

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 20, 2020**

**Book-Entry Only  
New Issue  
Not Bank Qualified**

**Rating: S&P “AA”  
See “Rating” herein**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludible from gross income of the holders thereof for purposes of federal income taxation, (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, and (iii) interest on the Bonds is exempt from income taxation by the Commonwealth of Kentucky, all subject to the qualifications described herein under the heading “LEGAL MATTERS - Tax Treatment.” The Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky.*

**\$38,715,000\***

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

**Dated: Date of Delivery**

**Due: February 1<sup>st</sup>, as shown below**

Year	Amount*	Interest Rate	Price	Yield	Year	Amount*	Interest Rate	Price	Yield
2021	\$1,380,000	___%	___%	___%	2032	\$1,650,000	___%	___%	___%
2022	1,610,000				2033	1,700,000			
2023	1,785,000				2034	1,740,000			
2024	1,830,000				2035	1,770,000			
2025	1,885,000				2036	1,810,000			
2026	1,950,000				2037	1,840,000			
2027	2,005,000				2038	1,875,000			
2028	1,920,000				2039	1,910,000			
2029	1,980,000				2040	1,950,000			
2030	2,035,000				2041	1,990,000			
2031	2,100,000								

Depository Trust Company (“DTC”) or its nominee. There will be no distribution of Bonds to owners of book entry interests. DTC will receive all payments of principal and interest with respect to the Bonds from U.S. Bank National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book entry interests. So long as DTC or its nominee is the registered owner of the Bonds, references herein to the Bondholders or registered owners (other than under the captions “LEGAL MATTERS - Tax Treatment” and “CONTINUING DISCLOSURE”) shall mean DTC or its nominee, and not the owners of book entry interests in the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Dinsmore & Shohl LLP, Bond Counsel, Louisville, Kentucky. Certain legal matters have been passed upon for the City by Darren Sammons, City Attorney. The Bonds are expected to be available for delivery on or about November 18, 2020.



\* Preliminary, subject to change as set out in the Official Terms and Conditions of Bond Sale.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds. No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Upon issuance, the Bonds will not be registered by the City under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency except the City will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to sale of the Bonds should be regarded as part of the City's contract with the holders of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the City's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to; "City" means the City of Nicholasville, Kentucky; and "Kentucky" or "Commonwealth" means the Commonwealth of Kentucky.

**CITY OF NICHOLASVILLE, KENTUCKY**

*Mayor*

Peter Sutherland

*City Commission*

Doug Blackford

Betty Black

Alex Carter

Patty Teater

*City Attorney*

Darren Sammons

*Director of Public Utilities and Finance*

Bob Amato

*Finance Officer*

Laurie Young

*City Clerk*

Kathy Walker

**BOND COUNSEL**

Dinsmore & Shohl LLP

Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC

Lexington, Kentucky

**BOND REGISTRAR AND PAYING AGENT**

U.S. Bank National Association

Louisville, Kentucky

**CUSIPS**

<b>Maturity Date</b>	<b>CUSIP<sup>†</sup></b>	<b>Maturity Date</b>	<b>CUSIP<sup>†</sup></b>
February 1, 2021		February 1, 2032	
February 1, 2022		February 1, 2033	
February 1, 2023		February 1, 2034	
February 1, 2024		February 1, 2035	
February 1, 2025		February 1, 2036	
February 1, 2026		February 1, 2037	
February 1, 2027		February 1, 2038	
February 1, 2028		February 1, 2039	
February 1, 2029		February 1, 2040	
February 1, 2030		February 1, 2041	
February 1, 2031			

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<sup>†</sup> Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP Numbers are provided for convenience of reference only. Neither the City, the Financial Advisor, the Underwriter, nor Bond Counsel takes any responsibility for the accuracy of such numbers.

## TABLE OF CONTENTS

### Page

INTRODUCTION.....	1
The City.....	1
Sources of Payment for the Bonds .....	1
Purpose of the Bonds.....	1
Description of the Bonds.....	1
Interest.....	1
Redemption .....	1
Book Entry .....	2
Tax Treatment .....	2
Parties to the Issuance of the Bonds .....	2
Authority for Issuance.....	2
Offering and Delivery of the Bonds .....	2
COVID-19 Pandemic .....	3
Disclosure Information.....	3
Additional Information.....	3
DESCRIPTION OF THE BONDS.....	3
General .....	3
Book Entry Only System.....	3
Redemption Provisions.....	3
Security and Source of Payment for Bonds.....	4
Statutory Lien.....	5
THE PROJECTS .....	5
SOURCES AND USES OF FUNDS .....	5
INVESTMENT CONSIDERATIONS .....	6
Limitation on Enforcement of Remedies.....	6
Risk of Bankruptcy.....	6
Suitability of Investment .....	7
Additional Debt .....	7
General Economic Conditions.....	7
Market for the Bonds.....	7
Bond Rating.....	7
Tax Implications.....	7
Impact of the COVID-19 Pandemic .....	7
PROFILE OF THE CITY AND SURROUNDING AREA .....	8
CITY GOVERNMENT.....	8
General .....	8
Organization and Major Offices .....	8

Elected and Appointed Officials .....	8
Financial Matters .....	9
Financial Management .....	9
Financial Reports and Examinations of Accounts.....	9
Budgeting and Appropriations Procedures.....	9
Investment Policies.....	10
Debt Limitation .....	11
Tax Limitation .....	11
General Obligation Revenue Sources.....	11
Bond Anticipation Notes .....	14
Future Borrowings of the City.....	14
Employee Retirement and Health Obligations .....	15
LEGAL MATTERS .....	16
General Information .....	16
Transcript and Closing Certificates .....	17
Litigation .....	17
Tax Treatment .....	17
Original Issue Premium.....	18
Original Issue Discount .....	18
RATING.....	18
CONTINUING DISCLOSURE .....	19
UNDERWRITING.....	20
FINANCIAL ADVISOR.....	20
MISCELLANEOUS.....	20
APPENDICES:	
APPENDIX A - Demographic, Economic, and Financial Data	
APPENDIX B - Audited Financial Statements of the City of Nicholasville, Kentucky for the Fiscal Year Ending June 30, 2019	
APPENDIX C - Statement of Indebtedness	
APPENDIX D - Form of Approving Opinion of Bond Counsel	
APPENDIX E - Book Only Entry System	
APPENDIX F - Official Terms and Conditions of Bond Sale	
APPENDIX G - Official Bid Form	

## INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$38,715,000\* aggregate principal amount of General Obligation Bonds, Series 2020A (the “Bonds”) of the City of Nicholasville, Kentucky (the “City”) as specified on the cover page hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

### **The City**

The Bonds are being issued by the City of Nicholasville, Kentucky, a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City is in Jessamine County in Central Kentucky.

### **Sources of Payment for the Bonds**

The Bonds are general obligation debt of the City. The basic security for the Bonds is the City’s ability to levy an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. (See “DESCRIPTION OF THE BONDS - Security and Source of Payment for the Bonds,” herein.)

