

CITY OF JEFFERSONTOWN, KENTUCKY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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STEPHENS & LAWSON

Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Jeffersontown, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Jeffersontown, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Jeffersontown, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Jeffersontown, Kentucky, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules on pages 3 through 10 and 49 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the City of Jeffersontown, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Jeffersontown, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jeffersontown, Kentucky's internal control over financial reporting on compliance.

Stephens & Lawson, CPAs

Louisville, Kentucky
December 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Jeffersontown, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the year ended June 30, 2019. Please read it in conjunction with the City's financial statements, which begin on page 11.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 11. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

To aid in the understanding of the statement of activities some additional explanation is provided. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much of each function draws from the general revenues or if it is self-financing through fees and grants.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$28,146,632 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$27,383,538. This increase is due to an overall increase in total assets offset in part by a small increase in total liabilities. Total assets and deferred outflows of resources increased by \$2,033,595 this fiscal year and total liabilities and deferred inflows of resources increased by \$1,270,501.
- The three largest sources of general revenues for the City continued to be property taxes, insurance taxes, and occupational taxes. These revenue sources accounted for 81.63% of total revenues received by the City. The City's revenue of \$26,725,412 for this fiscal year is an increase of \$1,385,936 as compared to the previous fiscal year.
- The City's expenditures of \$25,953,686 for this fiscal year are an increase of \$1,520,259 as compared to the previous fiscal year.

CONDENSED FINANCIAL INFORMATION

The following condensed financial information has been derived from the government-wide financial statements.

Net Position

The total assets of the City increased by \$4,013,605 in the fiscal year ending 2019 as compared to the fiscal year ending 2018. While the total liabilities of the City increased by \$578,481 during this same time period. The overall increase in liabilities was driven primarily by the increase in current liabilities.

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 18,601,767	\$ 16,965,409
Non-Depreciable Fixed Assets	2,934,699	7,238,023
Depreciable Fixed Assets, Net	40,881,672	34,201,101
Total Assets	<u>\$ 62,418,138</u>	<u>\$ 58,404,533</u>
Deferred Outflows of Resources		
Deferred Amounts Related to Pensions	\$ 7,175,240	\$ 8,531,258
Deferred Amounts Related to OPEB	2,752,990	3,376,982
Total Deferred Outflows of Resources	<u>\$ 9,928,230</u>	<u>\$ 11,908,240</u>
Liabilities		
Current Liabilities	\$ 3,397,046	\$ 2,957,107
Long-Term Liabilities	37,325,597	37,187,055
Total Liabilities	<u>\$ 40,722,643</u>	<u>\$ 40,144,162</u>
Deferred Inflows of Resources		
Deferred Amounts Related to Pensions	\$ 1,896,541	\$ 2,255,185
Deferred Amounts Related to OPEB	1,580,552	529,888
Total Deferred Inflows of Resources	<u>\$ 3,477,093</u>	<u>\$ 2,785,073</u>
Net Position		
Net Investment in Capital Assets	\$ 40,967,051	\$ 37,682,200
Restricted	2,991,587	2,246,446
Unrestricted	<u>(15,812,006)</u>	<u>(12,545,108)</u>
Total Net Position	<u>\$ 28,146,632</u>	<u>\$ 27,383,538</u>

Current assets exceed current liabilities by \$15,204,721 for a current ratio of approximately 5.48 to 1. This indicator clearly points out that the City has sufficient capacity to service its current debt. It is also important to note that total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$28,146,632. This number represents the "net worth" of the City.

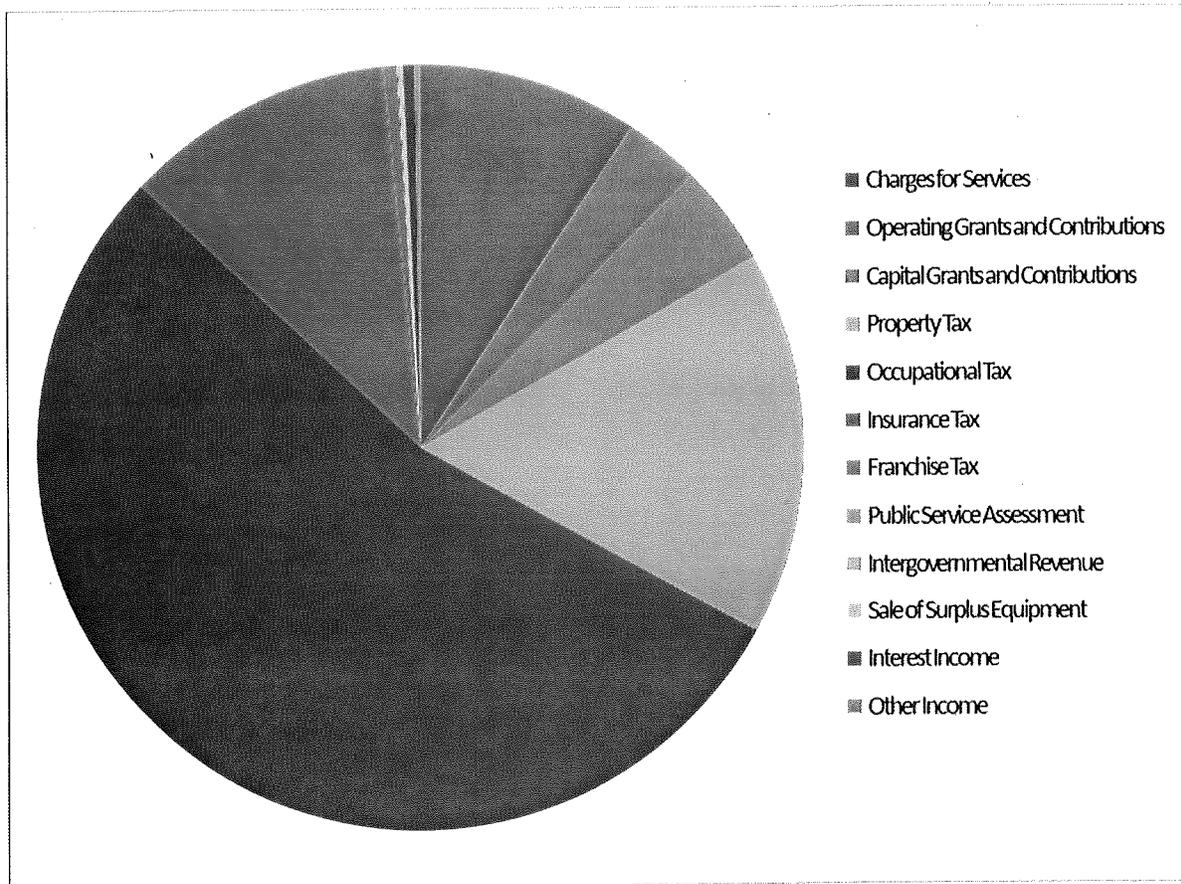
Governmental Revenues

The City's primary sources of revenues in this fiscal year continued to be property and occupational taxes. These two sources comprise 70.20% and 71.26% of the total revenue collected in the fiscal years ending 2019 and 2018 respectively. Total revenues for the year ended June 30, 2019 were \$26,725,412 which is an increase of \$1,385,936 over the previous fiscal year. This increase is due mainly to increases in charges for services, capital grants as well as property and occupational taxes. Revenues were reported as follows:

Governmental Revenues – Continued

	2019		2018	
	Amount	Percentage	Amount	Percentage
Program Revenues				
Charges for Services	\$ 2,488,328	9.31%	\$ 2,341,719	9.24%
Operating Grants and Contributions	865,689	3.24%	878,005	3.46%
Capital Grants and Contributions	1,144,941	4.28%	762,003	3.01%
Total program revenues	4,498,958	16.83%	3,981,727	15.71%
General Revenues				
Property Tax	4,334,506	16.22%	4,129,572	16.30%
Occupational Tax	14,425,587	53.98%	13,926,950	54.96%
Insurance Tax	3,054,817	11.43%	3,037,785	11.99%
Franchise Tax	156,314	0.58%	152,877	0.60%
Public Service Assessment	15,506	0.06%	14,294	0.06%
Intergovernmental Revenue	209	0.00%	1,913	0.01%
Sale of Surplus Equipment	42,527	0.16%	4,950	0.02%
Interest Income	139,411	0.52%	66,414	0.26%
Other Income	57,577	0.22%	22,994	0.09%
Total general revenues	22,226,454	83.17%	21,357,749	84.29%
Total Revenues	\$ 26,725,412	100.00%	\$ 25,339,476	100.00%

Revenues for the fiscal year ending June 30, 2019

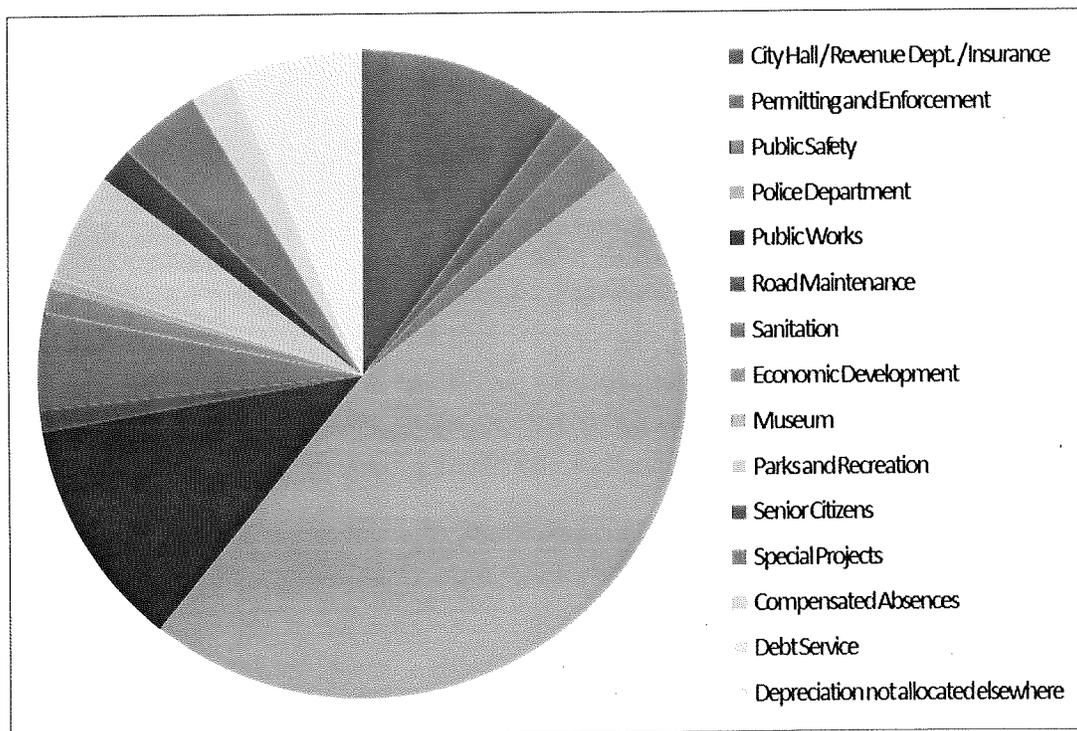


Governmental Expenses

Expenses for the year ended June 30, 2019 were \$25,953,686 which represents an increase of \$1,520,259 over the previous fiscal year. Expenses increased in part due to an increase in spending in the police department, public works, and on special projects. Expenses were reported as follows:

	2019		2018	
	Amount	Percentage	Amount	Percentage
Program Expenses:				
City Hall / Revenue Dept. / Insurance	\$ 2,730,189	10.52%	\$ 2,736,562	11.20%
Permitting and Enforcement	415,145	1.60%	410,892	1.68%
Public Safety	570,967	2.20%	698,716	2.86%
Police Department	12,070,621	46.51%	11,360,108	46.49%
Public Works	2,991,438	11.53%	2,728,069	11.17%
Road Maintenance	281,911	1.09%	144,355	0.59%
Sanitation	1,251,508	4.82%	1,224,461	5.01%
Economic Development	322,736	1.24%	287,845	1.18%
Museum	139,535	0.54%	151,145	0.62%
Parks and Recreation	1,396,764	5.38%	1,418,597	5.81%
Senior Citizens	461,387	1.78%	437,793	1.79%
Special Projects	1,073,046	4.13%	614,978	2.52%
Compensated Absences	555,740	2.14%	563,954	2.31%
Debt Service	92,730	0.36%	107,502	0.44%
Depreciation not allocated elsewhere	1,599,969	6.16%	1,548,450	6.33%
Total Expenses	\$ 25,953,686	100.00%	\$ 24,433,427	100.00%

Expenses for the fiscal year ending June 30, 2019



Excess of Revenues over Expenses

	<u>2019</u>	<u>2018</u>
Total Revenues	\$ 26,725,412	\$ 25,339,476
Total Expenditures	<u>25,953,686</u>	<u>24,433,427</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 771,726</u>	<u>\$ 906,049</u>

Change in Net Position

For the year ended June 30, 2019 and 2018, net position changed as follows:

	<u>2019</u>	<u>2018</u>
Beginning Net Position	\$ 27,383,538	\$ 31,569,781
Restatement of Prior Year Balances	-	(5,110,534)
Prior Period Adjustments	(8,632)	18,242
Increase in Net Position	<u>771,726</u>	<u>906,049</u>
Ending Net Position	<u>\$ 28,146,632</u>	<u>\$ 27,383,538</u>

Fixed Assets

For the year ended June 30, 2019, the City had \$98,716,417 invested in fixed assets including recreation fields and parks, buildings and improvements, equipment, vehicles, and infrastructure. A schedule of the changes in fixed assets during this fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Non-depreciable Assets:				
Land	\$ 1,871,369	\$ -	\$ -	\$ 1,871,369
Construction in Progress	<u>5,366,654</u>	<u>3,829,659</u>	<u>8,132,983</u>	<u>1,063,330</u>
Total non-depreciable assets	<u>7,238,023</u>	<u>3,829,659</u>	<u>8,132,983</u>	<u>2,934,699</u>
Depreciable Assets:				
Buildings and Improvements	9,513,276	102,571	-	9,615,847
Machinery and Equipment	3,226,284	277,415	70,958	3,432,741
Vehicles	5,200,896	551,628	431,503	5,321,021
Land Improvements	4,033,480	-	-	4,033,480
Infrastructure	<u>64,784,407</u>	<u>8,594,222</u>	<u>-</u>	<u>73,378,629</u>
Total depreciable assets	<u>86,758,343</u>	<u>9,525,836</u>	<u>502,461</u>	<u>95,781,718</u>
Total fixed assets	<u>93,996,366</u>	<u>13,355,495</u>	<u>8,635,444</u>	<u>98,716,417</u>
Accumulated Depreciation:				
Buildings and Improvements	4,845,927	301,659	-	5,147,586
Machinery and Equipment	2,391,484	223,472	70,785	2,544,171
Vehicles	3,505,968	621,741	420,186	3,707,523
Land Improvements	1,117,624	86,934	-	1,204,558
Infrastructure	<u>40,696,239</u>	<u>1,599,969</u>	<u>-</u>	<u>42,296,208</u>
Total accumulated depreciation	<u>52,557,242</u>	<u>2,833,775</u>	<u>490,971</u>	<u>54,900,046</u>
Governmental activities fixed assets, net	<u>\$41,439,124</u>	<u>\$10,521,720</u>	<u>\$ 8,144,473</u>	<u>\$43,816,371</u>

