

**DANVILLE-BOYLE COUNTY PLANNING &  
ZONING COMMISSION**

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**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**KERBAUGH, RODES & BUTLER, PLLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**DANVILLE, KENTUCKY**

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## Independent Auditor's Report

Board of Commissioners  
Danville-Boyle County Planning & Zoning Commission  
Danville, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Danville-Boyle County Planning & Zoning Commission (the Commission) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission'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 Commission'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 the major fund of the Commission as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, historical pension information, and historical OPEB information on pages 3 through 7 and 22 through 27 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
October 5, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

As management of the Danville-Boyle County Planning & Zoning Commission, we offer this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2020. We have prepared this overview and analysis of the Commission's financial activities to add additional information to the financial schedules and the note disclosures.

**FINANCIAL HIGHLIGHTS**

- As of June 30, 2020, the Commission's liabilities exceeded assets by \$232,769 (net position). This amount includes \$2,858 of resources that are invested in capital assets (net of related debt). As of June 30, 2020, (\$235,627) of these resources are unrestricted and are available to fund the Commission's outstanding obligations and future programs.
- Net position increased by \$9,606 in fiscal year (FY) 2020. The Commission's net position was a decrease for FY 2019. The primary reason for this FY 2020 increase in net position is due to an increase in collected Permit and Application Fees that exceeded anticipated budgeted amounts.
- As of the close of the fiscal year, the Commission reported an ending fund balance of \$102,352, an increase of \$15,517 over the FY 2019 ending fund balance of \$86,835.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$95,723.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The *statement of net position* presents information on all the Commission's assets and liabilities, including capital assets in the governmental funds. The difference between assets and liabilities is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

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

Government-wide statements contain only one category: *governmental activities* that are principally supported by intergovernmental revenues, permit fees, and application and review fees. The Commission is a single-purpose governmental entity that oversees the operation of the Danville-Boyle County Planning and Zoning Commission.

The government-wide statements are found on pages 8-9 of this report.

**Fund Financial Statements** - Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. The Commission, like other state and local governments uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the Commission's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds. The Commission has no proprietary or fiduciary funds.

**Governmental funds** - Funds are used to account for the Commission's basic services, the same services that are included in the governmental activities on the government-wide statements. However, the information in the fund statements is measured differently. Governmental funds focus on current financial resources rather than economic

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION  
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FOR THE YEAR ENDED JUNE 30, 2020**

resources. Therefore, the statements include the short-term resources, such as cash and receivables that will be collected in the next few months, and liabilities that will be retired with these monies. This information is important for assessing the Commission's current financial resources.

The fund statements are combined with the government-wide statements due to the simplified nature of the Commission's operations. An adjustments column explains the difference between the governmental funds in the fund statements and the governmental activities found in the government-wide financial statements. This adjustments column will explain the adjustments necessary to add the long-term resources and obligations for the government-wide statements to the current picture presented in the fund statements.

The Commission maintains one governmental fund, the general fund. Accordingly, the general fund is also considered a major governmental fund. This fund is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The Commission adopts budgets for its general fund in accordance with Kentucky Revised Statutes. A budgetary comparison schedule for the General Fund has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8-9 of this report.

**Notes to the Financial Statements** - Notes provide additional information that is essential to a full understanding of the information included in the financial schedules. Notes provide additional details about the balances and transactions in the Commission's financial statements and are presented on pages 10-21.

**Government-wide Financial Analysis** - The first statement in the government-wide statements is the Statement of Net Position. The following table summarizes the Statement of Net Position.

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Current and other assets	\$ 105,084	\$ 93,088
Capital assets, net of depreciation	3,740	6,925
Total assets	108,824	100,013
Deferred outflows of resources	79,996	94,722
Current liabilities	3,614	7,904
Long term liabilities	318,167	369,145
Total liabilities	321,781	377,049
Deferred inflows of resources	99,808	60,061
Net position:		
Net investment in capital assets	2,858	4,405
Unrestricted	(235,627)	(246,780)
Total net position	\$ (232,769)	\$ (242,375)