### **Purpose of the Bonds**

The Bonds are being issued for the purposes of (a) financing a portion of the costs of the acquisition, construction, equipping, and installation of a new municipal government building which will function as a police station and space for other civic purposes; (b) financing all or a portion of the costs of the acquisition, construction, equipping, and installation of the upgrade and expansion of the City’s municipal sewage treatment plant; (c) financing all or a portion of the costs of the acquisition of a fire truck and related equipment; (d) refinancing the City’s obligations under four Assistance Agreements by and between the City and the Kentucky Infrastructure Authority; (e) refunding all or a portion of the outstanding City of Nicholasville, General Obligation Bonds, Series 2011A dated April 19, 2011 in an original aggregate principal amount of \$1,735,000; (f) paying capitalized interest, if any, on the Bonds, (g) paying the costs of credit enhancement, if any, on the Bonds, and (h) paying all or a portion of the costs of issuance of the Bonds.

### **Description of the Bonds**

The Bonds will mature as set forth on the cover page hereof. The Bonds are being offered in denominations of \$5,000 or any integral multiple thereof.

### **Interest**

The Bonds will bear interest at the rates set forth on the cover page hereof, payable semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup>, beginning February 1, 2021.

The record dates for all interest payment dates for the Bonds will be the fifteenth day of the month immediately preceding any interest payment date.

### **Redemption**

The Bonds maturing on or after February 1, 2029 are subject to redemption prior to stated maturity on any date falling on or after August 1, 2028 (less than all of a single maturity to be selected by lot), in whole or in part, at a redemption price equal to the principal amount redeemed, plus accrued interest to the date of redemption. See “DESCRIPTION OF THE BONDS - Redemption Provisions - Optional Redemption” herein).

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\* Preliminary, subject to change as set out in the Official Terms and Conditions of Bond Sale.

[The Bonds maturing on February 1, 20[ ] are subject to mandatory sinking fund redemption commencing February 1, 20[ ]. See “DESCRIPTION OF THE BONDS - Redemption Provisions- Mandatory Sinking Fund Redemption,” herein.)]

If any Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice at least thirty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed (see “DESCRIPTION OF THE BONDS - Redemption Provisions - Notice of Redemption,” herein).

### **Book Entry**

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Bond Registrar and Paying Agent (the “Registrar and Paying Agent”). See “APPENDIX E - Book Only Entry System.”

### **Tax Treatment**

Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has not designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See “APPENDIX D - Form of Legal Approving Opinion of Bond Counsel” hereto for the form of the opinion of Bond Counsel to be delivered in connection with the Bonds.

### **Parties to the Issuance of the Bonds**

The Registrar and Paying Agent is U.S. Bank National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with regard to the tax treatment status of the interest on the Bonds are subject to the approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel. The Underwriter is identified under the heading “UNDERWRITER.” The Financial Advisor to the City is RSA Advisors, LLC.

### **Authority for Issuance**

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance for the Bonds adopted by the City Commission of the City on October 12, 2020 (the “Bond Ordinance”).

Further, under Kentucky law, the City may not issue bonds which, together with all other net indebtedness of the City plus the principal amount of any outstanding self-supporting obligations, is in excess of ten percent (10.0%) of the value of the taxable property therein, as determined by the next preceding certified assessment. As described in “APPENDIX C - Statement of Indebtedness”, the issuance of the Bonds and the City’s other outstanding obligations is in compliance with this requirement. See “CITY GOVERNMENT - Debt Limitation” herein for additional information.

### **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued by the City. The Bonds will be delivered on or about November 18, 2020 in New York, New York through DTC.

## **COVID-19 Pandemic**

On March 6, 2020, the Commonwealth of Kentucky declared a state of emergency in regards to the outbreak of COVID-19 (the “COVID-19 Pandemic”) and the United States subsequently declared a national emergency on March 13, 2020. The long term effects of the COVID-19 pandemic may be significant and are undetermined at this time. (See “IMPACT OF THE COVID-19 PANDEMIC” herein).

## **Disclosure Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the City are intended to be made available through to the Electronic Municipal Market Access (“EMMA”) system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission. Copies of the basic documentation relating to the Bonds, including the authorizing ordinance are available from the City.

## **Additional Information**

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from RSA Advisors, LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, telephone: (859) 977-6600.

## **DESCRIPTION OF THE BONDS**

### **General**

The Bonds are dated their date of initial issuance and delivery and bear interest from their dated date at the rates set forth on the cover page of this Official Statement, calculated on the basis of a 360 day year with 30 day months. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will bear interest at the rates set forth on the cover page hereof, payable semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup>, beginning February 1, 2021.

### **Book Entry Only System**

The Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, each as hereinafter defined, Beneficial Owners will not be or be considered to be, and will not have any rights as, holders of the Bonds. For additional information about DTC and the book-entry-only system see “APPENDIX E - Book Entry Only System.”

### **Redemption Provisions**

#### **Optional Redemption**

The Bonds maturing on or after February 1, 2029 are subject to redemption prior to stated maturity on any date falling on or after August 1, 2028 (less than all of a single maturity to be selected by lot), in whole or in part, at a redemption price equal to the principal amount redeemed, plus accrued interest to the date of redemption.

#### **[Mandatory Sinking Fund Redemption**

The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates, in the years and in the principal amounts as follows:



**Maturing February 1, 20[ ]**

<b>Date</b>	<b>Amount</b>
February 1, 20[ ]	\$[ ]
February 1, 20[ ]*	\$[ ]
* Maturity]	

**Notice of Redemption**

If less than all Bonds that are payable by their terms on the same date are to be called, the particular Bonds or portions of Bonds payable on such same date and to be redeemed shall be selected by lot by the Registrar and Paying Agent, in such manner as the Registrar and Paying Agent in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Bonds for redemption, the Registrar and Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds the Registrar and Paying Agent shall cause a notice of such redemption either in whole or in part, signed by the Registrar and Paying Agent, to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books kept by the Registrar and Paying Agent, but failure so to mail any such notice to any owner shall not affect the validity of the proceedings for such redemption with respect to any other owner. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date upon surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Registrar and Paying Agent for the holders of the Bonds or portions thereof to be redeemed, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the holders of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Bonds for any unredeemed portions of Bonds.

If at the time of mailing of notice of any optional redemption there shall not have been deposited with the Paying Agent and Registrar moneys in an amount sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional in that it is subject to the deposit of such moneys with the Paying Agent and Registrar not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Registrar and Paying Agent for payment of the principal amount hereof so called for redemption, and the City shall execute and the Registrar and Paying Agent shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond of the same maturity and bearing interest at the same rate.

**Security and Source of Payment for Bonds**

The Bonds are general obligations of the City and the full faith, credit, and taxing power of the City is irrevocably pledged to the payment of principal of and interest on the Bonds when due. Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and the Bond Ordinance.