Fixed Assets - Continued

This year's major additions include the following items:

21 Vehicles and Related Equipment	\$ 527,419
Roofing at Bluebird Gym	61,713
Bathrooms at Tway House	21,010
Drainage Project	31,215
Taylorville Road Streetscape	4,257,014
Veterans Park Phase 1	3,679,245
Bluebird Gym HVAC System	71,056
Asphalt Hot Box	42,500
60' Boom	29,095
Paving	619,902
Total	<u><u>\$ 9,340,169</u></u>

Debt

For the year ended June 30, 2019, the City had \$5,613,015 in outstanding long-term obligations, of that amount \$1,328,221 is due within the coming fiscal year. A schedule of the changes in debt during this fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Lease Obligation	\$ 3,756,924	\$ -	\$ 907,604	\$ 2,849,320	\$ 928,221
Compensated Absences	2,561,385	500,640	298,330	2,763,695	400,000
Total Governmental Activities	<u><u>\$ 6,318,309</u></u>	<u><u>\$ 500,640</u></u>	<u><u>\$1,205,934</u></u>	<u><u>\$ 5,613,015</u></u>	<u><u>\$1,328,221</u></u>

Pensions

Current accounting standards require governmental entities to recognize certain financial statements amounts related to pensions. In addition to these financial statement items, there are also note disclosure requirements (Note I) and tables to be included as required supplementary information. The measurement date for the net pension liability is June 30, 2018.

During this fiscal year, the obligations of the City as they relate to pensions and as reported to the City by the Kentucky Retirements Systems are as follows:

	As Reported in the Audit for the Fiscal Year Ending June 30th:	
	<u>2019</u>	<u>2018</u>
Pension Obligations	\$ 25,537,303	\$ 23,775,953
Deferred Outflows Related to Pensions	7,175,240	8,531,258
Deferred Inflows Related to Pensions	1,896,541	2,255,185

Other Post-Employment Benefits (OPEB)

Current accounting standards require governmental entities to recognize certain financial statements amounts related to other post-employment benefits (OPEB). In addition to these financial statement items, there are also note disclosure requirements (Note J) and tables to be included as required supplementary information. The measurement date for the net pension liability is June 30, 2018.

During this fiscal year, the obligations of the City as they relate to OPEB as reported to the City by the Kentucky Retirement System are as follows:

	As Reported in the Audit for the Fiscal Year Ending June 30th:	
	2019	2018
OPEB Obligations	\$ 7,503,500	\$ 8,600,397
Deferred Outflows Related to OPEB	2,752,990	3,376,982
Deferred Inflows Related to OPEB	1,580,552	529,888

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 13. The fund financial statements provide detailed information about the governmental fund – not the City as a whole. Most of the City's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balance left over at year-end this is available for spending in the next period. This fund is reported using the accounting method called the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental fund in a reconciliation in separate statements after each of the fund financial statements.

BUDGETARY HIGHLIGHTS

General Fund

For the year ended June 30, 2019, general fund revenues of \$25,364,133 were \$2,323,488 less than the \$27,687,621 budgeted. Revenue sources with the most significant budget shortfalls included grant income and insurance premium taxes. For the year ended June 30, 2019, general fund expenditures of \$24,436,436 were \$7,871,900 less than the \$32,308,336 budgeted. The City went over budget in the area of compensated absences. Due to the nature and unpredictability of when compensated absences will be used, the City does not make a budget appropriation for this item causing any payments for compensated absences to result in a budget overage.

Road Fund

For the year ended June 30, 2019, state road aid of \$542,873 was \$11,138 more than the \$531,735 budgeted. Expenditures in the road fund of \$635,437 were \$21,556 less than the \$656,993 budgeted.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

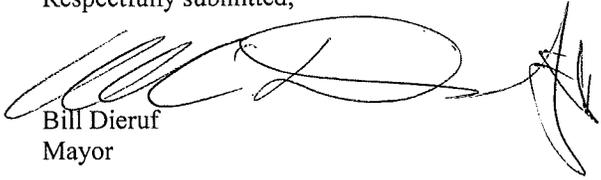
Due to a higher budget projection for grant revenue in the upcoming fiscal year as compared to this fiscal year, budgeted revenue in the general fund for fiscal year 2019 increased by \$2,495,241 to \$30,182,862.

General fund budget expenditures were decreased by \$497,692 to \$31,810,644 to reflect decreased spending on grant projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City Clerk's Office at 10416 Watterson Trail, Jeffersontown, Kentucky 40299

Respectfully submitted,



Bill Dieruf
Mayor



Bill Fox
City Clerk/Treasurer

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government Governmental Activities
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents (\$2,602,746 restricted)	\$ 10,023,923
Investments (\$410,857 restricted)	2,629,944
Receivables (\$50,368 restricted)	5,947,900
Total Current Assets	18,601,767
Non-current Assets:	
Non-depreciable Fixed Assets	2,934,699
Depreciable Fixed Assets, Net	40,881,672
Total Non-current Assets	43,816,371
Total Assets	62,418,138
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Amounts Related to Pensions	7,175,240
Deferred Amounts Related to OPEB	2,752,990
Total Deferred Outflows of Resources	9,928,230
Total Assets and Deferred Outflows of Resources	\$ 72,346,368
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable (\$72,384 restricted)	\$ 1,401,880
Payroll Taxes and Withholdings Payable	396,065
Accrued Payroll	175,480
User Deposits	70,013
Accrued Interest	25,387
Long-Term Obligations Due Within One Year	1,328,221
Total Current Liabilities	3,397,046
Long-Term Liabilities:	
Pension Obligation	25,537,303
OPEB Obligation	7,503,500
Long-Term Obligations in Excess of One Year	4,284,794
Total Long-Term Liabilities	37,325,597
Total Liabilities	40,722,643
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Amounts Related to Pensions	1,896,541
Deferred Amounts Related to OPEB	1,580,552
Total Deferred Inflows of Resources	3,477,093
<u>NET POSITION</u>	
Net Investment in Capital Assets	40,967,051
Restricted	2,991,587
Unrestricted	(15,812,006)
Total Net Position	28,146,632
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 72,346,368

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF ACTIVITIES
JUNE 30, 2019

Functions/Programs	Charges For		Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Net (Expense) Revenue
	Expenses	Services			
Primary Government:					
Governmental Activities:					
Administration	\$ 2,730,189	\$ 403,692	-	\$ -	\$ (2,326,497)
Permitting and Enforcement	415,145	224,384	-	-	(190,761)
Public Safety	570,967	-	-	-	(570,967)
Police Department	12,070,621	1,060,358	301,424	7,548	(10,701,291)
Public Works	2,991,438	27,508	21,392	-	(2,942,538)
Road Maintenance	281,911	43,453	542,873	-	304,415
Sanitation	1,251,508	-	-	-	(1,251,508)
Economic Development	322,736	-	-	-	(322,736)
Museum	139,535	-	-	-	(139,535)
Parks and Recreation	1,396,764	527,115	-	-	(869,649)
Senior Citizens	461,387	201,818	-	-	(259,569)
Special Projects	1,073,046	-	-	1,137,393	64,347
Compensated Absences	555,740	-	-	-	(555,740)
Debt Service	92,730	-	-	-	(92,730)
Depreciation not allocated elsewhere	1,599,969	-	-	-	(1,599,969)
Total Governmental Activities	<u>25,953,686</u>	<u>2,488,328</u>	<u>865,689</u>	<u>1,144,941</u>	<u>(21,454,728)</u>
Total Primary Government	\$ 25,953,686	\$ 2,488,328	\$ 865,689	\$ 1,144,941	\$ (21,454,728)

Primary Government
 Governmental Activities

Changes in Net Assets:
 Net Expense \$ (21,454,728)

General Revenues:

Taxes:

- Property Taxes \$ 4,334,506
- Occupational Tax 14,425,587
- Insurance Tax 3,054,817
- Franchise Tax 156,314
- Public Service Assessment 15,506
- Intergovernmental Revenue 209
- Interest Income 139,411
- Sale of Surplus Property 42,527
- Other Income 57,577

Total General Revenues 22,226,454

Change in Net Position 771,726

Net Position - July 1, 2018 27,383,538
 Prior Period Adjustment (8,632)
Net Position - June 30, 2019 \$ 28,146,632

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General Fund	Road Fund	Severance Fund	
ASSETS				
Cash	\$ 7,421,177	\$ -	\$ -	\$ 7,421,177
Cash - Restricted	1,140,423	253,497	1,208,826	2,602,746
Investments	2,219,087	-	-	2,219,087
Investments - Restricted	-		410,857	410,857
Receivables	5,897,532	50,368	-	5,947,900
Total Assets	<u>\$ 16,678,219</u>	<u>\$ 303,865</u>	<u>\$ 1,619,683</u>	<u>\$ 18,601,767</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,329,496	\$ 72,384	\$ -	\$ 1,401,880
Payroll Taxes and Withholdings Payable	396,065	-	-	396,065
Accrued Payroll	175,480	-	-	175,480
User Deposits	70,013	-	-	70,013
Total Liabilities	<u>1,971,054</u>	<u>72,384</u>	<u>-</u>	<u>2,043,438</u>
Deferred Inflows of Resources:				
Unavailable Revenue	227,429	-	-	227,429
Total Deferred Inflows of Resources	<u>227,429</u>	<u>-</u>	<u>-</u>	<u>227,429</u>
Fund Balances:				
Restricted	1,140,423	231,481	1,619,683	2,991,587
Assigned	2,227,785	-	-	2,227,785
Unassigned	11,111,528	-	-	11,111,528
Total Fund Balances	<u>14,479,736</u>	<u>231,481</u>	<u>1,619,683</u>	<u>16,330,900</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,678,219</u>	<u>\$ 303,865</u>	<u>\$ 1,619,683</u>	<u>\$ 18,601,767</u>

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
RECONCILIATION OF TOTAL FUND BALANCE, GOVERNMENTAL FUNDS
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019

Reconciliation of Total Fund Balance, Governmental Funds to Net Position of Governmental Activities:

Total Fund Balances, Governmental Funds		\$ 16,330,900
Amounts reported for governmental activities in the statement of net position are different because of the following:		
Certain property tax revenue is earned but not available and therefore are shown as unavailable revenue in the fund financial statements		227,429
Fixed assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation		43,816,371
Deferred outflows/inflows of resources related to pensions are not reported in the fund financial statements		
Deferred outflows of resources related to pensions	\$ 7,175,240	
Deferred inflows of resources related to pensions	<u>(1,896,541)</u>	5,278,699
Deferred outflows/inflows of resources related to OPEB are not reported in the fund financial statements		
Deferred outflows of resources related to OPEB	2,752,990	
Deferred inflows of resources related to OPEB	<u>(1,580,552)</u>	1,172,438
Interest costs on long-term debt are reported as an expenditure in the fund financial statements at the time the payment is made; however, those costs are accrued at year end in the government-wide financial statements.		(25,387)
Long-term obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.		<u>(38,653,818)</u>
Net Position of Governmental Activities		<u>\$ 28,146,632</u>

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	GOVERNMENTAL FUND TYPES			Totals Governmental Funds
	General Fund	Road Fund	Severance Fund	
REVENUE				
Property Tax	\$ 4,268,022	\$ -	\$ -	\$ 4,268,022
Occupational Tax	14,425,587	-	-	14,425,587
Insurance Premium Tax	3,054,817	-	-	3,054,817
Franchise Tax	156,314	-	-	156,314
Public Service Assessments	15,506	-	-	15,506
Code Enforcement Violations	33,625	-	-	33,625
Intergovernmental	290,330	542,873	-	833,203
License and Permits	540,428	-	-	540,428
Charge for Service	1,855,329	-	-	1,855,329
Grants	1,177,536	-	-	1,177,536
Interest Income	120,802	4,374	14,235	139,411
Other Income	73,169	43,453	-	116,622
Total Revenue	26,011,465	590,700	14,235	26,616,400
EXPENDITURES				
General Government				
Administration	1,302,757	-	36	1,302,793
Permitting and Enforcement	353,201	-	-	353,201
Insurance	675,019	-	-	675,019
Revenue Department	413,322	-	-	413,322
Total General Government	2,744,299	-	36	2,744,335
Public Safety:				
Civil Service	8,892	-	-	8,892
Police Department	9,105,831	-	-	9,105,831
Street Lights	562,075	-	-	562,075
Total Public Safety	9,676,798	-	-	9,676,798
Public Works	2,473,224	-	-	2,473,224
Road Maintenance	-	281,911	-	281,911
Sanitation	1,251,508	-	-	1,251,508
Economic Development	282,342	-	-	282,342
Museum	118,384	-	-	118,384
Parks and Recreation	850,417	-	-	850,417
Senior Citizens	438,094	-	-	438,094
Special Projects	876,323	-	-	876,323
Compensated Absences	298,330	-	-	298,330
Debt Service	1,008,342	-	-	1,008,342
Capital Outlay	5,065,707	353,526	-	5,419,233
Total Expenditures	25,083,768	635,437	36	25,719,241
Excess of Revenues over Expenditures	927,697	(44,737)	14,199	897,159

See the accompanying notes to the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

	GOVERNMENTAL FUND TYPES			Totals Governmental Funds
	General Fund	Road Fund	Severance Fund	
OTHER FINANCING SOURCES (USES)				
Sale of Surplus Property	54,017	-	-	54,017
Transfer In	232,115	-	331,300	563,415
Transfer Out	(331,300)	-	(232,115)	(563,415)
Total Other Financing Sources (Uses)	(45,168)	-	99,185	54,017
Net Change in Fund Balances	882,529	(44,737)	113,384	951,176
Fund Balances Beginning of Year	13,605,839	276,218	1,506,299	15,388,356
Prior Period Adjustment	(8,632)	-	-	(8,632)
Fund Balances End of Year	<u>\$ 14,479,736</u>	<u>\$ 231,481</u>	<u>\$ 1,619,683</u>	<u>\$ 16,330,900</u>