The Commission's net position invested in capital assets (e.g., land & improvements, buildings and equipment, net of related debt) represents capital assets the Commission uses to provide services to customers; consequently, these assets are not available for future spending.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Revenues:</b>		
Government funding	\$ 150,400	\$ 140,150
Permit fees	33,899	40,940
Application fees	15,842	12,151
Filing fees	4,941	2,352
Interest	75	63
Other income	-	94
Total revenues	205,157	195,750
<b>Expenses:</b>		
Payroll and related expense	137,516	160,729
Legal and accounting	29,473	26,101
Insurance	7,442	7,481
Advertising	2,437	1,755
Travel	132	714
Office expenses	2,562	2,132
Rent	6,700	6,700
Miscellaneous	5,929	2,763
Depreciation and amortization	3,185	5,434
Interest expense	175	295
Total expenses	195,551	214,104
Increase (decrease) in net position	\$ 9,606	\$ (18,354)

For the fiscal years ended June 30, 2020 and 2019, revenues were very consistent with the following notable exceptions.

1. Increase in Boyle County Fiscal Court Funding by \$10,000; and
2. Application and filing fee increase of \$6,280 over anticipated budgeted fee amounts.

For the fiscal years ended June 30, 2020 and 2019, expenses were very consistent with the following notable exceptions.

1. A reduction in payroll related personnel expenses resulting from the reduction in one staff member;
2. Decrease in depreciation expense.

**Financial Analysis of the Government's Funds**

The measurement principles in the governmental fund statements are different than the government-wide statements. Fund statements focus on current resources, while the government-wide statements present the long-term view. The first statement in the fund financial statements is the governmental fund balance sheet. The table on the following page summarizes this statement:



**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and investments	\$ 98,455	\$ 90,041
Other current assets	6,629	3,047
Total assets	<u>105,084</u>	<u>93,088</u>
Accounts payable and accrued liabilities	<u>2,732</u>	<u>6,253</u>
Total liabilities	<u>2,732</u>	<u>6,253</u>
Fund balances:		
Unassigned	95,723	83,788
Non-spendable	6,629	3,047
Total fund balances	<u>\$ 102,352</u>	<u>\$ 86,835</u>

The second statement in the fund financial statements is the statement of governmental fund revenues, expenditures, and changes in fund balances. The table below summarizes this statement.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues:		
Government funding	\$ 150,400	\$ 140,150
Permit fees	33,899	40,940
Application fees	15,842	12,151
Filing fees	4,941	2,352
Interest	75	63
Other	-	94
Total revenues	<u>205,157</u>	<u>195,750</u>
Expenses:		
Payroll and related expense	133,152	135,684
Legal and accounting	29,473	26,101
Insurance	7,442	7,481
Advertising	2,437	1,755
Travel	132	714
Office expenses	2,562	2,132
Rent	6,700	6,700
Miscellaneous	5,929	2,763
Debt service	1,813	1,662
Capital outlay	-	2,074
Total expenses	<u>189,640</u>	<u>187,066</u>
Excess (deficiency) of revenues over expenditures	<u>15,517</u>	<u>8,684</u>
Net change in fund balance	<u>\$ 15,517</u>	<u>\$ 8,684</u>

The "Financial Highlights" section of this report has already addressed the major differences in the fund financial statements from year to year. Also, the preceding page has explained reasons for increases or decreases in certain expenses compared to the prior year.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**General Fund Budgetary Highlights**

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for Commission activities. Significant revenue variances include the local government allocation amount, and permit/application fees. These fees can vary from year to year based on the need for various permits and applications needed by the citizens and businesses in the City and County. Significant expenditure variances include personnel and related expenses. These variances were discussed previously.

**Capital Assets**

The Commission invests resources in capital assets that support the services provided to the public.

*Capital Assets*

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Office equipment	\$ 3,740	\$ 5,216
Office vehicle	-	1,709
Total	<u>\$ 3,740</u>	<u>\$ 6,925</u>

Additional information on the Commission's capital assets can be found in the notes to the financial statements.

**Long Term Debt**

The principal outstanding on the Commission's long-term debt is summarized in the following table.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Copier capital lease	\$ 882	\$ 2,520

The Commission's outstanding capital lease decreased \$1,638 and \$1,367 during the fiscal years ended June 30, 2020 and 2019, respectively, in accordance with the scheduled amortization of the capital lease.