The basic security for the general obligation debt of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the

Bonds as well as the principal of and interest on all outstanding general obligation bonds of the City. The Constitution of the Commonwealth mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Bond Ordinance levies such annual tax which shall be collected to the extent other lawfully available monies of the City are not provided. The Bond Ordinance also creates or requires the maintenance of a sinking fund into which the proceeds of such tax or other lawfully available monies of the City are to be deposited for payment of the interest on and principal of the Bonds authorized by the Bond Ordinance and shall not be used for any other purpose.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a state’s political subdivisions, public agencies and instrumentalities (“eligible entity”), such as the City. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the City, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. In addition, the City does not need the approval or permission of the State Local Debt Officer or any other governmental authority before availing itself of the bankruptcy process.

**Statutory Lien**

In April 2019, the Kentucky General Assembly enacted amendments to KRS Chapter 58 via Senate Bill 192 (the “2019 Amendments”) to provide a statutory lien on tax revenues pledged for the benefit of general obligation debt.

The 2019 Amendments creating the statutory lien, provide, among other things, that the tax revenues pledged for the repayment of principal of, premium and interest on all general obligation bonds and notes, whether or not the pledge is stated in the bonds and notes or in the proceedings authorizing the issue and the pledge constitutes a first lien on such tax revenues. In addition, the legislation creates a statutory lien on annual appropriations for the payment of obligations subject to annual renewal, including without limitation leases entered into under KRS Chapter 58 and KRS Chapter 65.

The validity and priority of the statutory lien have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

**THE PROJECTS**

The Bonds are being issued for the purposes of (a) financing a portion of the costs of the acquisition, construction, equipping, and installation of a new municipal government building which will function as a police station and space for other civic purposes; (b) financing all or a portion of the costs of the acquisition, construction, equipping, and installation of the upgrade and expansion of the City’s municipal sewage treatment plant; (c) financing all or a portion of the costs of the acquisition of a fire truck and related equipment; (d) refinancing the City’s obligations under four Assistance Agreements by and between the City and the Kentucky Infrastructure Authority; (e) refunding all or a portion of the outstanding City of Nicholasville, General Obligation Bonds, Series 2011A dated April 19, 2011 in an original aggregate principal amount of \$1,735,000; (f) paying capitalized interest, if any, on the Bonds, (g) paying the costs of credit enhancement, if any, on the Bonds, and (h) paying all or a portion of the costs of issuance of the Bonds

**SOURCES AND USES OF FUNDS**

Sources:

Par amount of Bonds	\$[_____]
[Plus][Less] original issue [premium][discount]	[_____]
Total Sources	\$[_____]

Uses:

Underwriter's Discount	\$[_____]
Deposit to Construction Fund	[_____]
Deposit to sinking funds for the refunded obligations	[_____]
Credit enhancement costs	[_____]
Costs of issuance	[_____]
Total Uses	\$[_____]

## INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider of risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement, and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

### Limitation on Enforcement of Remedies

Enforcement of the remedies applicable to the Bonds under their authorizing Bond Ordinance may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Bonds relating to enforceability contain an exception relating to the limitations that may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principals of equity.

### Risk of Bankruptcy

The obligations of the City under the Bonds and the Bond Ordinance are general obligations of the City and are secured only by the pledge to the bondholders of the City's full faith, credit, and taxing power, any monies held in the City's Debt Sinking Fund (on a parity with other general obligation debt), the Bond Payment Fund established under the authorizing Bond Ordinance (the "Bond Payment Fund"), and the statutory lien provided by KRS 66.400. A bondholder's enforcement of any remedies provided under an applicable Bond Ordinance may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures. The validity and priority of the statutory lien provided under KRS 66.400 have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

KRS 66.400 permits the City to file a petition for relief under Chapter 9 of Title 11 of the United States Code (the "Bankruptcy Code") without the prior approval of any official or department of state government. If the City were to file such a petition, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the City and any interest in monies contained in the sinking fund, applicable Payment Fund, the City's general fund revenues or the City's taxing power. However, the petition does not stay the application of pledged special revenues as defined by the Bankruptcy Code.

During its bankruptcy, the City could use its property, including its tax receipts and proceeds thereof, but excluding pledged special revenues, for the benefit of the City's bankruptcy estate despite the claims of its creditors. Notwithstanding the foregoing, it is possible that pledged special revenues could also be used by the City post-petition to pay certain operating expenses.

In a Chapter 9 proceeding under the Bankruptcy Code, only the City, and not any other creditor or party in interest, could file a proposed plan of adjustment. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the City, and could result in the modification of rights of any class of creditors, secured or unsecured, and which modification of rights could be contrary to state law. To confirm a plan of adjustment, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of a plan. If fewer than all of the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and all claims and interests would be bound thereby regardless of whether or how they voted. For this "cramdown" to occur, at least one of the impaired

classes must vote to accept the plan and the bankruptcy court must determine that the plan does not “discriminate unfairly” and is “fair and equitable” with respect to the non-consenting class or classes. To be confirmed, the bankruptcy court must also determine that the plan, among other requirements, is proposed in good faith and is in the best interest of creditors such that the plan represents a reasonable effort by the City to satisfy its debts that is a better alternative than dismissal of the bankruptcy case. Unlike in Chapter 11, in Chapter 9 this standard does not include use of a liquidation analysis.

Generally speaking, the City would likely receive a discharge after (1) the plan is confirmed; (2) the City deposits any consideration to be distributed under the plan with a disbursing agent appointed by the bankruptcy court; and (3) the bankruptcy court determines that the securities deposited with the disbursing agent will constitute valid and legal obligations of the City and that any provision made to pay or secure payment of such obligations is valid.

Prospective bondholders should consult their legal counsel regarding the impact of a bankruptcy filing by the City on the payment and security of the Bonds.

### **Suitability of Investment**

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds is intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

### **Additional Debt**

The City may from time to time issue additional general obligation bonds or notes. Such issuances of general obligation bonds or notes would increase debt service requirements and could adversely affect debt service coverage on the Bonds. See “DESCRIPTION OF THE BONDS - Security and Source of Payment for Bonds”.

### **General Economic Conditions**

Adverse general economic conditions may result in, among other adverse circumstances, reduction in occupational license fee and general tax revenues or declines in investment portfolio values, resulting in increased funding requirements; negatively impacting the results of operations and the overall financial condition of the City.

### **Market for the Bonds**

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

### **Bond Rating**

There can be no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. See the information under the heading “RATING” herein for more information.

### **Tax Implications**

Prospective purchasers of the Bonds may need to consult their own tax advisors before any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended (the “Code”), upon their acquisition, holding, or disposition of the Bonds.