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY
RECONCILIATION OF THE NET CHANGES IN FUND BALANCES - TOTAL
GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Reconciliation of the net changes in fund balances - total governmental funds to the change in net position of governmental activities:

Net Change in Fund Balances - Total Governmental Funds		\$ 951,176
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Certain property taxes will not be collected for several months after the City's fiscal year ends, therefore they are not considered "available" revenue and are not recorded as such in the fund financial statements. Unavailable tax revenues increased by this amount this year</p>		
		66,483
<p>Since governmental activities report expenditures for capital assets in the statement of net assets, when the underlying asset is sold, its book value has to be removed and is netted against the proceeds shown in the statement of activities. Reduction in proceeds for book value of assets sold</p>		
		(11,490)
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p>		
Capital asset purchases capitalized	\$ 5,222,512	
Depreciation expense	<u>(2,833,775)</u>	2,388,737
<p>Repayment of principal on debt is an expenditure in the fund financials, but reduces the liability in the statement of net position. Repayment of principal on long-term obligations</p>		
		907,604
<p>Compensated absences are shown as a long-term obligation in the government-wide financial statements, but are not recognized as a liability in the fund financial statements, as such the change in the liability from year to year is recognized only in the statement of activities. Net increase in compensated absence balance</p>		
		(202,310)
<p>Pension/OPEB expense in the fund financial statements are based on amounts paid into the respective plans during the current fiscal year. Pension/OPEB expense in the government-wide financial statements are based on the measurement date of the net pension/OPEB liability which was June 30, 2018. Net increase in government-wide pension/OPEB expense</p>		
		(3,336,482)
<p>Interest costs associated with long-term debt obligations are accrued at year end in the government-wide financial statements, whereas that cost is not recognized in the fund financials until the amount comes due and payable. Accrued interest expense changed</p>		
		<u>8,008</u>
Change in Net Position of Governmental Activities		<u>\$ 771,726</u>

See the accompanying notes to the financial statements.

**CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Jeffersontown, Kentucky (the City) is a home-rule city with a population in excess of 20,000 located in Jefferson County, Kentucky. The City provides the following services authorized by its charter: police, sanitation, economic development, street maintenance, and recreation.

All significant activities and organizations on which the City of Jeffersontown, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2019. 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.

The City is organized pursuant to KRS 83A.130 as a mayor-council plan city. As such, the executive authority of the City is vested with the Mayor, subject to disapproval by the Council, the Mayor promulgates procedures to insure orderly administration of the functions of city government and compliance with statutes and ordinances. All bonds, notes, contracts and written obligations of the City are made and executed by the Mayor.

The Council serves as a legislative body, and is prohibited from performing any executive functions except those functions assigned to it by statute. It is required by statute to provide by ordinance sufficient revenue to operate city government and appropriate the funds of the City in a budget which shall provide for the orderly management of City resources.

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

After consideration of the above criteria, no additional entities are deemed to be component units of the City.

Basic Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the City are classified as governmental activities; the City has no business-type activities.

Government-wide Financial Statements:

These financial statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds.

In the statement of net position, the governmental activities columns is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Basic Financial Statements - Continued

Government-wide Financial Statements - continued:

The statement of activities reports both the gross and net cost of each of the City's functions (administration, police, civil service, public works, etc.). The functions are also supported by general government revenues (property taxes, insurance, taxes, occupational taxes and certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (administration, police, civil service, public works, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, insurance taxes, occupational taxes and certain intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs and all interfund activity is eliminated in the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds, except that the primary operating fund of the City, the general fund, is always considered major. Those criteria for evaluation of all other funds are as follows:

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

The City does not have any business-type activities nor does it present any funds as nonmajor in the financial statements.

The funds of the financial reporting entity are described below:

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Basic Financial Statements - Continued

Fund Financial Statements - Continued:

Governmental Type Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

General Fund - The general fund is the City's primary operating fund. It is used to account for and report all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City utilized the following special revenue funds:

Road Fund – Used to account for state road funds that are allocated to the City by the State of Kentucky.

Severance Fund – Used to account for funds from both a 2008 debt issue to help the City meet the financial obligations it has to retiring employees and for funds set aside annually by the City for the same purpose.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the “current financial resources” measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Property taxes are reported in the period for which levied. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Measurement Focus and Basis of Accounting - Continued

Basis of Accounting - Continued

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

Encumbrances

The City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

Cash and Cash Equivalents

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

Investments

Investments of the primary government are valued at fair market value. Additionally, all investments of the primary government comply with the Kentucky Revised Statutes concerning the types of investments allowed.

Inventories

Disbursements for inventory type items are considered expenditures at the time of purchase.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, insurance taxes and occupational taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, insurance tax, occupational tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions, collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Receivables - Continued

The City considers all receivables to be fully collectible, with the exception of code enforcement receivables described below.

The City has a code enforcement board that can assess fines against property owners and businesses who are found to be in violation of city ordinances. These fines are enforced by placing liens against real property or other assets, such as equipment, in the case of a business. As the code enforcement board has, as established by ordinance, the authority to waive all or part of any fine assessed upon remedy of the underlying violation the City has determined that any receivables recorded for code enforcement fines assessed would need to be significantly reduced through the use of an allowance account to reflect the actual amount the City would receive. The amount of such an allowance is not reasonably estimable and therefore the remaining amount of any associated revenue would not meet the measurable criteria for revenue recognition. As such the City does not recognize any revenue from these fines until an amount is actually received from the individual or business when the lien is removed. The City believes this treatment results in the most accurate recognition of revenue in the financial statements.

Fixed Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to only capitalize individual assets with a value of \$5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to July 1, 2002, infrastructure assets were not capitalized. The City engaged the services of a local engineering firm to inventory and value the roads and bridges that comprise the City's infrastructure. Starting on July 1, 2002 the City is required to keep a record of all infrastructure assets placed in service from that date forward.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful life using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Buildings	up to 40 years
Improvements	up to 20 years
Machinery and Equipment	5 to 15 years
Infrastructure	10 to 25 years

Due to and Due From Other Funds

Interfund receivables and payables are recorded by all funds in the period in which transactions are executed on the fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Deferred Inflow/Outflow of Resources

Deferred Outflows:

The City reports decreases in net position/fund balances that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position / fund financials balance sheet – governmental funds. Deferred outflows of resources reported in the government-wide financial statements consisted of contributions made to Kentucky Retirement Systems between the measurement date of the net pension liabilities from those plans and the end of the City’s fiscal year as well as other amounts related to pensions and OPEBs. No deferred outflows of resources affected the fund financial statements in the current fiscal year.

Deferred Inflows:

The City reports increases in net position/fund balances that related to future periods as deferred inflows of resources in a separate section of its government-wide statement of net position / fund financials balance sheet – governmental funds. Deferred inflows of resources reported in this year’s government-wide financial statements consist of amounts reported to the City by Kentucky Retirement Systems for items related to pensions and OPEBs.

The only deferred inflow of resources reported in the fund financial statements comes from the fact that certain governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly deferred property taxes are reported in the fund financials balance sheet – governmental funds as unavailable revenue.

Accounts Payable

Accounts payable consist of trade payable to vendors who provide goods and services to the City.

Compensated Absences

City policies regarding vacation and sick time permit employees to accumulate earned but unused time. Amounts earned each year and available for carryover depend on hire date and length of service. The City is currently reporting the accumulation of resources for this future obligation in the severance fund.

Long-term Debt

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. Long-term debt consists primarily of bond/debt agreement obligations, capital lease obligations, and accrued compensated absences.

Long-term debt of governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payments of principal and interest are reported as debt service expenditures.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Equity Classifications

Government-Wide Statements

The City reports the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position is divided into three categories defined as follows:

- a. Net Investment in Capital Assets – Consists of the historical cost of capital assets including restricted capital assets, less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows or resources less deferred inflows of resources related to those assets.
- b. Restricted net position – Consist of assets that are restricted by the City’s creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), by other contributors, or by enabling legislation.
- c. Unrestricted net position – Balance of net position not meeting the requirements of the other two categories.

Fund Financial Statements

In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council.
- d. Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by City Council.
- e. Unassigned – All amounts not included in other spendable classification.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City Council considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided for otherwise.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Property Tax Revenue

The City assesses property taxes at the rate of .1401 per \$100 of assessed property value on January 1st of each calendar year and taxes are due and payable by December 31st of the same year. Bills are mailed on or before the 1st of October and any bills paid prior to October 31st are allowed a 2% discount. Bills paid between November 1st and December 31st are not allowed a discount or subject to a penalty. All bills paid after December 31st are charged a 6% penalty plus interest at the rate of 6% per annum until paid. The City has no formal date for filing liens.

Occupational License Tax

The City imposes a tax of 1% of wages on persons who work within the City of Jeffersontown in any business, profession, trade or occupation. Such amounts are to be withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing total wages and tax withholdings.

Insurance Premium Tax

The City imposes a tax of 5% on certain insurance policies in effect within the boundaries of the City. Such amounts are collected by the insurance company and remitted to the City on a quarterly basis.

Business License

The City imposes an annual license fee of \$75.00 on all persons, firms or organizations engaged in any trade or business profession operating in the City for profit or gain.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental fund expenditures are classified by character: current, debt service, and capital outlay. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Interfund Transfers

The permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers and shown as transfers in/out on the fund financials statements. In the government-wide financials all interfund transfers between governmental funds have been eliminated.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE B - DEPOSITS AND INVESTMENTS

Under Kentucky Revised Statutes the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. The City typically invests surplus cash at local banks in the form of certificates of deposit, savings accounts, and money market accounts. Presently, the City's investments consist solely of certificates of deposits held with local financial institutions.

Custodial Credit Risk – this is the risk that in the event of the failure of a counterparty (e.g., a bank) the City will not be able to recover the full value of its deposits or investments. It is the City's policy to minimize this risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, and advisors and diversifying the investment portfolio so that potential losses will be minimized. The City had exposure at June 30, 2019 to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured but collateral held by pledging bank		8,416,614
Uninsured but collateral held by pledging bank's trust department not in City's name		670,893
		\$ 9,087,507

Concentration of Credit Risk – this is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has addressed this risk by purchasing investments that are secured by FDIC insurance and spreading City funds between multiple financial institutions.

Interest Rate Risk – this is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The City has attempted to address this risk by diversifying the maturity dates to minimize the risk of loss should interest rates rise.

The City is party to a repurchase agreement with a local financial institution. Under this agreement, excess funds of the City are used to purchase obligations of the United States Government; these obligations are subsequently repurchased from the City for their original cost plus interest. The financial institution handles all of the activity under this agreement for the City and the City has access to all funds obligated under this agreement at any time. Statutes require that repurchase agreements be collateralized at 102% of the market value of the obligations acquired under the repurchase agreement. The City had \$6,753,909 of its funds under this agreement at June 30, 2019.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE C – RECEIVABLES

Receivables at June 30, 2019 consisted of the following:

Receivable Type	Statement of	Balance Sheet - Governmental Funds	
	Net Position Governmental Activities	General Fund	Road Fund
Property Tax	\$ 234,479	\$ 234,479	\$ -
Occupational Tax	3,617,380	3,617,380	-
Insurance Tax	873,958	873,958	-
KLEFPF (Police Incentive)	22,700	22,700	-
HB413 (Base Court Revenue)	7,814	7,814	-
Grants Receivable	1,141,201	1,141,201	-
Municipal Road Aid	50,368	-	50,368
Total Receivables	\$ 5,947,900	\$ 5,897,532	\$ 50,368

NOTE D – FIXED ASSETS

Fixed asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-depreciable Assets:				
Land	\$ 1,871,369	\$ -	\$ -	\$ 1,871,369
Construction in Progress	5,366,654	3,829,659	8,132,983	1,063,330
Total non-depreciable assets	7,238,023	3,829,659	8,132,983	2,934,699
Depreciable Assets:				
Buildings and Improvements	9,513,276	102,571	-	9,615,847
Machinery and Equipment	3,226,284	277,415	70,958	3,432,741
Vehicles	5,200,896	551,628	431,503	5,321,021
Land Improvements	4,033,480	-	-	4,033,480
Infrastructure	64,784,407	8,594,222	-	73,378,629
Total depreciable assets	86,758,343	9,525,836	502,461	95,781,718
Total fixed assets	93,996,366	13,355,495	8,635,444	98,716,417
Accumulated Depreciation:				
Buildings and Improvements	4,845,927	301,659	-	5,147,586
Machinery and Equipment	2,391,484	223,472	70,785	2,544,171
Vehicles	3,505,968	621,741	420,186	3,707,523
Land Improvements	1,117,624	86,934	-	1,204,558
Infrastructure	40,696,239	1,599,969	-	42,296,208
Total accumulated depreciation	52,557,242	2,833,775	490,971	54,900,046
Governmental activities fixed assets, net	\$41,439,124	\$10,521,720	\$ 8,144,473	\$43,816,371

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE D – FIXED ASSETS – CONTINUED

Depreciation expense of \$2,833,775 was allocated to the various functions on the statement of activities as follows:

<u>Governmental Activities</u>	
Administration	\$ 111,043
Police	431,832
Public Works	172,733
Economic Development	12,338
Parks and Recreation	505,860
Infrastructure	1,599,969
Total	<u>\$ 2,833,775</u>

NOTE E – LONG-TERM OBLIGATIONS

A summary of long-term liabilities and the corresponding activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital Lease Obligation	\$ 3,756,924	\$ -	\$ 907,604	\$ 2,849,320	\$ 928,221
Compensated Absences	2,561,385	500,640	298,330	2,763,695	400,000
Total Governmental Activities	<u>\$ 6,318,309</u>	<u>\$ 500,640</u>	<u>\$1,205,934</u>	<u>\$ 5,613,015</u>	<u>\$1,328,221</u>

Capital Lease Obligation:

Refunding Lease Agreement

In November 2013, the City entered into an 8 year lease agreement with Republic Bank & Trust Company in the amount of \$5,470,759. The proceeds of this lease agreement were used to retire the 2000 KLC Funding Trust Agreement, which was originally issued for \$6,625,000, and to legally defease the 2005 Series A Bonds, which were originally issued for \$5,730,000. The proceeds from these old agreements were used to refinance old debt agreements and for new capital projects within the City. The refunding lease bears interest at a rate of 2.260% and requires annual payments of \$302,817 for the first four years due on March 1st of each year, followed by annual payments of \$993,690 for the remaining four years also due on March 1st of each year. Payments started on March 1, 2014 and the final payment is due on March 1, 2022. In January 2018, the bank executed a provision in the agreement that guarantees the bank a minimum tax equivalent yield based on current tax law. This provision effectively increased the interest rate on this agreement from 2.26% to 2.65% effective January 1, 2018.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE E – LONG-TERM OBLIGATIONS - CONTINUED

Capital Lease Obligations - Continued:

Refunding Lease Agreement - Continued

Total future minimum payments due under this agreement, including the supplemental payments, are \$3,003,460 at June 30, 2019. Historically, this payment has been made by the general fund each year.