**The Outlook for Next Year**

The most significant economic factors identified by the Commission's management that will have a direct adverse effect on the financial condition of the Commission next year and beyond are the local government FY 2021 budget allocation decreases due to the COVID-19 impact on the City of Danville and the Boyle County Fiscal Court FY 2021 Budgets. Additionally, retirement rates continue to increase as mandated by the state related to the non-hazardous duty employees. The rates are expected to continue to increase at a significant pace and will make it necessary for management to allocate the necessary funds to meet these higher retirement costs in the future. The funded status of the CERS plan will have a significant impact on the required contributions and the Commission's proportionate share of the net pension and OPEB liabilities. House Bill 362 passed during the 2018 legislative session caps the CERS employer contribution rate increases to 12 percent per year over the prior fiscal year through 2028. During the 2020 Regular Session, Senate Bill 249 froze the CERS employer rate phase-in for one year.

**Requests for Information**

This financial report is designed to provide our customers, creditors and other interested parties with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve Hunter, Director, at 445 West Main Street, Danville, KY 40422, telephone number (859) 238-1235.

## **BASIC FINANCIAL STATEMENTS**

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>General Fund</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 98,455		\$ 98,455
Prepaid insurance	6,629		6,629
Capital assets, net of depreciation		3,740	3,740
Total assets	<u>\$ 105,084</u>	<u>3,740</u>	<u>108,824</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
		<u>79,996</u>	<u>79,996</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 185		185
Accrued liabilities	2,547		2,547
Current portion of capital lease obligation		882	882
Noncurrent liabilities:			
Net OPEB liability		61,391	61,391
Net pension liability		256,776	256,776
Total liabilities	<u>2,732</u>	<u>319,049</u>	<u>321,781</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
		<u>99,808</u>	<u>99,808</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances:			
Nonspendable-prepaid items	6,629	(6,629)	
Unassigned	95,723	(95,723)	
Total fund balances	<u>102,352</u>	<u>(102,352)</u>	
Total liabilities and fund balances	<u>\$ 105,084</u>		
<b>Net Position:</b>			
Net investment in capital assets		2,858	2,858
Unrestricted		(235,627)	(235,627)
Total net position		<u>\$ (232,769)</u>	<u>\$ (232,769)</u>

See accompanying notes to financial statements.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES/STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>
REVENUES:			
Government funding:			
City of Danville	\$ 75,000		\$ 75,000
Boyle County Fiscal Court	75,000		75,000
City of Perryville	400		400
Permit fees	33,899		33,899
Application fees	15,842		15,842
Filing fees	4,941		4,941
Interest income	75		75
Total revenues	<u>205,157</u>		<u>205,157</u>
EXPENDITURES/EXPENSES:			
Current operating:			
Salaries & wages	92,635		92,635
Retirement	21,315	4,364	25,679
Professional fees	29,473		29,473
Employee Benefits	12,115		12,115
Other insurance	7,442		7,442
Payroll taxes	7,087		7,087
Advertising	2,437		2,437
Travel	132		132
Office expense	2,562		2,562
Rent	6,700		6,700
Other expenses	5,929		5,929
Debt service:			
Principal	1,638	(1,638)	-
Interest	175		175
Depreciation		3,185	3,185
Total expenditures	<u>189,640</u>	<u>5,911</u>	<u>195,551</u>
Excess (deficiency) of revenues over expenditures	15,517	(5,911)	
Change in net position			9,606
Fund balances/net position:			
Beginning of the year	<u>86,835</u>		<u>(242,375)</u>
End of the year	<u>\$ 102,352</u>		<u>\$ (232,769)</u>

See accompanying notes to financial statements.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies**

***A. Background information***

The Danville-Boyle County Planning & Zoning Commission was established to develop and enforce the city and county zoning ordinances. Its mission is to carry out a continuous, coordinated planning process to promote orderly growth and physical development within Danville and Boyle County. The Commission is funded by City/County Government, permit fees, and service fees.

***B. Basis of presentation***

The basic financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant accounting policies follow:

***C. Government-wide and fund financial statements***

The Danville-Boyle County Planning & Zoning Commission is a special-purpose governmental entity engaged in a single governmental program. Therefore, as allowed by GASB Statement 34, the fund financial statements and the government-wide financial statements have been combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. The government-wide financial statements report information on all of the activities of the government.