### **Impact of the COVID-19 Pandemic**

**General.** The outbreak of a novel strain of coronavirus that can result in a severe respiratory disease, referred to as COVID-19, was first detected in China in December 2019. COVID-19 has since spread across the world, resulting in the death of more than 500,000 people internationally and more than 190,000 people in the United States. In March 2020, the outbreak of COVID-19 was declared a pandemic (the “COVID-19 Pandemic”) by the World Health Organization, as well as a U.S. national emergency and a statewide emergency in the Commonwealth. The responses of governments, business, and individuals to the COVID-19 Pandemic have caused widespread and significant changes in economic activity. Certain sectors

of the global, national, and local economies are experiencing negative effects due to reduced consumer spending and increased unemployment, as well as government mandated and voluntary responses to mitigate the COVID-19 Pandemic, including school and business closures, event cancellations, and reduced travel. Unemployment in the United States and in the Commonwealth has increased as a result of the COVID-19 Pandemic. There can be no assurances as to the materiality, severity, or duration of the negative economic conditions caused by the COVID-19 Pandemic.

**Impact on the Commonwealth.** On March 18, 2020, pursuant to an executive order issued by the Governor of the Commonwealth, Andy Beshear, all businesses that encourage public congregation, such as entertainment, recreational, and sporting event facilities, were required to cease operations. On April 21, 2020, Governor Beshear announced the “Healthy at Work” initiative, a phased plan to reopen the economy of the Commonwealth, based on criteria set by public health experts and advice from industry experts, with progress to be monitored by the Kentucky Department for Public Health. The Commonwealth is currently in Phase 3 of reopening, which began on June 29, 2020 and includes permission for gatherings of up to 50 people and the reopening of the Kentucky Kingdom amusement park (with extensive precautions) and a limited number of public pools. In response to increases in new cases of COVID-19 in late June and early July 2020, Governor Beshear signed an executive order mandating masks in most public places for 30 days.

**Impact on the City.** The City cannot predict the full economic impact that the COVID-19 Pandemic will have on its financial condition or operations. The City will continue to monitor the impact on its revenue collections and operations.

## **PROFILE OF THE CITY AND SURROUNDING AREA**

Demographic, economic, and financial information with respect to the City and the surrounding area are set forth in “APPENDIX A - Demographic, Economic, and Financial Data” attached hereto.

## **CITY GOVERNMENT**

### **General**

The City is the county seat of Jessamine County, is situated approximately fifteen miles south of Lexington, and had an estimated population on July 1, 2019 (according to the United States Census Bureau) of 30,865. The City is governed by a Commission composed of four elected Commissioners and an elected Mayor, and its executive and administrative offices are located in the Municipal Building, 517 North Main Street, in Nicholasville.

### **Organization and Major Offices**

The City operates pursuant to the general statutes of the Commonwealth of Kentucky governing municipalities. The City is organized under the commission plan of municipal government prescribed by Kentucky statutes. All legislative, executive and administrative authority of the City is vested in its City Commission. The City Commission enforces all ordinances and other official actions of the City and supervises all departments of City government. The Mayor presides at all meetings of the City Commission and may vote in all proceedings. All administrative and service functions of the City are classified under departments, and each year the City Commission designates a Commissioner to supervise each department, except the City Commission may delegate responsibility for overall supervision of any or all departments to a City administrative officer. The City Commission establishes all appointive offices and the duties and responsibilities of those offices and codes, rules, and regulations for the public health, safety, and welfare. The City Commission by ordinance provides for sufficient revenue to operate City government and appropriates such funds and a budget which will provide for the orderly management of the City’s resources. The City Commission promulgates procedures to insure orderly administration of the functions of City government and compliance with statutes, ordinances, and orders.

### **Elected and Appointed Officials**

The City is governed by a City Commission, comprised of a Mayor, elected to a four year term, and four commissioners who are elected to two year terms. The Mayor and members of the City Commission are as follows:

Peter Sutherland, Mayor  
Betty Black, Commissioner  
Patty Teater, Commissioner

Doug Blackford, Commissioner  
Alex Carter, Commissioner

The current appointed City officials who serve at the pleasure of the Mayor are:

Director of Public Utilities and Finance	Bob Amato
Finance Officer	Laurie Young
City Clerk	Kathy Walker
City Attorney	Darren Sammons

### **Financial Matters**

The City's fiscal year commences July 1<sup>st</sup> and ends the following June 30<sup>th</sup>.

The administrative functions of the City are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the City Commission.
2. Planning and development, the City Commission.
3. Assessment of real and personal property, the Jessamine County Property Valuation Administrator.
4. Financial control functions, the City Commission.
5. Inspection and supervision of the accounts and reports of the City as required by law, by independent certified public accountants.

### **Financial Management**

The City Commission is responsible for appropriating the funds used to support the various City activities. The City Commission exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

### **Financial Reports and Examinations of Accounts**

Each city in the Commonwealth is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by the federal revenue sharing program.

Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and filed with the Kentucky Department of Local Government. Audits are required to be completed by the February 1<sup>st</sup> immediately following the fiscal year being audited.

The accounting procedures prescribed by the Kentucky Department of Local Government are generally applicable to all cities in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

### **Budgeting and Appropriations Procedures**

Detailed provisions for City budgeting, tax levies and appropriations are made in the Kentucky Revised Statutes. Cities are required to operate under an annual budget ordinance and no City may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the City's legislative body no later than thirty days prior to the beginning of the fiscal year covered by the budget. No budget ordinance may be

adopted which provides for appropriations to exceed revenues in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

### **Investment Policies**

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including without limitation national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including without limitation:
  - 1. United States Treasury;
  - 2. Export-Import Bank of the United States;
  - 3. Farmers Home Administration;
  - 4. Governmental National Mortgage corporation; and
  - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including without limitation:
  - 1. Federal Home Loan Mortgage Corporation;
  - 2. Federal Farm Credit Banks;
  - 3. Bank for Cooperatives;
  - 4. Federal Intermediate Credit Banks;
  - 5. Federal Land Banks;
  - 6. Federal Home Loan Banks;
  - 7. Federal National Mortgage Association; and
  - 8. Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one of the three highest categories by a nationally recognized rating agency;
- (f) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency;
- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and
- (j) Shares of mutual funds, each of which shall have the following characteristics:
  - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
  - 2. The management company of the investment company shall have been in operation for at least five years; and
  - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The City's current investment policy permits all investments permitted by the laws of the Commonwealth.

### **Debt Limitation**

Kentucky Constitution Section 158 provides that cities having a population of fifteen thousand or more shall not incur indebtedness to an amount exceeding ten percent (10.0%) of the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness.

The foregoing limitation does not apply to the issue of renewal bonds, bonds to fund the floating indebtedness of the City, or bonds issued in the case of an emergency, when the public health or safety should so require. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by the City.

KRS 66.041 provides the same limitations as are set forth in the Constitution, describing that the limitations apply to "net indebtedness." In calculating "net indebtedness," KRS 66.031 provides that certain obligations are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached in "APPENDIX C - Statement of Indebtedness.")

"APPENDIX C - Statement of Indebtedness" of this Official Statement is a Statement of Indebtedness for the City, calculating the amount of the outstanding obligations of the City (including the Bonds) that are subject to the total direct debt limit (10.0% limit). The total principal amount of general obligation debt that could be issued by the City, subject to the 10.0% total direct debt limitation is \$253,863,484 and the City's net debt subject to such limitation presently outstanding (including the Bonds) is \$51,906,585\* leaving a balance of \$201,956,898\* borrowing capacity issuable within such limitation.