The annual debt service requirements to maturity for this lease agreement is as follows:

Fiscal Year Ending	Capital Lease Obligations		Supplemental Payment
	Principal	Interest	
2019	\$ 928,221	\$ 65,468	\$ 11,112
2020	949,669	44,020	7,492
2021	971,430	22,259	3,789
Totals (1)	<u>\$ 2,849,320</u>	<u>\$ 131,747</u>	<u>\$ 22,393</u>

(1) For the capital lease shown above, the total of principal, interest, and supplemental payment components equals the required minimum payments for the periods shown, and total principal equals the net present value of these leases.

Interest incurred under the capital lease obligation, and shown as an expense at June 30, 2019 is \$92,730 in the government wide financial statements and \$100,738 in the fund financials.

Compensated Absences:

Compensated absences represent the amounts due to employees of the City for unused vacation and sick time. The City calculates this amount in accordance with current accounting standards. Due to the nature of this obligation and the unpredictability of when an employee's service with the City may end, the City estimates the current obligation for this liability at approximately 14% of the estimated amount owed as of June 30th. Actual amounts paid out may differ from this estimate in any given year, but the City feels any such difference would not be material to the financial statements. Historically, compensated absence payments are made by the general fund with funds transferred into the general fund from the severance fund.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE F – NET POSITION / FUND BALANCES

At June 30, 2019, net position in the government-wide financial statements was composed of the following:

Net Investment in Capital Assets:	
Fixed Assets, Net	\$ 43,816,371
Less:	
Capital Lease Obligations	(2,849,320)
Net Investment in Capital Assets	40,967,051
Restricted:	
Police Department	1,140,423
Roads	231,481
Severance Pay	1,619,683
Restricted Net Position	2,991,587
Unrestricted	(15,812,006)
Total Net Position	\$ 28,146,632

At June 30, 2019, fund balances as shown in the fund financial statements was composed of the following:

Classification	General Fund	Road Fund	Severance Fund
Restricted:			
By enabling legislation for police	\$ 1,140,423	\$ -	\$ -
By enabling legislation for roads	-	231,481	-
By purpose of debt issuance	-	-	1,619,683
Assigned:			
By designation for capital outlay	600,003	-	-
By passage of next year's budget	1,627,782	-	-
Unassigned	11,111,528	-	-
Total Fund Balances	\$ 14,479,736	\$ 231,481	\$ 1,619,683

NOTE G - INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for police training and other miscellaneous operating costs during the year ended June 30, 2019 that are recorded in the General Fund.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE H – OPERATING LEASES

The City has entered into two agreements to lease municipal property owned by the City. The details of those agreements are as follows:

Louisville Free Public Library

Starting on July 1, 2017, the City entered into an agreement to lease a building to the Louisville/Jefferson County Metro Government on behalf of The Louisville Free Public Library for operation of a public library facility within the City. The initial term of the lease was for one year expiring on June 30, 2018. The tenant had 4 one year options to renew the lease starting on July 1, 2018 and ending on June 30, 2022. The lease requires the tenant to notify the City 60 days in advance of the expiration of the term of the lease if they do not plan to exercise the annual renewal option. The tenant did opt to renew the lease through June 30, 2020. The lease requires an annual rental payment of \$1 in advance of the lease term along with an annual \$13,200 maintenance fee also due in advance of the lease term. The maintenance fee is paid in consideration of the City assuming “major” maintenance obligations on the building. The cost of this building on the books of the City is \$1,412,486 with accumulated depreciation of \$785,488 at June 30, 2019.

County Clerk’s Office

Starting on July 1, 2015, the City entered into an agreement to lease a building to the Louisville/Jefferson County Metro Government for the operation of a branch of the Jefferson County Clerk’s Office within the City. The initial term of the lease was for one year expiring on June 30, 2016. The tenant has 9 one year options to renew the lease starting on July 1, 2016 and ending on June 30, 2025. The lease has been renewed for one additional year ending June 30, 2019. The lease requires the tenant to notify the City 60 days in advance of the expiration of the term of the lease if they do not plan to exercise the annual renewal option. The lease requires monthly payments of \$1,621.08 for the first year as well as for the first four renewal periods. Monthly payments in renewal periods five through nine will be \$1,852.67. The cost of this building on the books of the City is \$132,503 with accumulated depreciation of \$96,070 at June 30, 2019.

Future minimum payments to be received under these agreements for fiscal years ending June 30th are as follows:

2020	\$ 32,654
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Office Equipment

The City has entered into several leases for office equipment used a various facilities throughout the City. These leases have cancellation provisions and are subject to annual appropriations. For the year ended June 30, 2019 expenditures under these agreements totaled \$7,296.

Future minimum payments to be made under these agreements for fiscal years ending June 30th are as follows:

2020	\$ 7,236
2021	\$ 6,246
2022	\$ 1,023
Thereafter	\$ 0

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE H – OPERATING LEASES - CONTINUED

Parking Lot

In August 2017 the City entered into an agreement with a local church for the use of their parking lot as public parking for the City. The initial term of this lease is for five years and will start on July 1, 2017 and terminate on June 30, 2022. This agreement may be renewed for an additional three terms of five years each by either party, by giving the other party written notice of intent to renew not less than 30 days prior to the expiration of the term. This agreement does not require the City to make a monthly rental payment. In exchange for the use of the parking lot as public parking, the City has agreed to maintain the paved surface of the lot, and topcoat, patch and repaint the paved portion as the City deems necessary in the City's sole opinion, provided that the City maintains this lot in a like or similar condition to other public parking lots currently maintained by the City. The City will be responsible for snow removal as it deems necessary, any signage such as handicap parking, and use reasonable efforts to keep the lot free of trash, litter, and debris.

Should the City repave the lot, the lease will automatically continue for 10 years thereafter, with one option to renew for an additional 10 year term.

If permitted by the landlord, the City may expand the paved area at its sole expense, in which the term of the lease shall automatically continue for 10 years thereafter, with one option to renew the lease for an additional 10 years.

This lease shall continue in the event this property is sold to another party.

The City shall not use the parking lot on Sundays between the hours of 8:00am and 3:00pm, or at other times when there are church related services or meetings.

NOTE I – EMPLOYEE RETIREMENT SYSTEM

The City has elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). The plan issues separate, publicly available, financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling (502) 696-8800, or at <https://kyret.ky.gov>. Detailed information about the plan's fiduciary net position can be found here.

Plan Description

CERS is a cost sharing, multiple employer defined benefit pension plan which covers substantially all regular full-time members in both non-hazardous and hazardous positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Cost of living adjustments (COLAs) are made at the discretion of the Kentucky General Assembly. In 2013 the General Assembly passed a new law to govern how COLAs will be granted. Language in that law states that COLAs will only be granted in the future if the KRS Board determines that the assets of the system are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA or directs payments of funds in the year the COLA is provided. No COLA has been granted since July 1, 2011.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE I – EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Contributions

For the year ending June 30, 2019, all covered employees who began participating before September 1, 2008, Tier 1 members, are required to contribute either 5 percent (non-hazardous duty job classification) or 8 percent (hazardous duty job classification) of their annual creditable compensation to the plan. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, covered employees who began participating on, or after, September 1, 2008, Tier 2 members, were required to contribute a total of 6 percent (non-hazardous duty job classification) or 9 percent (hazardous duty job classification) of their annual creditable compensation. Five percent (non-hazardous duty job classification) or 8 percent (hazardous duty job classification) of the contribution is deposited to the member's account while the other 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 102 KAR 1:420E). Interest is paid each June 30th on covered employees' accounts (regardless of duty type) at a rate of 2.5%. If a covered employee terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, covered employees who began participating on, or after, January 1, 2014, Tier 3 members, were required to participate in 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. Covered employees in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous duty covered employees contribute 5% of their annual creditable compensation while hazardous duty covered members contribution 8%. Both groups contribute an additional 1% of their creditable compensation to the health insurance fund which is not credited to the covered employee's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the covered employee's compensation. Each month, when employer contributions are received, an employer pay credit is deposited to the covered employee's account. A covered employee's account is credited with a 4% (non-hazardous) or 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2019, participating employers contributed 21.48% (allocated 16.22% for pension and 5.26% for insurance) of each employee's creditable compensation for members with nonhazardous duty job classifications or 35.34% (allocated 24.87% for pension and 10.47% for insurance). For the year ended June 30, 2019, the City contributed 100% of the required contribution for both non-hazardous and hazardous duty members, which is listed below.

<u>Duty Classification</u>	<u>Total Amount Contributed</u>	<u>Allocated to CERS</u>	
		<u>Pension Fund</u>	<u>Insurance Fund</u>
Non-hazardous Duty	\$ 685,073	\$ 517,313	\$167,760
Hazardous Duty	\$1,508,819	\$1,061,809	\$447,010

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE I – EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Benefits

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

		<u>Non-hazardous Duty</u>	<u>Hazardous Duty</u>
Tier 1	Participation Date	Before 09/01/2008	Before 09/01/2008
	Unreduced Retirement	27 years of service or 65 years old	Age 55 with 1 month service credit or any age and 20 years service.
	Benefit Amount	At least 4 years service, monthly benefit is 2% times final average compensation times years of service. Participation after 08/01/2004 the rate is 2.20%. Less than 4 years of service monthly benefit is actuarial equivalent of 2 times member contributions plus interest. Final average compensation is based on member's highest 5 years of compensation.	Minimum of 60 months of service, the monthly benefit is 2.5% times final average compensation times years of service. Less than 60 months of service, monthly benefit is actuarial equivalent of 2 times member contributions plus interest. Final average compensation is based on member's highest 3 years of compensation.
	Reduced Retirement	At least 5 years of service and 55 years old or 25 years of service and any age.	Age 50 with at least 15 years of service.
Tier 2	Participation Date	09/01/2008 to 12/31/2013	09/01/2008 to 12/31/2013
	Unreduced Retirement	At least 5 years of service and 65 years old or age 57+ with sum of service years plus age equal to 87+.	Age 60 with minimum 5 years service or any age with minimum 25 years service.
	Benefit Amount	Monthly benefit is based upon applicable benefit multiplier (based on years of service) time final average compensation times years of service. Final compensation is based on member's last 5 years.	Monthly benefit is based upon applicable benefit multiplier (based on years of service) time final average compensation times years of service. Final compensation is based on member's last 3 years.
	Reduced Retirement	At least 10 years of service and 60 years old.	Age 50 with at least 15 years of service.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Benefits - Continued

		<u>Non-hazardous Duty</u>	<u>Hazardous Duty</u>
Tier 3	Participation Date	After 12/31/2013	After 12/31/2013
	Unreduced Retirement	At least 5 years of service and 65 years old or age 57+ with sum of service years plus age equal to 87+.	Age 60 with minimum 5 years service or any age with at least 25 years of service.
	Benefit Amount	Each year member is active, a 4% employer pay credit along with the member's 5% contribution will be credited to the member's account. If the system's geometric average net investment return for the prior 5 years exceeds 4% minimum rate, then the member's account will be credited with interest equal to 75% of the return in excess of 4%.	Each year member is active, a 7.5% employer pay credit along with the member's 8% contribution will be credited to the member's account. If the system's geometric average net investment return for the prior 5 years exceeds 4% minimum rate, then the member's account will be credited with interest equal to 75% of the return in excess of 4%.
		At retirement, the account balance may be converted into an annuity based on an actuarial factor.	At retirement, the account balance may be converted into an annuity based on an actuarial factor.
	Reduced Retirement	Not applicable	Not applicable

Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

For non-hazardous duty employees the post-retirement death benefit is \$5,000 in a lump sum and requires 48 months of service and to be in receipt of retirement benefits. Pre-retirement death benefits are determined based on whether the death was in the line of duty or not. The non-line of duty death benefit requires the member to be eligible for early retirement or under the age of 55, with at least 60 months of service, or at least 144 months of service if no longer actively working. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump-sum payment of the member's contributions and any accumulated interest.

For hazardous duty employees the post-retirement death benefit is \$5,000 in a lump sum and requires 48 months of service and to be in receipt of retirement benefits. Pre-retirement death benefits are determined based on whether the death was in the line of duty or not. The non-line of duty death benefit requires the member to be eligible for early retirement or under the age of 55, with at least 60 months of service, or at least 144 months of service if no longer actively working. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Benefits - Continued

Disability benefits require 60 months of service except in the case of line of duty disability in which case the requirement is waived regardless of the member's classification.

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

Pension Liabilities

At June 30, 2019 the City recognized a liability of \$25,537,303 for its proportionate share of the CERS net pension liability (\$7,661,786 non-hazardous and \$17,875,517 hazardous). The City's net pension liability was measured as of June 30, 2018, as allowed by standards, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on the City's contributions to the pension plan (\$451,487 non-hazardous and \$914,050 hazardous) relative to the total contributions of all participants in the non-hazardous and hazardous retirement plans. At June 30, 2018 the City's share of the non-hazardous net pension liability was .125803% which an increase of .004589% from the figure of .121214% in the prior period. At June 30, 2018 the City's share of the hazardous pension liability was .739129% which is a decrease of .006461% from the figure of .745590% in the prior period.

Pension Payable/Expense

At June 30, 2019 the City reported a payable of \$204,063 for the outstanding amount of contributions owed to Kentucky Retirement Systems for both non-hazardous and hazardous duty withholdings as well as the City's required matching contribution for the month of June 2019. This payable includes both the pension and insurance contribution allocation.

