30, 2016): None.

2016 (CERS plan year ended June 30, 2015): Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as described: (i) the assumed investment rate of return was decreased from 7.75% to 7.50%, (ii) the assumed rate of inflation was reduced from 3.50% to 3.25%, (iii) the assumed rate of wage inflation was reduced from 1.00% to 0.75%, (iv) payroll growth assumption was reduced from 4.50% to 4.00%, (v) the mortality table used for active members is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used was changed to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement and (vi) the assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SHIVELY, KENTUCKY**

**Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Treasury:				
Passed Through the Commonwealth of Kentucky:				
Coronavirus Relief Fund	21.019	N/A	\$ -	\$ 1,487,914

*See independent auditor's report.*

## **CITY OF SHIVELY, KENTUCKY**

### **Notes to the Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2021

#### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Shively, Kentucky (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

#### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **3. Indirect Cost Rate**

The City has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**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***

**Independent Auditor's Report**

To the Honorable Mayor and City Council  
City of Shively, 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 (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the City of Shively, Kentucky (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-01 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

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

## **Management's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

*Dean Dorton Allen Ford, PLLC*

Louisville, Kentucky  
January 27, 2025

## **Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

### **Independent Auditor's Report**

To the Honorable Mayor and City Council  
City of Shively, Kentucky

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited the City of Shively, Kentucky's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

##### ***Basis for Opinion on Each Major Federal Program***

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

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

##### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

### **Report on Internal Control Over Compliance**

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

**Report on Internal Control Over Compliance, continued**

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

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

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

*Dean Dotson Allen Ford, PLLC*

Louisville, Kentucky  
January 27, 2025

# CITY OF SHIVELY, KENTUCKY

## Schedule of Findings and Questioned Costs

Year ended June 30, 2021

### I. SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major federal programs:

*Unmodified*

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

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

21.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

## CITY OF SHIVELY, KENTUCKY

### Schedule of Findings and Questioned Costs, continued

Year ended June 30, 2021

#### II. FINANCIAL STATEMENT FINDINGS:

Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

##### **2021-001 Financial Reporting (Repeat finding of 2020-02)**

**Criteria:** The City's management is responsible for establishing and maintaining internal controls over the financial closing process and the preparation of financial statements.

**Condition:** We noted that certain reconciliations and material journal entries had not been completed accurately and in a timely manner. Material adjustments were required to correct financial reporting in accordance with accounting principles generally accepted in the United States of America. Additionally, there is no formal, documented approval of entries made by the Treasurer.

**Cause:** The City did not have proper procedures in place to ensure all areas where reconciliations and adjustments were necessary for financial reporting purposes were performed accurately and timely, and to properly document approval of entries posted by the Treasurer.

**Effect:** The design of the internal controls over recording transactions limited the ability of the City to provide accurate financial information.

**Recommendation:** We recommend that City management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in the financial closing process and in preparing financial statements, and develop internal control policies to ensure entries are properly approved.

**Management Response:** The City understands the finding. Management continues to make improvements to the internal control environment in order to address the finding. Specifically, the improvements include developing written month-end procedures to ensure that all necessary reconciliations are performed accurately and in a timely manner, and that the year-end trial balance is reviewed to identify the cash to accrual adjustments necessary to conform the trial balance with accounting principles generally accepted in the United States of America.

#### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters reported.

## **CITY OF SHIVELY, KENTUCKY**

### **Summary of Prior Year Audit Findings**

Year ended June 30, 2021

#### **2020-01 The City Lacks Adequate Segregation of Duties**

**Criteria:** Segregation of duties over accounting functions or implementation of strong compensating controls when limited by office staff is essential to providing protection from asset misappropriation and/or inaccurate reporting. The risk of misappropriation and/or human error increases when one individual is given complete authority over all accounting processes. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

**Condition:** The City has not established adequate segregation of duties. These control deficiencies are present because one employee's duties include the ability to initiate transactions, record the transactions, reconcile the related accounting records, prepare deposits, and make deposits.

**Cause:** Failure to segregate duties or implement compensating controls.

**Effect:** Misappropriation of assets or error could occur and not be detected in a timely manner.

**Recommendation:** In order to achieve a proper segregation of duties, related activities should be assigned to different individuals. Since budget restrictions may limit the number of staff the City can hire, it may not be feasible to segregate accounting duties to different individuals. The former auditor recommended that the City segregate duties or further implement compensating controls to mitigate the effects of the lack of adequate segregation of duties.

**Current Status:** The City is reviewing their internal control environment and assessing ways to improve internal controls. The City did contract a CPA to assist with accounting assistance on a quarterly basis at the minimum.

#### **2020-02 Material Weakness - Audit Adjustments**

**Criteria:** The City is required to have internal controls over the period-end financial reporting process that enables the City to record and process year-end journal entries to produce financial records that are in accordance with generally accepted accounting principles.

**Condition:** Material misstatements were identified throughout the audit process.

**Cause:** During the fiscal year, the City had complex activity related to change in accounting systems, change in payroll systems, and material grant funds. Inexperience with this type of activity resulted in the City's unadjusted financial statements being materially misstated.

**Effect:** Material audit adjustments were required so that the City's financial statements were fairly stated.

**Recommendation:** The former auditor recommended the City review its controls over the fiscal year-end financial reporting process. The former auditor recommended when management encounters unusual or complex financial activity, that they engage a consultant to help management identify adjustments required so that its financial statements are fairly presented.

**Current Status:** See current year finding 2021-01.



## CITY OF SHIVELY, KENTUCKY

### Summary of Prior Year Audit Findings, continued

Year ended June 30, 2021

#### **2020-03 Bank Reconciliations**

**Criteria:** The City's internal control requires that all bank accounts are reconciled to the City's financial records monthly.

**Condition:** Bank accounts were not reconciled for several months and some transactions were not recorded accurately.

**Cause:** The City's internal controls were disrupted by changing personnel roles and the COVID-19 pandemic resulting in lockdowns.

**Effect:** Auditors identified several bank accounts that were not reconciled timely. Audit adjustments were needed in order for the City's fiscal year end financial statements to be fairly presented.

**Recommendation:** The former auditor recommended that the City take steps to ensure that all bank accounts are reconciled monthly, and that all financial activity is recorded accurately.

**Current Status:** The City is committed to monthly reporting being completed in a timely manner. A CPA was contracted to assist with accounting assistance on a quarterly basis at the minimum.