However, as described below, the City's ability to incur debt in these amounts may be restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

### **Tax Limitation**

The Kentucky Constitution Section 157 indirectly imposes a debt limitation on general obligation indebtedness of cities having a population of fifteen thousand or more by limiting the tax rates such cities may impose upon the value of taxable property to one dollar and fifty cents (\$1.50) on each hundred dollars of assessed valuation.

Section 159 of the Kentucky Constitution requires the adoption, at the time indebtedness is authorized, of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. If the maximum tax rate will not result in the collection of sufficient taxes to pay indebtedness at the time the indebtedness is authorized, the two constitutional provisions operate as a limit on general obligation debt. Because this indirect debt limit results from tax limitations and the requirement to levy taxes to pay indebtedness, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the City or when the debt is payable solely out of the revenues of non-tax sources, such as utility income. The tax rate limit also does not apply if the indebtedness was legally incurred (within both the direct and indirect limits) but a tax rate above the one dollar and fifty cent (\$1.50) limit becomes necessary to pay the indebtedness.

### **General Obligation Revenue Sources**

Section 159 of the Kentucky Constitution and Section 66.081 of the Kentucky Revised Statutes ("KRS") require the City, when contracting an indebtedness, to provide for the collection of an annual tax sufficient to pay interest and to create a sinking fund for the payment of principal borrowed. KRS 66.111(2)(a) authorizes the City to use ad valorem property taxes, occupational license fees, insurance premium taxes, excises, utility, and service revenues and other receipts from taxes, excises, permits, licenses, fines, or other sources of revenue for the repayment of general obligation debt, including the Bonds.

### **Ad Valorem Taxes**

The City's ad valorem property tax rate for its January 1, 2020 assessment date was 18.60¢ per hundred dollars of assessed value on real estate and on personal property, including business furniture, fixtures and inventory.

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\* Preliminary, subject to change.



Taxpayers who pay their tax bills on or after November 1st are assessed a penalty equal to 10.0% of the total amount of unpaid property tax. On January 1st of the year following the taxable period, all past due ad valorem tax bills including the 10% penalty accrue interest at the rate of 1% per month. On March 1st of each year, delinquent ad valorem taxes for the previous calendar year shall be assessed a penalty of \$75.00 or 25% of the then outstanding bill including the 10% penalty and any accrued interest, whichever is greater, plus collection costs.

Ad valorem tax receipts are deposited by the City in its General Fund and are available to pay debt service for the Bonds.

The City's receives ad valorem tax on motor vehicles from the state and county clerks pursuant to state statute. Such taxes are due and payable on or before the last day of the month in which a vehicle's registration is renewed.

Kentucky law requires the City to levy the same rate of taxation for properties within the same classification, but permits the City to set different rates for properties within different classes. The City's classification scheme, however, must be reasonable and not arbitrary. Section 172 of the Kentucky Constitution requires all property not exempted from ad valorem taxation to be assessed for taxation at its fair cash value, estimated at the price it would bring at a fair voluntary sale. Kentucky courts have interpreted the constitutional requirement of "fair cash value" to mean the price which would be agreed upon between a party who desired, but was not compelled, to buy the property and an owner who desired, but was not compelled, to sell it.

Section 170 of the Kentucky Constitution enumerates certain classes of property exempt from taxation by all taxing entities within the Commonwealth, including without limitation public property used for public purposes, real property owned and occupied by, and personal property both tangible and intangible owned by, institutions of religion, institutions of purely public charity, and household goods of a person used in his home. Section 170 of the Kentucky Constitution also provides a "homestead exemption" from ad valorem taxation for real property maintained as the permanent residence of its owner who is at least sixty-five years old or is totally disabled. During 2020, the homestead exemption exempted tax on the first \$39,300 of assessed value of qualifying property within the City.

### **Wage Tax**

The City imposes an occupational license fee on the wages of employees working within the City. The City imposes the occupational license fee in an amount equal to 1.5% of all salaries, wages, commissions, deferred compensation and other compensation earned by employees within City limits in exchange for work or services performed. Kentucky law imposes no maximum rate on the City's occupational license fee nor prescribes its applicable tax base.

Employers must withhold and remit fees due on employee compensation to the City quarterly. Quarterly remittances are due on April 30th, July 31st, October 31st, and January 31st. Employers who fail to withhold or withhold but fail to remit occupational license fees on employee compensation remain liable to the City for the unpaid amounts. An employer who fails to remit the payment required by the applicable due date accrues interest on the unpaid amount at a rate of 12.0% per annum and a penalty of 5.0% per month, not to exceed 25% of the license fee due; however, the penalty cannot be less than \$25.00.

Occupational license fees are deposited by the City in its General Fund and are available to pay debt service for the Bonds.

### **Net Profit License Fee**

The City levies an annual net profit license fee on all persons, fiduciaries, corporations, and associations engaged in the occupation, trade, profession, or other business earned for work performed within the City. The rate is equal to 1.0% of the net profit earned. The Net Profit License Fee is assessed equally on both residents and non-residents performing work within the City. Kentucky law imposes no maximum rate on the City's net profit license fee. The tax base is prescribed in KRS 67.750(8) which defines "Net Profits" as gross income as defined in Section 61 of the Internal Revenue Code minus all the deductions from gross income allowed by Chapter 1 of the Internal Revenue Code, and adjusted as follows:

- (a) Include any amount claimed as a deduction for state tax or local tax which is computed, in whole or in part, by reference to gross or net income and which is paid or accrued to any state of the United States, local taxing authority in a state, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any foreign country or political subdivision thereof;

- (b) Include any amount claimed as a deduction that directly or indirectly is allocable to income which is either exempt from taxation or otherwise not taxed;
- (c) Include any amount claimed as a net operating loss carryback or carryforward allowed under Code Section 172;
- (d) Include any amount of income and expenses passed through separately as required by the Internal Revenue Code to an owner of a business entity that is a pass-through entity for federal tax purposes; and
- (e) Exclude any amount of income that is exempt from state taxation by the Kentucky Constitution or the Constitution and statutory laws of the United States.

Every business entity subject to the City's net profit license fee must pay all amounts owed for a tax year by the due date of the return (April 15th for calendar year taxpayers and the fifteenth day following the fourth month after year end for fiscal year taxpayers except the April 15, 2020 due date was extended to July 15, 2020 by executive order of the City. ) Any business entity that fails to remit the payment required by the applicable due date accrues interest at a rate of 12.0% per annum simple interest and a penalty of 5.0% per month not to exceed 25.0% of the license fee due; however, this penalty cannot be less than \$25.00.

Certain occupations and activities are exempt from the occupational license fee/tax.