For the year ended June 30, 2019, the City recognized pension expense of \$4,346,263 (\$1,361,810 for non-hazardous and \$2,984,453 for hazardous) for covered employees in the statement of activities.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE I - EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows / Inflows of Resources Related to Pensions - Continued

Deferred Outflows/Inflows of Resources

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-Hazardous</u>		<u>Hazardous</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 249,906	\$ 112,152	\$ 1,422,589	\$ -
Change of assumptions	748,779	-	1,902,788	-
Net difference between projected and actual earnings on plan investments	356,279	448,148	662,561	864,189
Changes in proportion and differences between employer contributions and proportionate share of contributions	225,852	-	18,948	472,052
City's contributions to the plan subsequent to the measurement date	519,355	-	1,068,183	-
Totals	<u>\$ 2,100,171</u>	<u>\$ 560,300</u>	<u>\$ 5,075,069</u>	<u>\$ 1,336,241</u>

If the amounts serve to reduce pension expense in the future they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows.

The amounts reported in the table as deferred outflows of resources related to plan contributions made subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows / inflows will be recognized in pension expense as follows:

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Year 1	\$ 728,154	\$ 1,946,427
Year 2	392,742	896,244
Year 3	(59,258)	(91,306)
Year 4	(41,122)	(80,720)
Year 5	-	-
Thereafter	-	-
Total	<u>\$ 1,020,516</u>	<u>\$ 2,670,645</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increase	3.05%
Investment Rate of Return	6.25%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan’s fiscal year end, June 30, 2018.

The mortality table used for pre-retirement members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For non-disabled retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled retired members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The long-term expected rate of return was determined 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 rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	8.50%	4.50%
US Mid Cap	5.00%	4.50%
US Small Cap	4.00%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	10.00%	3.00%
Credit Fixed	17.00%	
Global IG Credit	10.00%	3.75%
High Yield	3.00%	5.50%
Emerging Market Debt	4.00%	6.00%
Private Equity	10.00%	6.50%
Real Estate	5.00%	7.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	5.00%
Cash	3.00%	1.50%
Total	<u>100.00%</u>	<u>5.13%</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE I - EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate.

The following table presents the City's net pension liability, calculated using the discount rate of 6.25%, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) and 1 percentage point higher (7.25%) than the current rate.

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Non-Hazardous	\$ 9,645,395	\$ 7,661,786	\$ 5,999,869
Hazardous	\$ 22,396,852	\$ 17,875,517	\$ 14,137,786

NOTE J – OTHER POST-EMPLOYMENT BENEFITS

The City, through its participation in CERS, also participates in the Kentucky Retirement Systems' Insurance Fund (Insurance Fund) which was established to provide hospital and medical insurance for eligible members receiving benefits from various plans including CERS. Information on how to obtain information on this plan, such as the OPEB plan's fiduciary net position, is more fully discussed in Note I.

Plan Description – Continued

CERS is a cost sharing, multiple employer defined benefit pension plan which covers substantially all regular full-time members in both non-hazardous and hazardous positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other post-employment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

As more fully described in Note I, plan members contribute to CERS for non-hazardous and hazardous job classifications (5% and 8% respectively). Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. For the year ending June 30, 2019 the employer's contribution was 21.48% (allocated 16.22% for pension and 5.26% to the insurance trust) for creditable compensation paid in the non-hazardous job classifications and 35.34% (allocated 24.87% for pension and 10.47% to the insurance trust) for creditable compensation paid in the hazardous job classifications. These rates are the actuarially determined rates set by the Board. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE J – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Plan Description

actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2019, the City contributed 100% of the required contribution for both non-hazardous and hazardous duty members, which is listed below.

<u>Duty Classification</u>	<u>Total Amount Contributed</u>	<u>Allocated to CERS</u>	
		<u>Pension Fund</u>	<u>Insurance Fund</u>
Non-hazardous Duty	\$ 685,073	\$ 517,313	\$167,760
Hazardous Duty	\$1,508,819	\$1,061,809	\$447,010

Insurance Benefits

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

		<u>Non-hazardous Duty</u>	<u>Hazardous Duty</u>
Tier 1	Participation Date	Before 07/01/2003	Before 07/01/2003
	Benefit Eligibility	Recipient of a retirement allowance	Recipient of a retirement allowance
	Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement.	Set percentage of single coverage health insurance based on service credit accrued at retirement.
Tier 2	Participation Date	07/01/2003 to 09/01/2008	07/01/2003 to 09/01/2008
	Benefit Eligibility	Recipient of a retirement allowance with at least 120 months of service.	Recipient of a retirement allowance with at least 120 months of service.
	Benefit	Monthly contribution of \$10 for each year of earned service increasing by 1.5% each July 1, 2009 annually.	Monthly contribution of \$15 for each year of earned service increasing by 1.5% each July 1, 2009 annually.
Tier 3	Participation Date	After 09/01/2008	After 09/01/2008
	Benefit Eligibility	Recipient of a retirement allowance with at least 180 months of service.	Recipient of a retirement allowance with at least 180 months of service.
	Benefit	Same as tier 2	Same as tier 2

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE J – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

OPEB Liabilities, Pension Expense, and Deferred Outflows / Inflows of Resources Related to OPEB

At June 30, 2019 the City recognized a liability of \$7,503,500 for its proportionate share of the CERS net OPEB liability (\$2,233,518 non-hazardous and \$5,269,982 hazardous). The City's net OPEB liability was measured as of June 30, 2018, as allowed by standards, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward to June 30, 2018. The City's proportion of the net OPEB liability was based on the City's contributions to the OPEB plan (\$173,202 non-hazardous and \$352,545 hazardous) relative to the total contributions of all participants in the non-hazardous and hazardous retirement plans. At June 30, 2018 the City's share of the non-hazardous net OPEB liability was .125798% which is an increase of .004584% from the figure of .121214% in the prior period. At June 30, 2018 the City's share of the hazardous pension liability was .739170% which is a decrease of .006419% from the figure of .745589% in the prior period.

OPEB Payable/Expense

At June 30, 2019 the City reported a payable of \$204,063 for the outstanding amount of contributions owed to Kentucky Retirement Systems for both non-hazardous and hazardous duty withholdings as well as the City's required matching contribution for the month of June 2019. This payable includes both the pension and insurance contribution allocation.

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,196,485 (\$263,693 for non-hazardous and \$932,792 for hazardous) for covered employees in the statement of activities.

Deferred Outflows/Inflows of Resources

At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Non-Hazardous</u>		<u>Hazardous</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 260,287	\$ -	\$ 588,937
Change of assumptions	446,067	5,160	1,617,212	14,415
Net difference between projected and actual earnings on plan investments	-	153,846	-	501,006
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,937	4,583	-	52,318
City's contributions to the plan subsequent to the measurement date	204,453	-	429,321	-
Totals	<u>\$ 706,457</u>	<u>\$ 423,876</u>	<u>\$ 2,046,533</u>	<u>\$ 1,156,676</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE J – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Deferred Outflows/Inflows of Resources – Continued

If the amounts serve to reduce OPEB expense in the future they are labeled as deferred inflows. If they will increase OPEB expense they are labeled deferred outflows.

The amounts reported in the table as deferred outflows of resources related to plan contributions made subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. This amount includes adjustments of \$36,031 for the non-hazardous implicit subsidy and (\$20,983) for the hazardous implicit subsidy. Other amounts reported as deferred outflows / inflows will be recognized in OPEB expense as follows:

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Year 1	\$ 17,433	\$ 301,546
Year 2	17,433	301,546
Year 3	17,434	10,674
Year 4	47,312	(153,230)
Year 5	(9,947)	-
Thereafter	<u>(11,537)</u>	<u>-</u>
Total	<u>\$ 78,128</u>	<u>\$ 460,536</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increase	3.05% average
Investment Rate of Return	6.25%
Healthcare Trend:	
Pre-65: Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.	
Post-65: Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.	

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year end, June 30, 2018.

The mortality table used for pre-retirement members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For non-disabled retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled retired 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.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE J – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	<u>6.09%</u>

Discount Rate

The projection of cash flows used to determine the discount rate of 5.85% for non-hazardous and 5.97% for hazardous assumed that local employers would contribute the actuarially determined contribution rate of project compensation of the remaining 25 years amortization period of the unfunded actuarial accrued liability. The discount rate determination used and expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE J – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Discount Rate - Continued

The following table presents the City's net OPEB liability, calculated using the discount rate of 5.85% for non-hazardous and 5.97% for hazardous, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate.

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Non-Hazardous	<u>\$ 2,900,982</u>	<u>\$ 2,233,518</u>	<u>\$ 1,664,961</u>
	1% Decrease (4.97%)	Current Discount Rate (5.97%)	1% Increase (6.97%)
Hazardous	<u>\$ 7,325,535</u>	<u>\$ 5,269,982</u>	<u>\$ 3,624,459</u>

The following table presents the City's net OPEB liability, calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-Hazardous	<u>\$ 1,662,877</u>	<u>\$ 2,233,518</u>	<u>\$ 2,906,141</u>
Hazardous	<u>\$ 3,589,112</u>	<u>\$ 5,269,982</u>	<u>\$ 7,351,810</u>

NOTE K – DEFERRED COMPENSATION

The City allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employee's Deferred Compensation Authority is authorized under KRS 18A.230 and 148A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensations Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensations Authority at 110 Sea Hero Road, Suite 101, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE L – INTERFUND TRANSFERS

The following interfund transfers took place during this fiscal year:

Fund Transferred From	Fund Transferred To			Purpose
	General Fund	Road Fund	Severance Fund	
General Fund	\$ -	\$ -	\$ 331,300	Budgetary transfer
Severance Fund	232,115		-	Compensated absence payments
	<u>\$ 232,115</u>	<u>\$ -</u>	<u>\$ 331,300</u>	

NOTE M – CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public's interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State of Kentucky, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Thus the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2019, there were six series of industrial revenue bonds outstanding as well as one educational and recreational revenue bond. The City does receive statements showing debt service payments on these bonds; however, the City has no process in place to track the outstanding balance.

NOTE N – TAX ABATEMENT

The City has four programs through which tax abatements are provided:

Property Tax Reassessment Moratorium – This program is a five (5) year moratorium on real property assessment or reassessment. The moratorium is available on improvements to existing structures, which are at least 25 years old and where a minimum of 25% improvement in value is being made over the current property value administrators assessed value.

Jeffersontown Occupation Business Savings (JOBS) – This program is a financial incentive based on an inducement equivalent to 50% of the Jeffersontown Occupational Tax generated by the project over five (5) years when criteria are met. The criteria are as follows:

- a. Company have aggregate new annual payroll minimum of \$135,000.
- b. Minimum average payroll per new employee of \$45,000 per full time equivalent job.
- c. Minimum of three (3) new full time equivalent employees subject to and current with Jeffersontown Occupational Tax Code.

Kentucky Business Investment (KBI) – This program provides a flexible program for new and expanding industries. The KBI program provides income tax credits and wage assessments to new and existing agribusiness, regional and national headquarters, manufacturing companies, and nonretail service or technology-related companies that locate or expand operations in Kentucky. Qualifying businesses are required to create a minimum of 10 new, full-time jobs for Kentucky residents, incur eligible costs of at least \$100,000, and meet local wage criteria.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE N – TAX ABATEMENT - CONTINUED

Manufacturing Tax Moratorium – This program permits property taxes to be abated for five (5) years for new manufacturing company locating in, or moving into, Jeffersontown; or increased value of a building/equipment for an existing manufacturing company that is expanding its operations for a new product line.

For the year ended June 30, 2019, the City abated taxes as follows:

Tax Abatement Program	Amount Abated
Property Tax Reassessment Moratorium	\$ 2,830
Jeffersontown Occupation Business Savings (JOBS)	68,421
Kentucky Business Investment (KBI)	55,316
Manufacturing Tax Moratorium	801

NOTE O - LITIGATION

The City is involved in various legal proceedings incidental to the normal course of business. City management is of the opinion, based upon the advice of general counsel, that although the outcome of such litigation cannot be forecast with certainty, final disposition should not have a material effect on the financial position of the City.

NOTE P - 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 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.

NOTE Q – PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made to the books of the City:

Reason	Statement of Net Position	Balance Sheet - Governmental Funds		
	Governmental Activities	General Fund	Road Fund	Severance Fund
Overstatement of prior grant receivables	\$ (8,632)	\$ (8,632)	\$ -	\$ -
	\$ (8,632)	\$ (8,632)	\$ -	\$ -

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE R – IMPLEMENTATION OF GASB PRONOUNCEMENTS

The City prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a listing of standards implemented during this fiscal year and schedule for implementation in the future.

Pronouncements Scheduled to be Adopted in this Fiscal Year:

GASB Statement No. 83, Certain Asset Retirement Obligations

The provisions of this statement are effective for fiscal years beginning after June 15, 2018 with earlier adoption encouraged. This standard is meant address accounting and financial reporting for certain asset retirement obligations.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The provisions of this statement are effective for fiscal years beginning after June 15, 2018 with earlier adoption encouraged. The objective of this standard is to improve information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, as well as clarifying which liabilities governments should include when disclosing information related to debt.

Pronouncements Scheduled to be Adopted in Future Fiscal Years:

GASB Statement No. 84, Fiduciary Activities

The provisions of this statement are effective for fiscal years beginning after December 15, 2018 with earlier adoption encouraged. This standards is meant to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. At this time the City does not believe the provisions of this standard will have any impact on its financial statements.

GASB Statement No. 87, Leases

The provisions of this statement are effective for fiscal years beginning after December 15, 2019. The objective of this standard is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The City is still determining the impact, if any, this statement will have on the financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

The provisions of this statement are effective for fiscal years beginning after December 15, 2019 with earlier adoption encouraged. The objectives of this standard are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. At this time the City does not believe the provisions of this standard will have any impact on its financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE R – IMPLEMENTATION OF GASB PRONOUNCEMENTS - CONTINUED

Pronouncements Scheduled to be Adopted in Future Fiscal Years (Continued):

GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61

The provisions of this statement are effective for fiscal years beginning after December 15, 2018 with earlier adoption encouraged. The objective of this standard is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. At this time the City does not believe the provisions of this standard will have any impact on its financial statements.