***D. Measurement focus, basis of accounting, and financial statement presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. Revenues that are accrued include permit fees. All other revenue items are considered to be measurable and available only when cash is received by the Commission. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.

The statement of net position presents the entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net position – net position that does not meet the definition of restricted net position or net investment in capital assets.

The statement of activities presents the entity's revenues and expenses in the same format as the statement of revenues, expenditures, and changes in fund balances with adjustments for depreciation expense, pension expense, OPEB expense, capital outlay, debt proceeds, and principal payments on long term debt.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

***E. Assets, liabilities, and net position or equity***

1. Deposits

The Commission's cash consists of amounts in demand deposits only. Kentucky Revised Statutes 66.480 generally limits the Commission to investing 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, and interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized.

2. Materials and supplies

Materials and supplies are expensed when purchased with no inventory account being maintained. Management considers such inventories immaterial in relation to the financial statements taken as a whole.

3. Prepaid expenses

Expenditures for insurance which benefit periods extending beyond the end of the fiscal year are recorded as prepaid expenses in both the fund financial statements and the government-wide financial statements.

4. Capital assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost when purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used by the government is charged as an expense in the government-wide financial statements. Depreciation is charged over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Computer equipment	5 Years
Office vehicle	5 Years

5. Equity

Fund Financial Statements – Fund financial statements report governmental fund equity as fund balance. Fund balance is further classified:

- a. **Non-spendable fund balance** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. **Restricted fund balance** includes amounts that are restricted to specific purposes either (a) by externally imposed creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c. **Committed fund balance** includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The Commission's highest level of decision-making authority is the board of commissioners.
- d. **Assigned fund balance** includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Commission's board of commissioners is authorized to assign the fund balance. The Commission has not adopted formal procedures to show that the board has assigned the fund balance.
- e. **Unassigned fund balance** represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

Government-Wide Financial Statements – In the government-wide financial statements, equity is displayed in three components as follows:

- a. **Net investment in capital assets** consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted** net position consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.
- c. **Unrestricted** net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

The Commission has determined that when both restricted and unrestricted funds are available, that they will use the restricted resources first. In addition, when expenditures could be deemed to have been expended by using committed, assigned or unassigned funds, the Commission has determined that the funds will be first categorized as assigned, second as committed and third as unassigned.

6. Budgetary Information

Annual budgets are adopted on the cash basis of accounting and according to the laws of the Commonwealth of Kentucky. The budget is adopted by function, and is required to be adopted by July 1. All annual appropriations lapse at year end.

7. Pensions

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

8. Other Postemployment Benefits (OPEB)

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

9. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Subsequent Events

Events subsequent to June 30, 2020, have been evaluated to determine their potential impact on the financial statements. Events through October 5, 2020, the date of the financial statements were available to be issued, were considered. There were no events occurring during this period requiring disclosure in the financial statements.



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**Note 2. Deposits**

At June 30, 2020, 100% of the Commission's cash was insured by the FDIC.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Office equipment	\$ 8,622	\$ -	\$ -	\$ 8,622
Office vehicle	20,515	-	-	20,515
	<u>29,137</u>	<u>-</u>	<u>-</u>	<u>29,137</u>
Less accumulated depreciation for:				
Office equipment	(3,407)	(1,475)	-	(4,882)
Office vehicle	<u>(18,805)</u>	<u>(1,710)</u>	<u>-</u>	<u>(20,515)</u>
Total accumulated depreciation	<u>(22,212)</u>	<u>(3,185)</u>	<u>-</u>	<u>(25,397)</u>
Capital assets, net	<u>\$ 6,925</u>	<u>\$ (3,185)</u>	<u>\$ -</u>	<u>\$ 3,740</u>

**Note 4. Capital Lease**

In 2018, the Commission entered into a lease agreement for the acquisition of a multi-purpose copier. The lease qualified as a capital lease for accounting purposes and was recorded at the present value of the future minimum lease payments at the inception date in the statement of net position.