### **Transient Room License Tax**

The City imposes a transient room tax equal to 3.0% of the gross rent for every occupancy of a suite, room, or rooms charged and collected by taxpayers. The receipts generated by the tax support the operation of the Nicholasville/Wilmore/Jessamine County Joint Tourism Commission.

The tax is imposed on every person, company, corporation or other like or similar persons, groups or organizations doing business as motor courts, motel courts, motels, hotels, inns, or like or similar accommodations businesses in the City, but does not apply rental or leasing of an apartment supplied by an individual or business that regularly holds itself out as exclusively providing apartments. An apartment means a room or set of rooms in an apartment building, fitted especially with a kitchen and usually leased as a dwelling for a minimum period of thirty days or more.

The City's transient room tax receipts are restricted by ordinance to the uses described above and are not available for use by the City's General Fund or the payment of the Bonds.

### **Financial Institution Franchise Tax**

The City imposes a franchise tax on all financial institutions located within the corporate limits of the city equal to 0.020% of all deposits maintained by such financial institutions located within the corporate limits of the city. "Financial institution" means:

- (a) A national bank organized as a body corporate and existing or in the process of organizing as a national bank association pursuant to the provisions of the National Bank Act, 12 U.S.C. secs. 21 et seq., in effect on December 31, 1997, exclusive of any amendments made subsequent to that date;
- (b) Any bank or trust company incorporated or organized under the laws of any state, except a banker's bank organized under KRS 286.3-135;
- (c) Any corporation organized under the provisions of 12 U.S.C. secs. 611 to 631, in effect on December 31, 1997, exclusive of any amendments made subsequent to that date, or any corporation organized after December 31, 1997, that meets the requirements of 12 U.S.C. secs. 611 to 631, in effect on December 31, 1997; or
- (d) Any agency or branch of a foreign depository as defined in 12 U.S.C. sec. 3101, in effect on December 31, 1997, exclusive of any amendments made subsequent to that date, or any agency or branch of a foreign depository established after December 31, 1997, that meets the requirements of 12 U.S.C. sec. 3101 in effect on December 31, 1997.

“Deposits” means all demand and time deposits, excluding deposits of the United States government, state and political subdivisions, other financial institutions, public libraries, educational institutions, religious institutions, charitable institutions, and certified and officers' checks.

Franchise taxes are deposited by the City in its General Fund and are available to pay debt service for the Bonds.

### **Insurance Company Premium Tax**

The City imposes on insurance companies a license fee for the privilege of engaging in the business of providing insurance coverage to customers within the City. The license fee is imposed upon each insurance company which issues any insurance policy which is not a life insurance policy or health insurance policy equal to 9.0% of the premiums actually collected within each calendar quarter, less all premiums returned to policyholders, by reason of the issuance of such policies on risks located within the corporate limits of the City. A license fee is imposed upon each insurance company which issues life insurance policies on the lives of person residing within the corporate limits of the city equal to 9.0% of the first year's premiums actually collected within each calendar quarter by reason of the issuance of such policies. The license fee is not imposed, however, on premiums collected to insure (i) employers against liability for personal injuries to their employees; (ii) death covered under the provisions of Kentucky's workers compensation laws; (iii) group health insurance provided for state employees under KRS 18A.225(2), and (iv) all other health insurance premiums. Effective July 1, 2019, the rate above will be increased from 9.0% to 10.0%.

The fees are due and payable quarterly. Deficient or late payments are subject to the tax interest rate provided by KRS 131.010(6).

### **Alcohol License and Regulatory License Fees**

#### *Alcohol License Fees*

The City imposes a variety of alcohol license fees pursuant to the authority of KRS 243.070 for the privilege of causing, permitting, and engaging in the actions, business, and transactions authorized thereby in regard to traffic of alcoholic beverages in the City. The fees range from as little as \$100.00 to as much as \$3,000.00 per annum depending on the type of license requested. Alcohol license fees are deposited by the City in its General Fund and are available to pay debt service for the Bonds.

#### *Alcohol Regulatory License Fees*

The City imposes a 5.0% regulatory license fee on the gross receipts of sale of alcoholic beverages of each license issued by the City. A credit against a regulatory license fee is allowed in an amount equal to any license fee imposed by KRS 243.070. The regulatory license fees are remitted quarterly, and any fees not remitted by the applicable due date accrue interest at a rate of 6.0% per annum simple interest and a penalty of 5.0% for each ninety days or fraction thereof, not to exceed 25.0% of the fee due; however, the penalty shall not be less than \$10.00. Regulatory license fees are restricted to covering the costs of additional policing, regulatory, and administrative expenses related to the sale of alcoholic beverages in the city and are not available for the payment of the Bonds.

### **Bond Anticipation Notes**

Under Kentucky law, notes, including renewal notes, issued in anticipation of and payable from the proceeds of general obligation bonds (or renewal notes) may be issued from time to time upon the same terms and conditions as bonds. The ability of the City to retire bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing when the bonds are issued or the notes are renewed.

### **Future Borrowings of the City**

The City reserves the right to issue additional general obligation bonds in the future, although no such additional general obligation debt is presently contemplated.

## Employee Retirement and Health Obligations

### County Employees Retirement System

The Kentucky Retirement System (“KRS”) is a state-operated and managed employee pension system comprised of three separate retirement systems: (i) the Kentucky Employees Retirement System established in 1956 to serve state employees (“KERS”); (ii) the County Employees Retirement System (“CERS”) established in 1958 to serve local government employees and classified school board employees; and (iii) the State Police Retirement System established in 1958 to serve uniformed Kentucky state police officers (“SPRS”).

The City’s employees are served by CERS. Chapter 78 of the Kentucky Revised Statutes and administrative regulations found in Chapter 105 of the Kentucky Administrative Regulations govern the operation of CERS, including standards requiring participant eligibility, vesting, and benefits. The authority to establish and amend benefit provisions rests with the Kentucky Legislature. Information regarding CERS is available online from KRS at [www.kyret.ky.gov](http://www.kyret.ky.gov) and in the footnotes to the City’s audited financial statements for the fiscal year ended June 30, 2019 attached hereto as Appendix B.

Benefits available to CERS participants depend on their individual dates of participation. Benefits are calculated by multiplying a participant’s average salary (as determined in accordance with plan rules) by a benefit factor and the individual’s years of service. The benefit factors applicable to participants entering CERS on or after January 1, 2014 are determined using less favorable benefit factors than earlier participants. Individuals who became participants on or after January 1, 2014, however, receive benefits from a cash balance plan, which has characteristics of both a defined benefit and defined contribution plan. Information regarding the benefits available to participants within CERS is available online from KRS at [www.kyret.ky.gov](http://www.kyret.ky.gov) and in the footnotes to the City’s audited financial statements for the fiscal year ended June 30, 2019 attached hereto as Appendix B.