GASB Statement No. 91, Conduit Debt Obligations

The provisions of this statement are effective for fiscal years beginning after December 15, 2020 with earlier adoption encouraged. The objective of this standard is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice associate with (1) commitments extended by issuers, (2) arrangements associated conduit debt obligations, and (3) related note disclosures. The City is still determining the impact, if any, this statement will have on the financial statements.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>REVENUES</u>					
Taxes:					
Property Tax	\$ 4,313,548	\$ -	\$ 4,313,548	\$ 4,268,022	\$ (45,526)
Occupational Tax	14,107,434	-	14,107,434	14,425,587	318,153
Insurance Premium Tax	3,149,232	-	3,149,232	3,054,817	(94,415)
Franchise Fees	150,000	-	150,000	156,314	6,314
Public Service Assessments	15,000	-	15,000	15,506	506
Code Enforcement Violations	20,500	-	20,500	33,625	13,125
Intergovernmental:					
Base Court Revenue	25,000	-	25,000	27,824	2,824
Coal and Mineral Tax	1,500	-	1,500	209	(1,291)
License and Permits:					
Alcoholic Beverage Licenses	125,000	-	125,000	121,913	(3,087)
Building Permits	80,000	-	80,000	70,356	(9,644)
Business Licenses	195,000	-	195,000	203,761	8,761
Electrical Permits	43,500	-	43,500	48,343	4,843
Fire Protection Permits	4,000	-	4,000	4,006	6
Heating Permits	69,500	-	69,500	86,265	16,765
Sign Permits	5,000	-	5,000	5,784	784
Charge for Services:					
Plan Review Fees	5,000	-	5,000	9,630	4,630
Fines and Penalties	15,000	-	15,000	11,940	(3,060)
CID Account Income	-	-	-	923,297	923,297
Lease Income - County Clerk's Office	19,453	-	19,453	19,453	-
Lease Income - Library	13,001	-	13,001	13,001	-
Rental Income - Community Center	180,000	-	180,000	160,761	(19,239)
Plainview Swim Club	170,000	-	170,000	266,966	96,966
Plainview Pool Concessions	40,000	-	40,000	42,728	2,728
Plainview Tennis Income	3,000	-	3,000	2,303	(697)
Tway House Rental	16,000	-	16,000	21,950	5,950
Bluebird Gym Rental	5,000	-	5,000	988	(4,012)
Bluebird Gym Concessions	7,500	-	7,500	12,576	5,076
Sports League Income	17,500	-	17,500	11,159	(6,341)
Veterans Park Pavilion Rental	2,000	-	2,000	7,684	5,684
Senior Citizens Income	-	-	-	(10,585)	(10,585)
Interest Checking Accounts and CD's	40,000	-	40,000	120,802	80,802
Grant Income					
Police Department Grants	26,000	-	26,000	18,751	(7,249)
Grant Income	4,763,953	-	4,763,953	1,158,785	(3,605,168)
Miscellaneous	60,000	-	60,000	49,612	(10,388)
Total General Fund Revenues	27,687,621	-	27,687,621	25,364,133	(2,323,488)
Prior Year Fund Balance:					
Appropriated for Current Year Budget	5,690,083	2,616,000	8,306,083	-	(8,306,083)
Total Revenues and Prior Year Fund Balance	33,377,704	2,616,000	35,993,704	25,364,133	(10,629,571)

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES</u>					
Administration					
Payroll - Mayor and Council	173,542	-	173,542	171,737	1,805
Payroll - City Hall Staff	430,420	5,000	435,420	434,848	572
Health Insurance	188,427	-	188,427	178,488	9,939
Short Term Disability and Life Insurance	3,452	400	3,852	3,362	490
Dental Insurance	12,186	-	12,186	11,906	280
Retirement - Mayor and Council	37,277	-	37,277	34,370	2,907
Retirement - City Hall Staff	92,454	1,500	93,954	93,849	105
FICA - Mayor and Council	13,276	-	13,276	12,165	1,111
FICA - City Hall Staff	32,927	-	32,927	32,856	71
Administrative Expenses	2,500	-	2,500	1,138	1,362
Sales Tax Expenses	-	14,000	14,000	9,610	4,390
Legal Fees and Expenses	32,000	(17,000)	15,000	7,851	7,149
Accounting Fees and Expenses	70,000	2,000	72,000	74,405	(2,405)
Advertising	10,000	2,000	12,000	11,650	350
Dues and Subscriptions	20,000	500	20,500	20,204	296
Office Supplies	10,000	-	10,000	8,998	1,002
Postage	3,000	1,500	4,500	3,920	580
Equipment Rental and Leases	5,500	-	5,500	5,313	187
Travel - Mayor and Council	4,000	-	4,000	358	3,642
Travel - City Hall Staff	3,500	-	3,500	2,083	1,417
Meetings/Seminars-Mayor and Council	6,500	-	6,500	3,724	2,776
Meetings/Seminars - City Hall Staff	5,000	-	5,000	2,742	2,258
Building Repair and Maintenance-City Hall	20,000	-	20,000	19,966	34
Building Repair and Maintenance-Library	13,000	-	13,000	10,134	2,866
Building Repair and Maintenance-Clerk	5,500	1,000	6,500	6,044	456
Gas and Electric - City Hall	13,380	-	13,380	13,150	230
Water - City Hall	2,130	400	2,530	2,432	98
Telephone - City Hall	10,500	250	10,750	10,687	63
Mobile Phones - City Hall	3,000	1,000	4,000	3,607	393
New Equipment	25,000	12,000	37,000	46,704	(9,704)
Gasoline	5,876	(1,400)	4,476	4,468	8
Equipment Repair and Maintenance	1,500	-	1,500	878	622
Cyber Security	67,400	(400)	67,000	63,786	3,214
Computer Hardware	15,000	3,000	18,000	16,056	1,944
Employee Appreciation	2,000	-	2,000	1,099	901
Miscellaneous - City Hall	5,000	(3,000)	2,000	1,480	520
Miscellaneous - Council	55,000	(22,750)	32,250	13,060	19,190
Website Development & Maintenance	11,825	-	11,825	9,689	2,136
Total Administration	<u>1,412,072</u>	<u>-</u>	<u>1,412,072</u>	<u>1,348,817</u>	<u>63,255</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Permitting and Enforcement Department					
Payroll	245,334	-	245,334	226,735	18,599
Health Insurance	56,626	-	56,626	49,383	7,243
Short Term Disability and Life Insurance	1,264	-	1,264	1,155	109
Dental Insurance	3,717	-	3,717	3,300	417
Retirement	48,400	-	48,400	45,433	2,967
FICA	18,768	-	18,768	17,039	1,729
Uniforms	1,600	(200)	1,400	843	557
Dues and Subscriptions	1,500	600	2,100	2,006	94
Office Supplies	1,500	-	1,500	1,497	3
Postage	400	-	400	159	241
Meetings and Seminars	1,000	-	1,000	613	387
Mobile Phones	1,980	-	1,980	1,793	187
New Equipment	500	-	500	384	116
Gasoline	4,143	(400)	3,743	2,488	1,255
Software Maintenance and Support	500	-	500	-	500
Miscellaneous	500	-	500	373	127
Total Permitting and Enforcement Department	<u>387,732</u>	<u>-</u>	<u>387,732</u>	<u>353,201</u>	<u>34,531</u>
Insurance					
Unemployment Compensation	4,740	1,000	5,740	5,506	234
Workers Compensation	342,842	15,000	357,842	356,440	1,402
Commercial Liability	202,962	5,000	207,962	206,380	1,582
Property and Casualty	74,944	(6,500)	68,444	67,289	1,155
Claims	20,000	19,500	39,500	39,404	96
Claims Contra Account	-	(19,000)	(19,000)	(23,557)	4,557
Total Insurance	<u>645,488</u>	<u>15,000</u>	<u>660,488</u>	<u>651,462</u>	<u>9,026</u>
Revenue Department					
Payroll	200,830	-	200,830	181,276	19,554
Contract Labor - Revenue Dept.	10,000	25,000	35,000	32,351	2,649
Health Insurance	47,006	-	47,006	40,237	6,769
Short Term Disability and Life Insurance	1,272	-	1,272	1,239	33
Dental Insurance	2,807	-	2,807	2,590	217
Retirement	43,138	-	43,138	39,018	4,120
FICA	15,364	-	15,364	13,581	1,783
PVA/Mass Appraisal	50,000	10,000	60,000	60,000	-
Tax Forms	9,000	-	9,000	7,665	1,335
Dues and Subscriptions	2,000	250	2,250	2,020	230
Office Supplies	2,000	(500)	1,500	679	821
Postage	13,500	3,000	16,500	16,285	215

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019**

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Revenue Department					
Travel	1,200	-	1,200	317	883
Meetings and Seminars	5,000	(2,750)	2,250	1,026	1,224
Mobile Phones	780	-	780	642	138
Software Maintenance and Support	17,000	-	17,000	13,417	3,583
Miscellaneous	1,000	-	1,000	979	21
Total Revenue Department	<u>421,897</u>	<u>35,000</u>	<u>456,897</u>	<u>413,322</u>	<u>43,575</u>
Public Safety					
Street Lights	602,400	-	602,400	562,075	40,325
Ambulance Service	22,800	-	22,800	-	22,800
Total Public Safety	<u>625,200</u>	<u>-</u>	<u>625,200</u>	<u>562,075</u>	<u>63,125</u>
Civil Service					
Testing and Analysis	10,000	(400)	9,600	4,992	4,608
Miscellaneous	3,600	400	4,000	3,900	100
Total Civil Service	<u>13,600</u>	<u>-</u>	<u>13,600</u>	<u>8,892</u>	<u>4,708</u>
Police Department					
Payroll - Officers	4,320,898	-	4,320,898	4,264,121	56,777
KLEFPF	211,000	-	211,000	201,741	9,259
Education Incentive	59,300	-	59,300	57,224	2,076
Court Appearance	73,200	-	73,200	46,360	26,840
Payroll Contra Account	-	-	-	(137,040)	137,040
KLEFPF Contra Account	(211,000)	-	(211,000)	(262,297)	51,297
Payroll - Dispatchers	454,421	-	454,421	452,315	2,106
Payroll - Staff	333,524	-	333,524	271,648	61,876
Health Insurance	883,110	-	883,110	789,354	93,756
Short Term Disability and Life Insurance	20,636	-	20,636	19,492	1,144
Dental Insurance	66,627	-	66,627	62,248	4,379
Retirement - Officers	1,545,119	-	1,545,119	1,485,714	59,405
Retirement - Dispatchers	79,238	-	79,238	79,262	(24)
Retirement - Staff	68,463	-	68,463	57,142	11,321
FICA - Officers	361,173	-	361,173	343,968	17,205
FICA - Dispatchers	35,143	-	35,143	34,035	1,108
FICA - Staff	25,768	-	25,768	20,754	5,014
Uniforms - Officers	56,815	-	56,815	54,045	2,770
Uniforms - Dispatchers	8,278	-	8,278	7,726	552
Uniform Replacement	14,900	2,000	16,900	15,685	1,215
Dues and Subscriptions	14,741	-	14,741	13,336	1,405
Office Supplies	20,000	(8,000)	12,000	4,719	7,281

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Police Department (Continued)					
Postage	2,000	-	2,000	657	1,343
Travel	25,000	(3,000)	22,000	18,136	3,864
Meetings and Seminars	6,550	-	6,550	2,206	4,344
Training	71,204	(10,000)	61,204	57,497	3,707
Building Repair and Maintenance	19,428	-	19,428	15,601	3,827
J-town Explorers Expense	-	-	-	10	(10)
J-town Angel Program	-	-	-	150	(150)
Gas and Electric	31,260	3,000	34,260	34,125	135
Telephone and Internet	11,772	-	11,772	9,977	1,795
Water	4,000	-	4,000	2,403	1,597
Mobile Phones	32,450	-	32,450	27,029	5,421
New Vehicles	164,400	82,000	246,400	175,197	71,203
New Equipment	48,000	5,000	53,000	52,255	745
Gasoline	151,690	(4,000)	147,690	138,151	9,539
Equipment Repair and Maintenance	28,500	-	28,500	20,728	7,772
Maintenance Contracts	14,368	-	14,368	8,250	6,118
Software Maintenance and Support	85,322	14,000	99,322	96,826	2,496
Radio Maintenance	17,855	-	17,855	3,719	14,136
Physicals	7,608	1,000	8,608	8,513	95
Crime Prevention	9,000	-	9,000	6,027	2,973
Photography and Film	250	-	250	-	250
CID	12,500	-	12,500	10,533	1,967
Accreditation Expense	3,000	-	3,000	-	3,000
Miscellaneous	13,250	-	13,250	7,470	5,780
Canine Unit	3,500	-	3,500	2,193	1,307
Subtotal	9,204,261	82,000	9,286,261	8,579,205	707,056
Police CID Account Expense	-	-	-	448,889	(448,889)
Total Police Department	9,204,261	82,000	9,286,261	9,028,094	258,167
Public Works					
Payroll	1,223,269	-	1,223,269	1,209,222	14,047
Contract Labor	28,000	-	28,000	255	27,745
Payroll Contra Account	(10,000)	500	(9,500)	(12,035)	2,535
Health Insurance	341,802	-	341,802	313,933	27,869
Short Term Disability and Life Insurance	7,458	-	7,458	7,220	238
Dental Insurance	22,258	-	22,258	21,940	318
Retirement	258,892	-	258,892	253,394	5,498
FICA	93,582	-	93,582	91,352	2,230
Uniforms	15,000	-	15,000	14,369	631
Dues and Subscriptions	500	-	500	245	255

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Public Works (Continued)					
Office Supplies	3,000	-	3,000	1,963	1,037
Equipment Rental and Leases	2,500	-	2,500	1,274	1,226
Travel	5,000	-	5,000	1,984	3,016
Meetings and Seminars	2,500	-	2,500	2,019	481
Training	4,500	-	4,500	45	4,455
Landfill Charges	5,000	-	5,000	3,449	1,551
Building Repair and Maintenance	10,000	2,000	12,000	11,793	207
Drainage	286,000	-	286,000	209,048	76,952
Sidewalks	100,000	-	100,000	949	99,051
Gas and Electric	8,280	2,000	10,280	8,767	1,513
Paving and Striping	400,000	59,800	459,800	166,865	292,935
Street and Traffic Sign Replacement	50,000	-	50,000	18,214	31,786
Water	3,180	-	3,180	2,752	428
Telephone and Internet	1,560	-	1,560	955	605
Mobile Phones	5,200	-	5,200	4,053	1,147
New Equipment	70,000	60,000	130,000	128,778	1,222
Gasoline	62,877	-	62,877	59,347	3,530
Oil	5,000	-	5,000	3,640	1,360
Propane	5,250	-	5,250	4,431	819
Vehicle Maintenance	130,000	(16,000)	114,000	99,901	14,099
Equipment Repair and Maintenance	36,000	-	36,000	34,908	1,092
Shop Supplies	12,000	-	12,000	9,057	2,943
Roadside Maintenance/Beautification	45,000	-	45,000	40,530	4,470
Radio Maintenance	2,500	500	3,000	2,808	192
MS4 Program	50,000	-	50,000	39,883	10,117
Safety	10,000	6,000	16,000	15,349	651
Physicals	3,000	-	3,000	1,873	1,127
New Vehicles	144,000	(10,000)	134,000	133,506	494
Miscellaneous	10,000	-	10,000	5,799	4,201
Total Public Works	<u>3,453,108</u>	<u>104,800</u>	<u>3,557,908</u>	<u>2,913,835</u>	<u>644,073</u>
Sanitation					
Sanitation Contract Expense	1,239,418	133,500	1,372,918	1,242,527	130,391
Dumpster Fees	8,500	2,500	11,000	8,981	2,019
Total Sanitation	<u>1,247,918</u>	<u>136,000</u>	<u>1,383,918</u>	<u>1,251,508</u>	<u>132,410</u>
Economic Development					
Payroll	95,599	-	95,599	95,607	(8)
Health Insurance	18,737	-	18,737	17,991	746
Short Term Disability and Life Insurance	328	-	328	328	-
Dental Insurance	1,317	-	1,317	1,317	-
Retirement	20,534	-	20,534	20,578	(44)
FICA	7,313	-	7,313	7,314	(1)