The asset acquired through the capital lease is as follows:

	Governmental Activities
Office equipment	\$ 4,695
Less: accumulated depreciation	<u>(2,504)</u>
Net	<u>\$ 2,191</u>

The above lease contains a clause that transfers ownership of the asset to the Commission for a bargain purchase price of \$1.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows.

Year Ending June 30,	Governmental Activities
<u>2021</u>	\$ 907
Less: amount representing interest	<u>25</u>
Present value of future lease payments	<u>\$ 882</u>

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Capital lease activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease	\$ 2,520	\$ -	\$ (1,638)	\$ 882	\$ 882

**Note 5. Explanation of Certain Differences Between Government Fund Balance Sheet and Statement of Net Position**

- When capital assets that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Commission.

Cost of capital assets	\$ 29,137
Accumulated depreciation	(25,397)
Difference	\$ 3,740

- Deferred inflows, outflows, net OPEB liability, and the net pension liability are recognized in the government-wide financial statements. However, these items do not affect current financial resources, and therefore, they are not recognized in the fund financial statements.

Deferred outflows of resources	\$ 79,996
Deferred inflows of resources	(99,808)
Net OPEB liability	(61,391)
Net pension liability	(256,776)
Difference	\$ (337,979)

- Capital lease obligations are recognized in the government-wide financial statements. However, these items do not affect current financial resources, and therefore, they are not recognized in the fund financial statements.

Capital lease obligation	\$ (882)
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**Note 6. Explanation of Certain Differences Between Government Fund Operating Statements and the Statement of Activities**

- When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the period.

Depreciation expense	\$ 3,185
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- In the fund financial statements, OPEB expense and pension expense are recognized utilizing the modified accrual basis; whereas in the government-wide financial statements OPEB expense and pension expense are recognized utilizing the accrual basis of accounting. Therefore, timing differences arise between when OPEB expense and pension expense are recognized in the funds versus when they are recognized in the government-wide financial statements.

Pension expense timing difference	\$ 7,012
OPEB expense timing difference	(2,648)
Difference	\$ 4,364

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3. The issuance of debt provides current financial resources to governmental funds, while the repayment of debt principal consumes financial resources of governmental funds. However, neither transaction has any effect on net position. Proceeds from issuance of debt are reported as “other financing sources” in governmental funds and the repayments are reported as expenditures in governmental funds. There were no borrowings and repayments were \$1,638 during the year.

**Note 7. Retirement Plan**

The Commission is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

*Contributions* – For the year ended June 30, 2020, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% (21.48% for the year ended June 30, 2019) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The Commission contributed \$21,315 for the year ended June 30, 2020, or 100% of the required contribution. The contribution was allocated \$17,098 to the CERS pension fund and \$4,217 to the CERS insurance fund.

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2020, the Commission reported a liability of \$256,776 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2019. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the Commission's proportion was .003651 percent. At June 30, 2019, the Commission's proportion was .004682 percent, which was equal to its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized pension expense of \$7,012. This amount is included in retirement expense on the statement of activities. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 6,556	\$ 1,085
Changes of assumptions	25,989	-
Net difference between projected and actual earnings on Plan investments	4,929	9,068
Changes in proportion and differences between Commission contributions and proportionate share of contributions	2,637	47,476
Commission contributions subsequent to the measurement date	17,098	-
 Total	 \$ 57,209	 \$ 57,629

The \$17,098 of deferred outflows of resources resulting from the Commission’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2021	\$ (1,367)
2022	(12,492)
2023	(3,953)
2024	294

*Actuarial Assumptions* – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth	2.00% (3.05% in prior year)
Salary increases	3.30% to 10.30% varied by service inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2013 - June 30, 2018.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term

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assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Nominal Real Rate of Return</b>
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	100%	

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rates are determined on an annual basis. The discount rate does not use a municipal bond rate.

*Sensitivity of the Commission’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the Commission’s proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	<b>Discount rate</b>	<b>Commission’s proportionate share of net pension liability</b>
1% decrease	5.25%	\$ 321,155
Current discount rate	6.25%	\$ 256,776
1% increase	7.25%	\$ 203,118

*Payable to the Pension Plan* – At June 30, 2020, the Commission did not have any amounts owed to the plan for the amount of contributions to the pension plan required for the year ended June 30, 2020.

**Note 8. Other Postemployment Benefit Plan (OPEB)**

The Commission is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit other postemployment benefit plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. Health insurance benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – For the year ended June 30, 2020, plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
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1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% (21.48% for the year ending June 30, 2019) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The Commission contributed \$21,315 for the year ended June 30, 2020, or 100% of the required contribution. The contribution was allocated \$17,098 to the CERS pension fund and \$4,217 to the CERS insurance fund.

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2020, the Commission reported a liability of \$61,391 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date and rolled forward to June 30, 2019. The Commission's proportion of the net OPEB liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the Commission's proportion was .003650 percent. At June 30, 2019, the Commission's proportion was .004682 percent, which was equal to its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized OPEB expense of \$(2,648). This amount is included in retirement expense on the statement of activities. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 18,523
Changes of assumptions	18,166	121
Net difference between projected and actual earnings on Plan investments	404	3,131
Changes in proportion and differences between Commission contributions and proportionate share of contributions	-	20,404
Commission contributions subsequent to the measurement date	4,217	-
<b>Total</b>	<b>\$ 22,787</b>	<b>\$ 42,179</b>

The \$4,208 of deferred outflows of resources resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

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Year ending June 30,		
2021	\$	(4,552)
2022		(4,552)
2023		(3,685)
2024		(5,337)
2025		(4,479)
Thereafter		(1,004)

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%	
Payroll growth rate	2.00%	
Salary increases	3.30% to 10.30% varied by service	
Investment rate of return	6.25%	
Healthcare trend rates:		
Pre - 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years	
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years	

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2013 - June 30, 2018.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

*Sensitivity of the Commission’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Trend Rate* – The following presents the Commission’s proportionate share of the net OPEB liability calculated using the health care trend rate described above, as well as what the Commission’s proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

	<b>Commission's proportionate share of net OPEB liability</b>
1% decrease	\$ 45,657
Current healthcare trend rate	\$ 61,391
1% increase	\$ 80,471

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Nominal Real Rate of Return</b>
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Cash	1.00%	0.20%
Total	100%	

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.68 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rates are determined on an annual basis. The discount rate uses an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in the Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The Commission’s proportionate share of the implicit subsidy was \$1,318 at June 30, 2020.

*Sensitivity of the Commission’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the Commission’s proportionate share of the net OPEB liability calculated using the discount rate of 5.68 percent, as well as what the Commission’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68 percent) or 1-percentage-point higher (6.68 percent) than the current rate:

	<b>Discount rate</b>	<b>Commission's proportionate share of net OPEB liability</b>
1% decrease	4.68%	\$ 82,239
Current discount rate	5.68%	\$ 61,391
1% increase	6.68%	\$ 44,214

*Payable to the Plan* – At June 30, 2020, the Commission did not have any amounts owed to the plan for the amount of contributions to the pension plan required for the year ended June 30, 2020.



**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 9. Surety Bond Accounts and Letters of Credit/Contingencies**

As of June 30, 2020, the Commission held cash surety in the amount of \$63,645 which represent called surety bonds on uncompleted real estate development projects located in the county. These funds are held in a fiduciary capacity and, therefore, are not included in the government-wide financial statements.

It should be noted that the projects referred to above are currently incomplete. Also, some of these projects may ultimately fall into default status, which could require the Commission to complete them. If the Commission is required to complete them, it is anticipated that the funds needed to complete various aspects of the projects may exceed the balance on hand.

As of June 30, 2020, the Commission was holding one letter of credit in the amount of \$11,500 as collateral against an unfinished construction project.

**Note 10. Concentration of Revenue Sources**

Approximately 73% of the funding for the Commission is received from the City of Danville and the Boyle County Fiscal Court. Should either of these governmental entities discontinue this support, the Commission would be adversely affected.