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Economic Development (Continued)					
Advertising	60,000	-	60,000	29,961	30,039
Dues and Subscriptions	7,500	-	7,500	6,991	509
JOBS Incentive Program	115,000	-	115,000	68,421	46,579
Office Supplies	200	-	200	37	163
Travel	1,500	-	1,500	518	982
Meetings and Seminars	1,500	-	1,500	1,420	80
Mobile Phones	660	-	660	613	47
Miscellaneous	300	-	300	207	93
GLI Partnership	30,000	-	30,000	15,000	15,000
Façade Renovation Program	30,000	-	30,000	16,039	13,961
Industrial/Commerce Park Improvement	150,000	-	150,000	-	150,000
Economic Develop Authority Fund	200,000	-	200,000	-	200,000
Total Economic Development	<u>740,488</u>	<u>-</u>	<u>740,488</u>	<u>282,342</u>	<u>458,146</u>
Museum					
Payroll	89,074	(7,000)	82,074	73,480	8,594
Contract Labor	-	5,500	5,500	5,156	344
Health Insurance	18,642	-	18,642	14,136	4,506
Short Term Disability and Life Insurance	610	-	610	516	94
Dental Insurance	1,162	-	1,162	884	278
Retirement	19,155	-	19,155	15,513	3,642
FICA	6,822	-	6,822	5,608	1,214
Dues and Subscriptions	100	-	100	-	100
Office Supplies	300	-	300	230	70
Postage	200	-	200	63	137
Travel	600	-	600	148	452
Meetings and Seminars	500	-	500	-	500
Building Repair and Maintenance	360	-	360	-	360
Telephone and Internet	600	900	1,500	1,090	410
Mobile Phones	660	-	660	317	343
Security	360	-	360	360	-
Copier	350	-	350	160	190
Photography and Film	-	100	100	25	75
Miscellaneous	500	500	1,000	698	302
Total Museum	<u>139,995</u>	<u>-</u>	<u>139,995</u>	<u>118,384</u>	<u>21,611</u>
Parks and Recreation					
Payroll	160,726	(9,500)	151,226	137,989	13,237
Payroll - Pool Part-time	100,092	32,000	132,092	130,094	1,998
Payroll - Bluebird Gym Part-time	8,000	(4,000)	4,000	3,619	381

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
EXPENDITURES - Continued					
Parks and Recreation					
Contract Labor - Parks and Recreation	40,000	10,250	50,250	50,011	239
Health Insurance	31,846	8,750	40,596	40,028	568
Short Term Disability and Life Insurance	855	150	1,005	945	60
Dental Insurance	1,972	800	2,772	2,638	134
Retirement	30,872	(1,000)	29,872	29,695	177
FICA	12,296	(900)	11,396	10,340	1,056
FICA - Pool Part-time	7,567	2,500	10,067	9,839	228
FICA - Bluebird Gym	605	-	605	276	329
Uniforms	500	250	750	616	134
Office Supplies	2,500	-	2,500	2,157	343
Postage	400	-	400	313	87
Travel	1,700	-	1,700	811	889
Sport Leagues	17,500	(17,300)	200	35	165
Gas and Electric - Skyview	18,780	500	19,280	19,004	276
Gas and Electric - Football Field	5,700	-	5,700	5,408	292
Gas and Electric - Gym	19,680	500	20,180	19,726	454
Gas and Electric - Veterans Park	2,220	-	2,220	2,217	3
Gas and Electric - Plainview	22,740	(1,300)	21,440	20,543	897
Gas and Electric - Community Center	34,020	(1,300)	32,720	32,499	221
Gas and Electric - Ruckriegel Field	3,480	(600)	2,880	2,308	572
Water - Skyview	36,000	36,750	72,750	72,604	146
Water - Football Field	5,970	(1,200)	4,770	4,546	224
Water - Gym	2,400	-	2,400	2,299	101
Water - Plainview	15,000	1,500	16,500	16,274	226
Water - Community Center	8,070	9,000	17,070	16,603	467
Telephone - Skyview	1,200	-	1,200	-	1,200
Telephone - Gym	2,720	500	3,220	3,105	115
Telephone - Plainview	4,140	(900)	3,240	3,219	21
Telephone - Community Center	1,948	500	2,448	2,349	99
Mobile Phones	3,120	(500)	2,620	2,363	257
New Equipment	14,000	4,000	18,000	17,837	163
Gasoline	3,587	100	3,687	3,664	23
Pool/Tennis Miscellaneous	70,000	(7,100)	62,900	62,682	218
Concessions - Pool	12,000	8,500	20,500	20,255	245
Maintenance - Plainview	10,000	10,000	20,000	19,526	474
Maintenance - Miscellaneous	8,000	(1,000)	7,000	6,409	591
Maintenance - Skyview	25,000	1,000	26,000	25,904	96
Maintenance - Veterans Park	7,500	(1,000)	6,500	6,330	170
Maintenance - Bluebird Gym	20,000	1,000	21,000	20,922	78
Maintenance - Football Field	4,000	-	4,000	3,481	519
Maintenance - Community Center	30,000	-	30,000	29,954	46
Concessions - Bluebird Gym	2,250	3,000	5,250	4,873	377
Total Parks and Recreation	810,956	83,950	894,906	866,310	28,596

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>EXPENDITURES - Continued</u>					
Senior Citizens					
Payroll	139,314	6,700	146,014	124,997	21,017
Health Insurance	24,686	1,400	26,086	25,994	92
Short Term Disability and Life Insurance	597	-	597	587	10
Dental Insurance	1,592	500	2,092	1,752	340
Retirement	16,759	550	17,309	17,084	225
FICA	10,657	250	10,907	9,137	1,770
Office Supplies	1,500	-	1,500	1,166	334
Travel	1,000	-	1,000	555	445
Building Repair and Maintenance	17,500	(2,500)	15,000	14,751	249
Gas and Electric	18,120	-	18,120	17,797	323
Telephone and Internet	5,880	(500)	5,380	5,272	108
New Equipment	6,300	(4,500)	1,800	1,123	677
Gasoline	1,136	100	1,236	1,178	58
Miscellaneous	1,000	-	1,000	712	288
Copier	3,600	-	3,600	3,119	481
Equipment Repair and Maintenance	2,500	(2,000)	500	467	33
Total Senior Citizens	<u>252,141</u>	<u>-</u>	<u>252,141</u>	<u>225,691</u>	<u>26,450</u>
Special Projects					
Community Outreach	90,000	(14,000)	76,000	71,280	4,720
Farmers Market	4,000	2,000	6,000	5,526	474
Other Special Projects	2,000	-	2,000	-	2,000
Mayor's Special Projects	10,000	-	10,000	8,593	1,407
Easter Celebration	4,000	-	4,000	2,922	1,078
Volunteer Recognition	2,500	-	2,500	1,800	700
Light Up Jeffersontown	9,000	7,000	16,000	15,457	543
Summer Fest	10,000	1,000	11,000	10,726	274
Gaslight Festival	15,000	-	15,000	11,219	3,781
Pumpkin Fest	4,500	-	4,500	4,054	446
Founder's Day	3,000	-	3,000	-	3,000
Memorial/Veteran's Day Observation	1,000	4,000	5,000	4,622	378
Arts Program	19,500	-	19,500	17,328	2,172
Grant Related Expense	6,465,465	-	6,465,465	1,425,702	5,039,763
Improvement Projects	2,761,000	1,908,750	4,669,750	3,500,227	1,169,523
Police Department Related Grants	17,780	-	17,780	15,672	2,108
Gasoline (Reserve)	10,393	500	10,893	10,703	190
Total Special Projects	<u>9,429,138</u>	<u>1,909,250</u>	<u>11,338,388</u>	<u>5,105,831</u>	<u>6,232,557</u>
Debt Service					
Debt Service Expense	1,008,342	-	1,008,342	1,008,342	-
Severance Payouts - Funding Account	150,000	-	150,000	-	150,000
Total Debt Service	<u>1,158,342</u>	<u>-</u>	<u>1,158,342</u>	<u>1,008,342</u>	<u>150,000</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND - CONTINUED
JUNE 30, 2019**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<u>EXPENDITURES - Continued</u>					
Compensated Absences					
Compensated Absences	-	-	-	298,330	(298,330)
Total Compensated Absences	-	-	-	298,330	(298,330)
 Total Expenditures	 29,942,336	 2,366,000	 32,308,336	 24,436,436	 7,871,900
 Excess of Revenue over Expenditures	 3,435,368	 250,000	 3,685,368	 927,697	 (2,757,671)
OTHER FINANCING SOURCES (USES)					
Sale of Surplus Property	-	-	-	54,017	54,017
Transfer In	-	-	-	232,115	232,115
Transfer Out	-	-	-	(331,300)	(331,300)
Total Other Financing Sources (Uses)	-	-	-	(45,168)	(45,168)
 Net Change in Fund Balances	 3,435,368	 250,000	 3,685,368	 882,529	 (2,802,839)
 Fund Balance, Beginning	 -	 -	 -	 13,605,839	 13,605,839
Prior Period Adjustment	-	-	-	(8,632)	(8,632)
 Fund Balance, Ending	 <u>\$ 3,435,368</u>	 <u>\$ 250,000</u>	 <u>\$ 3,685,368</u>	 <u>\$ 14,479,736</u>	 <u>\$ 10,794,368</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - ROAD FUND
JUNE 30, 2019

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
<u>REVENUES</u>					
Road Aid					
Intergovernmental Revenue	\$ 531,735	\$ -	\$ 531,735	\$ 542,873	\$ 11,138
Interest Income	-	-	-	4,374	4,374
Other Income	-	-	43,454	43,453	(1)
Total Road Fund Revenues	<u>531,735</u>	<u>-</u>	<u>575,189</u>	<u>590,700</u>	<u>15,511</u>
Prior Year Fund Balance:					
Appropriated for Current Year Budget	-	81,804	81,804	-	(81,804)
Total Revenues and Prior Year Fund Balance	<u>531,735</u>	<u>81,804</u>	<u>656,993</u>	<u>590,700</u>	<u>(66,293)</u>
<u>EXPENDITURES</u>					
Road Aid					
Road Maintenance	58,000	(20,000)	38,000	32,300	5,700
Sidewalks	90,000	(40,000)	50,000	41,110	8,890
Paving and Striping	284,735	105,258	389,993	385,345	4,648
Streetlight Maintenance	15,000	(10,000)	5,000	2,838	2,162
Road Salt and Sand	84,000	90,000	174,000	173,844	156
Total Road Aid	<u>531,735</u>	<u>125,258</u>	<u>656,993</u>	<u>635,437</u>	<u>21,556</u>
Excess of Revenue over Expenditures	-	(43,454)	-	(44,737)	(44,737)
Fund Balance, Beginning	-	-	-	276,218	276,218
Fund Balance, Ending	<u>\$ -</u>	<u>\$ (43,454)</u>	<u>\$ -</u>	<u>\$ 231,481</u>	<u>\$ 231,481</u>

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL - SEVERANCE FUND
JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
<u>REVENUES</u>					
Interest Income	\$ -	\$ -	\$ -	\$ 14,235	\$ 14,235
Total Severance Fund Revenues	-	-	-	14,235	14,235
Prior Year Fund Balance:					
Appropriated for Current Year Budget	-	-	-	-	-
Total Revenues and Prior Year Fund Balance	-	-	-	14,235	14,235
<u>EXPENDITURES</u>					
General Government					
Administration	-	-	-	36	(36)
Total General Government	-	-	-	36	(36)
Excess of Revenue over Expenditures	-	-	-	14,199	14,199
OTHER FINANCING SOURCE AND (USES)					
Transfer In	-	-	-	331,300	331,300
Transfer Out	-	-	-	(232,115)	(232,115)
Total Other Financing Sources and (Uses)	-	-	-	99,185	99,185
Net Change in Fund Balances	-	-	-	113,384	113,384
Fund Balance, Beginning	-	-	-	1,506,299	1,506,299
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ 1,619,683	\$ 1,619,683

See the accompanying notes to the required supplementary information on budgetary reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING
JUNE 30, 2019

Budgets and the Budgetary Process

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets and budget amendments for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Encumbrances

As previously disclosed, the City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

Reconciliations

Revenue and Expenditures

For budgetary purposes, the City nets certain revenue and expenditure items within the same department; however, for financial reporting purposes, these amounts are shown as separate revenue and expenditure amounts in the fund financial statements. Differences between the budgetary reporting of revenue and expenditures as reported in the required supplementary information differs from the fund financial statements in the following areas:

Total general fund revenue per the statement of revenues, expenditures, and changes in fund balance - governmental funds:	\$ 26,011,465
Reconciling items:	
KLEFPF (Police Incentive Pay) is netted against the payroll expenditure in the budgetary comparison schedule	(262,297)
Cost reimbursements and fee for service work related to police officers payroll is netted against the payroll expenditure in the budgetary comparison schedule	(137,040)
Cost reimbursements for work related to public works payroll is netted against the payroll expenditure in the budgetary comparison schedule	(12,035)
Offsets to insurance claims expense is netted against the claim expenditure in the budgetary comparison schedule	(23,557)
Costs associated with programs at the senior citizens center are netted against the revenue in the budgetary comparison schedule	<u>(212,403)</u>
Total general fund revenue per the statement of revenues, expenditures and changed in fund balance - budget to actual - general fund	<u><u>\$ 25,364,133</u></u>

These same items account for the difference in expenditures between these two statements as well.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING - CONTINUED
JUNE 30, 2019

Reconciliations - Continued

Capital Outlay and Debt Service

Certain expenditures are required to be reported as capital outlay or debt service on the fund financial statements regardless of the department or function within general government that acquires the capital item or services the debt. For budgetary purposes however, the City budgets for those expenditures on specific lines of the department or function from which payment will be made. Differences between the budgetary bases as reported in the required supplementary information differs from the fund financials in the following areas:

<u>Budgetary Fund/Department/Line Item</u>	<u>Reported As Capital Outlay in the Fund Financials</u>	<u>Reported As Debt Service in the Fund Financials</u>
General Fund:		
Administration		
New Equipment	\$ 46,060	\$ -
Parks and Recreation		
New Equipment	15,893	-
Police Department		
Equipment Repairs and Maintenance	2,038	-
New Vehicles	172,688	-
New Equipment	12,938	-
Police CID Account Expense	133,936	-
Public Works		
Drainage	31,215	-
New Equipment	254,265	-
Paving and Striping	166,716	-
Vehicle Maintenance	450	-
Special Projects		
Bluegrass Parkway Shared Use Trail Phase 2	4,738	-
Good Samaritan Bike Trail	13,510	-
Improvement Projects	3,207,265	-
Olmstead Bridge Project	1,021	-
Patti Lane Streetscape	800	-
Recreation Trail Amenities Phase 2	8,103	-
Taylorsville Road Streetscape	504,581	-
Watterson Trail Shared Use Trail	485,592	-
Watterson Trail Streetscape Phase 2	3,898	-
Debt Service		
Debt Service Expense	-	1,008,342
	<u>\$ 5,065,707</u>	<u>\$ 1,008,342</u>

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION ON
BUDGETARY REPORTING - CONTINUED
JUNE 30, 2019

Reconciliations - Continued

Capital Outlay and Debt Service – continued

<u>Budgetary Fund/Department/Line Item</u>	<u>Reported As Capital Outlay in the Fund Financials</u>	<u>Reported As Debt Service in the Fund Financials</u>
Road Fund:		
Road Maintenance and Repair		
Paving/Striping Repairs and Maintenance	\$ 353,526	\$ -
Totals Road Fund	<u>\$ 353,526</u>	<u>\$ -</u>

Unbudgeted Items

Due to the nature and unpredictability of certain revenue and expenditures amounts, the City does not include them in the annual budget. Those items are as follows:

Revenues:

Police CID Account Income	\$ 923,297
Senior Citizens Income	\$ (10,585)

Expenditures:

Police CID Account Expense	\$ 448,889
Compensated Absences	\$ 298,330

Stewardship

Expenditures exceeded budget in the following departments within the general fund:

<u>Department</u>	<u>Amount Over Budget</u>
Compensated Absences	\$298,330

CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF THE COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019

<u>Year ended June 30th</u>	<u>City's proportion of the net pension liability</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered employee payroll</u>	<u>City's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
Non-Hazardous:					
2019	Not Available	Not Available	\$ 3,189,353	Not Available	Not Available
2018	0.125803%	\$ 7,661,786	\$ 3,158,350	242.59%	53.54%
2017	0.121214%	\$ 7,095,028	\$ 2,997,909	236.67%	53.32%
2016	0.117920%	\$ 5,805,936	\$ 2,858,142	203.14%	55.50%
2015	0.116837%	\$ 5,023,424	\$ 2,763,773	181.76%	59.97%
2014	0.114711%	\$ 3,721,663	\$ 2,668,057	139.49%	66.80%
2013	Not Available	\$ 4,211,141	\$ 2,617,862	160.86%	Not Available
2012-2010	Not Available	Not Available	Not Available	Not Available	Not Available
Hazardous:					
2019	Not Available	Not Available	\$ 4,269,438	Not Available	Not Available
2018	0.739129%	\$ 17,875,517	\$ 4,443,244	402.31%	49.26%
2017	0.745590%	\$ 16,680,925	\$ 4,421,410	377.28%	49.78%
2016	0.807133%	\$ 13,849,928	\$ 4,473,334	309.61%	53.95%
2015	0.813966%	\$ 12,495,245	\$ 4,386,994	284.82%	57.52%
2014	0.806006%	\$ 9,686,786	\$ 4,241,958	228.36%	63.46%
2013	Not Available	\$ 10,817,637	\$ 4,155,572	260.32%	Not Available
2012-2010	Not Available	Not Available	Not Available	Not Available	Not Available

This schedule is intended to present a 10-year trend as required by GASB 68. Additional years will be reported as incurred.

CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS TO THE COUNTY
EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019

<u>Year ended June 30th</u>	<u>Contractually required contribution</u>	<u>Contribution relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
Non-Hazardous:					
2019	\$ 517,313	\$ 517,313	\$ -	\$ 3,189,353	16.22%
2018	\$ 457,329	\$ 457,329	\$ -	\$ 3,158,350	14.48%
2017	\$ 418,209	\$ 418,209	\$ -	\$ 2,997,909	13.95%
2016	\$ 354,986	\$ 354,986	\$ -	\$ 2,858,142	12.42%
2015	\$ 352,390	\$ 352,390	\$ -	\$ 2,763,773	12.75%
2014	\$ 366,591	\$ 366,591	\$ -	\$ 2,668,057	13.74%
2013*	\$ 527,652	\$ 527,652	\$ -	\$ 2,617,862	20.16%
2012-2010	Not Available	Not Available	Not Available	Not Available	Not Available
Hazardous:					
2019	\$ 1,061,809	\$ 1,061,809	\$ -	\$ 4,269,438	24.87%
2018	\$ 986,401	\$ 986,401	\$ -	\$ 4,443,244	22.20%
2017	\$ 959,888	\$ 959,888	\$ -	\$ 4,421,410	21.71%
2016	\$ 906,298	\$ 906,298	\$ -	\$ 4,473,334	20.26%
2015	\$ 909,424	\$ 909,424	\$ -	\$ 4,386,994	20.73%
2014	\$ 923,474	\$ 923,474	\$ -	\$ 4,241,958	21.77%
2013*	\$ 1,562,495	\$ 1,562,495	\$ -	\$ 4,155,572	37.60%
2012-2010	Not Available	Not Available	Not Available	Not Available	Not Available

*For the year ending June 30, 2013 the contribution amounts and percentage of covered payroll are the combined amounts contributed to both the pension trust and insurance fund. All other years presented provide figures for the pension trust alone.

This schedule is intended to present a 10-year trend as required by GASB 68. Additional years will be reported as incurred.

See the accompanying notes to the required supplementary information on pension reporting.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
ON PENSION REPORTING
FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – ACCOUNTING POLICIES

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

NOTE B – CHANGES OF BENEFIT TERMS

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

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- Tiered Structure for benefit accrual rates
- New retirement eligibility requirements
- Different rules for the computation of final average compensation

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

2018: Legislation was enacted which provided increased pension and insurance benefits for the beneficiaries of active members who die in the line of duty.

NOTE C – CHANGES OF ASSUMPTIONS

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to .75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The payroll growth assumption was reduced from 4.00% to 2.00%
- The asset valuation method was changed from the 5 year smoothed method to 20% of the difference between the market value of assets and the expected actuarial value of assets.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
ON PENSION REPORTING
FOR THE YEAR ENDED JUNE 30, 2019

NOTE D – METHOD AND ASSUMPTIONS USED IN CALCULATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2017 and 2018, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	27 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Inflation	3.25%
Salary increase	4.00, average
Investment rate of return	7.50%

NOTE E – MEASUREMENT DATE

As allowed by current audit standards, CERS has used a measurement date of June 30, 2018 for reporting information to the City.

**CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB
LIABILITY OF THE COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Year ended June 30th</u>	<u>City's proportion of the net OPEB liability</u>	<u>City's proportionate share of the net OPEB liability (asset)</u>	<u>City's covered employee payroll</u>	<u>City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
Non-Hazardous:					
2019	Not Available	Not Available	\$ 3,189,353	Not Available	Not Available
2018	0.125798%	\$ 2,233,518	\$ 3,158,350	70.72%	57.62%
2017	0.121214%	\$ 2,436,816	\$ 2,997,909	81.28%	52.39%
2016	Not Available	\$ 1,911,366	\$ 2,858,142	66.87%	Not Available
2015-2010	Not Available	Not Available	Not Available	Not Available	Not Available
Hazardous:					
2019	Not Available	Not Available	\$ 4,269,438	Not Available	Not Available
2018	0.739170%	\$ 5,269,982	\$ 4,443,244	118.61%	64.24%
2017	0.745590%	\$ 6,163,581	\$ 4,421,410	139.40%	58.99%
2016	Not Available	\$ 3,682,965	\$ 4,473,334	82.33%	Not Available
2015-2010	Not Available	Not Available	Not Available	Not Available	Not Available

This schedule is intended to present a 10-year trend as required by GASB 75. Additional years will be reported as incurred.

**CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS TO THE COUNTY
EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Year ended June 30th</u>	<u>Contractually required contribution</u>	<u>Contribution relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
Non-Hazardous:					
2019	\$ 167,760	\$ 167,760	\$ -	\$ 3,189,353	5.26%
2018	\$ 148,442	\$ 148,442	\$ -	\$ 3,158,350	4.70%
2017	\$ 141,801	\$ 141,801	\$ -	\$ 2,997,909	4.73%
2016	\$ 132,620	\$ 132,620	\$ -	\$ 2,858,142	4.64%
2015-2010	Not Available	Not Available	Not Available	Not Available	Not Available
Hazardous:					
2019	\$ 447,010	\$ 447,010	\$ -	\$ 4,269,438	10.47%
2018	\$ 415,443	\$ 415,443	\$ -	\$ 4,443,244	9.35%
2017	\$ 413,402	\$ 413,402	\$ -	\$ 4,421,410	9.35%
2016	\$ 567,666	\$ 567,666	\$ -	\$ 4,473,334	12.69%
2015-2010	Not Available	Not Available	Not Available	Not Available	Not Available

This schedule is intended to present a 10-year trend as required by GASB 75. Additional years will be reported as incurred.

See the accompanying notes to the required supplementary information on OPEB reporting.

**CITY OF JEFFERSONTOWN, KENTUCKY
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 ON OPEB REPORTING
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – ACCOUNTING POLICIES

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

NOTE B – CHANGES OF BENEFIT TERMS

2018: Legislation was enacted which provided increased pension and insurance benefits for the beneficiaries of active members who die in the line of duty.

NOTE C – CHANGES OF ASSUMPTIONS

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.50% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 2.00%

NOTE D – METHOD AND ASSUMPTIONS USED IN CALCULATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2017 and 2018, determined as of July 1, 2016. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary increase	4.00% average
Investment rate of return	7.50%

Healthcare Trend Rates:

- Pre 65 – Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over 5 years.
- Post 65 – Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over 2 years.

NOTE E – MEASUREMENT DATE

As allowed by current audit standards, CERS has used a measurement date of June 30, 2018 for reporting information to the City.

**CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
OFFICE OF NATIONAL DRUG CONTROL POLICY PROGRAM			
- pass through program from:			
Laurel County Fiscal Court-			
High Intensity Drug Trafficking Areas Program	95.001	G18AP0001A	\$ 11,203
U.S. DEPARTMENT OF TRANSPORTATION			
- pass through program from:			
Commonwealth of Kentucky Transportation			
Cabinet -			
Highway Planning and Construction	20.205	P02-625-1600003984	4,052
Highway Planning and Construction	20.205	P02-625-1600002707	817
Highway Planning and Construction	20.205	P02-625-1900001236	322,767
Highway Planning and Construction	20.205	P02-625-1000004215	459,230
Highway Planning and Construction	20.205	P02-628-0700013788	386,554
Highway Planning and Construction	20.205	P02-625-1600001735	<u>3,118</u>
Total U.S. Department of Transportation			<u>1,176,538</u>
U.S. DEPARTMENT OF JUSTICE			
- direct program:			
Bulletproof Vest Partnership Program	16.607		<u>7,548</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,195,289</u>

See the accompanying notes to the schedule of expenditures of federal awards.

CITY OF JEFFERSONTOWN, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Jeffersontown, Kentucky under programs of the federal government for the year ended June 30, 2019. 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 of Jeffersontown, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Jeffersontown, Kentucky

NOTE B – SUMMARY OF SIGNIFICANT POLICIES

1. Expenditures reported on the Schedule are reported on the accrual 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.
2. Pass-through entity identifying numbers are presented where available.

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



STEPHENS & LAWSON

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Mayor and City Council
City of Jeffersontown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Jeffersontown, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Jeffersontown, Kentucky's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Jeffersontown, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

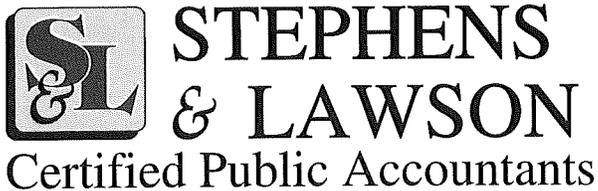
Purpose of this Report

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.

Stephens & Lawson CPAs

Louisville, Kentucky
December 13, 2019

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



Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance

To the Mayor and City Council
City of Jeffersontown, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Jeffersontown, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Jeffersontown, Kentucky's major federal programs for the year ended June 30, 2019. City of Jeffersontown, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Jeffersontown, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of City of Jeffersontown, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Jeffersontown, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures

that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Jeffersontown, Kentucky's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Stephens & Lawson CPAs

Louisville, Kentucky
December 13, 2019

**CITY OF JEFFERSONTOWN, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SUMMARY OF AUDIT RESULTS

- The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Jeffersontown, Kentucky were prepared in accordance with GAAP.
- No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Nor are any material weaknesses reported.
- No instances of noncompliance material to the financial statements of the City of Jeffersontown, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- No significant deficiencies in internal control over major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. Nor are any material weaknesses reported.
- The auditor's report on compliance for the major federal award programs for the City of Jeffersontown, Kentucky expresses an unmodified opinion on all major federal programs.
- Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- The programs tested as major programs were:
 - U.S. Department of Transportation, Commonwealth of Kentucky Transportation Cabinet, Highway Planning and Construction (CFDA #20.205)
- The threshold for distinguishing Type A and B programs was \$750,000.
- City of Jeffersontown, Kentucky was not determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None

**CITY OF JEFFERSONTOWN, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no findings reported in the prior year audit.