**Note 11. Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission purchases commercial insurance coverage to manage these risks.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Government funding:				
City of Danville	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Boyle County Fiscal Court	75,000	75,000	75,000	-
City of Peryville	500	500	400	(100)
Permit fees	23,000	33,000	33,899	899
Application fees	9,700	11,700	15,842	4,142
Filing fees	1,400	3,100	4,941	1,841
Interest income	-	-	75	75
Total revenues	<u>184,600</u>	<u>198,300</u>	<u>205,157</u>	<u>6,857</u>
<b>EXPENDITURES/EXPENSES:</b>				
Current operating:				
Salaries & wages	91,125	93,691	92,635	1,056
Retirement	21,347	21,387	21,315	72
Professional fees	34,800	35,200	29,473	5,727
Health insurance	12,805	12,705	12,115	590
Other insurance	7,600	7,300	7,442	(142)
Payroll taxes	6,971	7,168	7,087	81
Advertising	3,000	3,000	2,437	563
Travel	1,400	1,400	132	1,268
Office expense	5,260	7,000	2,562	4,438
Rent	6,700	6,700	6,700	-
Other expenses	4,000	3,250	5,929	(2,679)
Debt service:				
Principal	-	-	1,638	(1,638)
Interest	-	-	175	(175)
Total expenditures	<u>195,008</u>	<u>198,801</u>	<u>189,640</u>	<u>9,161</u>
Excess (deficiency) of revenues over expenditures	<u>(10,408)</u>	<u>(501)</u>	<u>15,517</u>	<u>16,018</u>
Fund balance-beginning of year	72,280	86,334	86,835	501
Fund balance-end of year	<u>\$ 61,872</u>	<u>\$ 85,833</u>	<u>\$ 102,352</u>	<u>\$ 16,519</u>

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2020**

**Note 1. Summary of Significant Accounting Policies**

The budget is employed as a management control device.

The Commission follows the following procedures in establishing the budgetary data reflected in the financial statements.

All budgets are presented on a modified accrual basis.

Under Kentucky Revised Statutes, all local government units are required to have a June 30 fiscal year end. The Commission has a June 30 fiscal year end.

Expenditures may not legally exceed budgeted appropriations at the fund level. For the year ended June 30, 2020, expenditures did not exceeded appropriations.

For the year ended June 30, 2020, there was one budget amendment.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Seven Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's proportion of the net pension liability	0.003651%	0.004682%	0.005082%	0.004648%	0.005463%	0.005438%	0.005438%
Commission's proportionate share of the net pension liability (asset)	\$ 256,776	\$ 285,148	\$ 297,465	\$ 228,834	\$ 234,890	\$ 175,573	\$ 198,714
Commission's covered employee payroll	\$ 88,592	\$ 92,097	\$ 116,053	\$ 114,859	\$ 121,600	\$ 127,465	\$ 124,754
Commission's share of the net pension liability (asset) as a percentage of its covered payroll	289.84%	309.62%	256.32%	199.23%	193.17%	137.74%	159.28%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%	61.22%

\* The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

Notes:

There were no changes in benefit terms or the size or composition of the population covered by the benefit terms.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019:

1. Payroll growth assumption was reduced from 3.05% to 2.0%.
2. The assumed salary increases range from 3.30% to 10.30% varied by service from nonhazardous and ranging from 3.55% to 19.05% varied by service for hazardous.
3. The mortality table used for active members is PUB-2010 General Mortality table for non-hazardous and PUB-2010 Public Safety Mortality table for hazardous, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
4. For healthy retired members and beneficiaries, the mortality table used is System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

There were no changes to plan assumptions for the measurement period ending June 30, 2018.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017:

1. The assumed investment rate of return was decreased from 7.50% to 6.25%.
2. The assumed rate of inflation was reduced from 3.25% to 2.30%.
3. Payroll growth assumption was reduced from 4.00% to 3.05%.

There were no changes to plan assumptions for the measurement period ending June 30, 2016.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2015:

1. The assumed investment rate of return was decreased from 7.75% to 7.50%.
2. The assumed rate of inflation was reduced from 3.50% to 3.25%.
3. The assumed rate of wage inflation was reduced from 1.00% to .75%.
4. Payroll growth assumption was reduced from 4.50% to 4.00%.
5. 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).
6. For healthy retired members and beneficiaries, the mortality table used is 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.
7. The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
**Last Eight Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required employer contribution	\$ 17,098	\$ 14,939	\$ 16,805	\$ 16,023	\$ 15,103	\$ 16,252	\$ 17,141	\$ 15,063
Contributions relative to contractually required employer contribution	<u>17,098</u>	<u>14,939</u>	<u>16,805</u>	<u>16,023</u>	<u>15,103</u>	<u>16,252</u>	<u>17,141</u>	<u>15,063</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered employee payroll	\$ 88,592	\$ 92,097	\$ 116,053	\$ 114,859	\$ 121,600	\$ 127,465	\$ 124,754	\$ 119,361
Employer contributions as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%	12.62%

Notes:

There were no changes in benefit terms or size or composition of the population covered by the benefit terms.  
See the previous page for the changes of assumptions effective for the measurement period ended June 30, 2019.

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

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION**  
**REQUIRED SUPPLEMENTAL SCHEDULE OF**  
**PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**Last Four Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Commission's proportion of the net OPEB liability	0.003650%	0.004682%	0.005082%	0.004648%
Commission's proportionate share of the net OPEB liability (asset)	\$ 61,391	\$ 83,128	\$ 102,166	\$ 80,136
Commission's covered employee payroll	\$ 88,592	\$ 92,097	\$ 116,053	\$ 114,859
Commission's share of the net OPEB liability (asset) as a percentage of its covered payroll	69.30%	90.26%	88.03%	69.77%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%	55.50%

\* The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

Notes:

There were no changes in benefit terms or the size or composition of the population covered by the benefit terms.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2019:

1. Payroll growth assumption was reduced from 3.05% to 2.0%.
2. The assumed salary increases range from 3.30% to 10.30% varied by service from nonhazardous and ranging from 3.55% to 19.05% varied by service for hazardous.
3. The healthcare trend rate 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 for pre-65. The healthcare trend rate 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 for post-65.
4. The mortality table used for active members is PUB-2010 General Mortality table for non-hazardous and PUB-2010 Public Safety Mortality table for hazardous, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
5. For healthy retired members and beneficiaries, the mortality table used is System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

There were no changes in assumptions for the measurement period ending June 30, 2018.

The following changes of assumptions were adopted by the Kentucky Retirement System Board of Trustees for the measurement period ending June 30, 2017:

1. The assumed investment rate of return was 6.25%.
2. The assumed rate of inflation was 2.30%.
3. Payroll growth assumption was 3.05%.
4. The healthcare trend rate starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for pre-65. The healthcare trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years for post-65.
5. 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).
6. For healthy retired members and beneficiaries, the mortality table used is 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.

**DANVILLE-BOYLE COUNTY PLANNING & ZONING COMMISSION  
REQUIRED SUPPLEMENTAL SCHEDULE OF OPEB CONTRIBUTIONS  
Last Four Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required employer contribution	\$ 4,217	\$ 4,844	\$ 5,454	\$ 5,853
Contributions relative to contractually required employer contribution	<u>4,217</u>	<u>4,844</u>	<u>5,454</u>	<u>5,853</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered employee payroll	\$ 88,592	\$ 92,097	\$ 116,053	\$ 114,859
Employer contributions as a percentage of covered-employee payroll	4.76%	5.26%	4.70%	5.10%

Notes:

There were no changes in benefit terms or size or composition of the population covered by the benefit terms. See the previous page for the changes of assumptions effective for the measurement period ended June 30, 2019.

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



## **COMPLIANCE SECTION**

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

Board of Commissioners  
Danville-Boyle County Planning & Zoning Commission  
Danville, Kentucky

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Danville-Boyle County Planning & Zoning Commission (the Commission) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 5, 2020.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

We consider the following deficiency to be a material weakness.

1. Due to the limited number of employees within the Commission, there exists a lack of adequate segregation of duties related to recordkeeping and custody of assets. Due to the fact that the Commission is not in the financial position to hire additional employees, we recommend that the board continue to be involved in the financial review process on an ongoing basis.

### Management's Response

Management does not believe the addition of an employee for the purpose of improving segregation of duties is cost-beneficial to the Commission.

### **Compliance and Other Matters**

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

### **Commission's Response to Findings**

The Commission's response to the finding identified in our audit is described above. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kerbaugh, Rodes & Butler, PLLC*

Kerbaugh, Rodes & Butler, PLLC  
Certified Public Accountants

Danville, Kentucky  
October 5, 2020