CERS is funded through employee and employer contributions. Different contribution rates apply depending on whether an employee is classified as hazardous or nonhazardous. Certain of the City’s police and firefighters are classified as hazardous participants. All of the City’s remaining participating employees are classified as nonhazardous. Nonhazardous employees who became eligible to participate in CERS before September 1, 2008 must contribute 5% of their creditable compensation to CERS. Nonhazardous employees who became eligible on or after September 1, 2008 must contribute 6% of their creditable compensation. For this latter group, 5% of their contribution is deposited to their individual account and the other 1% is deposited in the KRS Insurance Fund.

Hazardous employees who became eligible to participate in CERS before September 1, 2008 must contribute 8% of their creditable compensation to CERS. Hazardous employees who became eligible on or after September 1, 2008 must contribute 9% of their creditable compensation. For this latter group, 8% of their contribution is deposited to their individual account and the other 1% is deposited in the KRS Insurance Fund.

Employer contributions made by the City for pension benefits change annually as determined by the Board of Trustees of KRS. Employer contribution rates for hazardous and nonhazardous employees for the plan fiscal years ending June 30th were as follows:

Plan Year Ended June 30	Employer Contribution Rate As Percentage of Credible Compensation (Nonhazardous)	Employer Contribution Rate As Percentage of Credible Compensation (Hazardous)
2019	21.48%	35.34%
2018	19.18%	31.55%
2017	18.68%	31.06%
2016	17.06%	32.95%
2015	17.67%	34.31%

Effective April 14, 2018, the Kentucky legislature has capped CERS employer contribution rate increases to a maximum of 12% per year over the prior fiscal year for the period beginning on and including July 1, 2018 and ending on and including June 30, 2028.

The City has made all of its required payments of employer contributions to CERS that are due and payable as of the date of this Official Statement. The amount of employer contributions paid by the City to CERS for hazardous and nonhazardous pension benefits during the City’s five most recently completed fiscal years for were:

Fiscal Year Ended June 30	Employer Contribution (Rounded)
2019	\$3,217,000
2018	2,737,000
2017	2,673,000
2016	2,508,000
2015	2,561,000

KRS is considered by some to be among the least funded state pension systems in the nation. Over the past several years the Kentucky Governor and the Kentucky legislature have debated changes to KRS, including CERS, in order to improve its perceived funding deficit. In 2018, the Kentucky Legislature passed, and the Governor signed, legislation making changes to KRS (including CERS). In December 2018, however, the Kentucky Supreme Court struck down the legislation as a result of the procedural means used by the Kentucky Legislature to achieve its passage late in the 2018 Legislative Session. The City can make no representation regarding the potential for future changes or reforms by the Kentucky Legislature to CERS or KRS. Moreover, the City can make no representation regarding the impact any such changes or reforms would have on the City’s operation, finances, or employees.

**Post-Employment Health Insurance**

The Insurance Fund described above was established by the Kentucky Legislature to provide medical insurance for members receiving benefits from KERS, CERS, and SPRS. The Insurance Fund is a cost-sharing multiple-employer defined benefit post-employment health care plan administered by KRS. A portion of the employer and employee contributions described above include contributions to the Insurance Fund. For employees who became eligible on or after September 1, 2008, 1% of their employee contribution is deposited in the Insurance Fund for retiree health insurance benefits. In addition, a portion of the employer contribution rates described above is allocated to the Insurance Fund. The Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky Legislature. Information regarding the benefits available to participants within CERS is available online from KRS at [www.kyret.ky.gov](http://www.kyret.ky.gov) and in the footnotes to the City’s audited financial statements for the fiscal year ended June 30, 2019 attached hereto as Appendix B.

**LEGAL MATTERS**

**General Information**

Legal matters incident to the issuance of the Bonds and with regard to the tax treatment of the same are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel. Upon delivery of the Bonds the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by Dinsmore & Shohl LLP. A draft of the legal opinion is attached in “APPENDIX D - Form of Legal Approving Opinion of Bond Counsel”.

Bond Counsel has performed certain functions to assist the City in the preparation by the City of this Official Statement. However, Bond Counsel assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others.

The engagement of Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings related to the Bonds, and an examination of such transcript of proceedings incident to rendering its legal opinion. Bond Counsel has reviewed the information in this Official Statement under Sections entitled “INTRODUCTION,” “DESCRIPTION OF THE BONDS,” “THE PROJECTS,” “CITY GOVERNMENT - Debt Limitation,” “LEGAL MATTERS - General Information,” and “LEGAL MATTERS - Tax Treatment,” which review did not include any independent verification of financial statements and statistical data included therein, if any.

## **Transcript and Closing Certificates**

A complete transcript of proceedings, a no-litigation certificate, and other appropriate closing documents will be delivered by the City when the Bonds are delivered to their respective original purchasers. The City will also provide to the original purchaser of the Bonds, at the time of such delivery, a certificate from the Mayor relating to the accuracy and completeness of this Official Statement.

## **Litigation**

To the knowledge of the City, no litigation or administrative action or proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being refinanced from the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

## **Tax Treatment**

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal alternative minimum tax. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has not designated the Bonds as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265 of the Code.

A copy of the opinion of Bond Counsel for the Bonds is set forth in "APPENDIX D - Form of Legal Approving Opinion of Bond Counsel," attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the qualification of the Bonds as so-called "tax-exempt" bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be includable in income for federal income tax purposes. Failure to comply with these covenants could result in the Bonds not qualifying as "tax-exempt bonds," and thus interest on the Bonds being includable in the gross income of the holders thereof for federal income tax purposes. Such failure to qualify and the resulting inclusion of interest could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect either the federal or Kentucky tax status of the Bonds.

Certain requirements and procedures contained or referred to in the Bond Ordinance and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state, or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability

of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

### **Original Issue Premium**

“Acquisition Premium” is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the “Premium Bonds”). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes (“tax-exempt bonds”) must be amortized and will reduce the Holder’s adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining the Holder’s taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the “constant yield” method, using the original Holder’s basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

### **Original Issue Discount**

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at maturity thereon (the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the “yield to maturity”) and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest is treated, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

### **RATING**

The Bonds have been rated “AA” by S&P Global Ratings (“S&P”). The rating reflects only the view of the rating agency and any explanation of the significance of the rating may be obtained only from the rating agency. Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions made by the rating agency. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of the applicable rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding, the City (the “Obligated Person”) agrees pursuant to an Undertaking (the “Disclosure Undertaking”), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (“MSRB”), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in “Appendix A” and “Appendix B” of this Official Statement (the “Financial Data”). The annual financial information shall be provided on or before March 1<sup>st</sup> after the end of the fiscal year ending June 30<sup>th</sup>, commencing with the fiscal year ending June 30, 2020; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;
- (ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults, if material;
  - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) Substitution of credit or liquidity providers, or their failure to perform;
  - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
  - (g) Modifications to rights of security holders, if material;
  - (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
  - (i) Defeasances;
  - (j) Release, substitution or sale of property securing repayment of the securities, if material;
  - (k) Rating changes;
  - (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
  - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - (o) Incurrence of a Financial Obligation of the City or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City or obligated person, any of which affect security holders, if material; and
  - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City or obligated person, any of which reflect financial difficulties.



- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the Obligated Persons have knowledge) of the Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance for the Bonds. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule, accompanied with an opinion of nationally recognized bond counsel, as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

The City has materially complied with the requirements of the Rule during the past five years.

#### **UNDERWRITING**

The Bonds are being purchased for reoffering by [\_\_\_\_] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[\_\_\_\_] (reflecting the par amount of the Bonds, plus original issue premium of \$[\_\_\_\_], less underwriter’s discount of \$[\_\_\_\_]). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page hereof.

#### **FINANCIAL ADVISOR**

RSA Advisors, LLC (“RSA”), Lexington, Kentucky, has been employed by the City to serve as Financial Advisor. Certain information relative to the location, economy and finances of the City is found in the Preliminary Official Statement, in final form, and the Official Statement, in final form. All such data, as is the case for other information herein contained, was prepared for and with the assistance of the City under the direction of RSA. While not guaranteed as to completeness or accuracy, the Preliminary Official Statement, in final form, and the Official Statement, in final form, are believed to be correct as of their respective dates. As the Financial Advisor for this transaction, RSA has reviewed the information in the Preliminary Official Statement and the Official Statement, in final form, in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction; but RSA does not guarantee the accuracy or completeness of such information.

RSA will receive a fee, payable from bond proceeds, for their services as Financial Advisor, contingent upon the issuance and sale of the Bonds. In this capacity, RSA has compiled certain data relating to the Bonds that is contained in this Official Statement. RSA is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. RSA is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities.

#### **MISCELLANEOUS**

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official

records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

[Signature page to follow]

[SIGNATURE PAGE TO OFFICIAL STATEMENT]

This Official Statement has been duly executed and delivered for and on behalf of the City of Nicholasville, Kentucky, by its Mayor.

Dated \_\_\_\_\_, 2020

**CITY OF NICHOLASVILLE, KENTUCKY**

By: \_\_\_\_\_  
Mayor

**APPENDIX A**

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

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**DEMOGRAPHIC, ECONOMIC, AND FINANCIAL DATA**

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**CITY OF NICHOLASVILLE, KENTUCKY  
JESSAMINE COUNTY, KENTUCKY**

Nicholasville, the county seat of Jessamine County, was founded by Reverend John Metcalf in 1798 and was named for Colonel George Nicholas, a framer of the Kentucky constitution.



Located in the heart of the Bluegrass and just minutes away from Lexington, Nicholasville is the 11th largest city in Kentucky and is home to Alltech Inc. and R.J. Corman Railroad Group corporate headquarters. Nicholasville is located 87 miles east of Louisville, Kentucky and 90 miles south of Cincinnati, Ohio. The city has a 2019 population of 30, 865. Strategically located near the Bluegrass Parkway, Interstates 64 and 75, and the Bluegrass Airport (18 miles), the City is home to industry leaders such as McLane Trucking Company.

**The Economic Framework**

The total number of Jessamine County residents employed in 2019, averaged approximately 17,553. Jessamine County has a labor force of 27,089 people, with an unemployment rate of 4.2%. Office and Administrative jobs employed 1,979; sales jobs employed 1,979; 2,257 worked in production; executive, managers, and administrators employed 1,562; and 1,034 were employed by food preparation, serving.

**Power and Fuel**

The City of Nicholasville Utilities, whose source of electric power is Kentucky Utilities Company, provides electric power to Nicholasville. Kentucky Utilities Company and Blue Grass Rural Electric Cooperative Corporation also serve portions of Nicholasville. Delta Natural Gas Company, Inc. provides natural gas service to Nicholasville.

**LABOR MARKET STATISTICS**

The Labor Market Area includes Anderson, Bourbon, Boyle, Clark, Fayette, Franklin, Garrard, Jessamine, Lincoln, Madison, Mercer, Montgomery, Scott and Woodford Counties.

**Population**

Description	2015	2016	2017	2018	2019
Labor Market Area	781,590	789,946	798,257	804,824	801,132
Lexington-Fayette MSA	501,668	507,460	512,732	516,697	517,056
Jessamine County	51,936	52,357	53,375	53,920	54,219
Nicholasville	29,745	30,006	30,553	30,829	31,003

*Source: U.S. Department of Commerce, Bureau of the Census. Annual Estimates; Economic Research Division Federal Reserve Bank of St. Louis*

## Unemployment Statistics

Description	-----Year Ending December 31-----				
	2015	2016	2017	2018	2019
<b>County of Jessamine</b>					
Civilian Labor Force	24,910	25,279	26,430	26,425	26,666
Employment	23,860	24,306	25,422	25,465	25,695
Unemployment	1,050	973	1,008	960	971
Unemployment Rate	4.20%	3.80%	3.80%	3.60%	3.60%
<b>State of Kentucky:</b>					
Civilian Labor Force	1,979,694	2,012,279	2,052,368	2,057,791	2,072,586
Employment	1,872,326	1,909,158	1,952,066	1,968,611	1,983,577
Unemployment	104,641	103,121	100,302	89,180	89,009
Unemployment Rate	5.3%	5.1%	4.9%	4.3%	4.3%
<b>US Comparable Rate:</b>					
Unemployment Rate	5.3%	4.9%	4.4%	3.9%	3.7%

*Source: The Kentucky Center for Statistics*

*[The remainder of this page is intentionally left blank.]*

## **LOCAL GOVERNMENT**

### **Structure**

The City of Nicholasville is a home rule city organized under the commission plan for city government. All executive, legislative and administrative powers lie in the City Commission, which is composed of a mayor and four commissioners. Commissioners make laws, ensure that they are carried out and perform administrative functions. As the head of the city, the mayor administers oaths, signs documents on behalf of the city, and calls and conducts Commission meetings. The mayor is a fully participating member of the commission and can vote on all matters.

Cities in Kentucky currently have the power to govern within their boundaries without specific legislation authorizing each particular function. Before 1980, cities had to rely almost exclusively on the General Assembly to authorize various functions. However, home rule cities can now function in any way that does not directly conflict with state or federal law. Specific cases of such conflicts vary in terms of their standing but generally speaking, cities have broad authority over their residents and can add to state and federal law but cannot subtract from it.

### **Financial Matters**

The City's fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

- Establishment of overall financial policy – City Commission
- Planning and development – City Commission
- Assessment of real and personal property – Jessamine County Property Valuation Administrator
- Financial control functions – City Commission
- Inspection and supervision of the accounts and reports – City's independent CPA

### **Planning and Zoning**

City agency- Nicholasville Planning Commission

Zoning enforced- Within the corporate limits of Nicholasville

Local codes enforced- Building and Housing

Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

Joint agency- Jessamine County-City of Wilmore Joint Planning Commission Participating cities- Wilmore

Zoning enforced- Wilmore and unincorporated Jessamine County

Subdivision regulations enforced-Wilmore and unincorporated Jessamine County Local codes enforced- Building

Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

The following is selected tax information regarding the City's tax base to include assessed valuations, property tax rates, tax levies and collections:



**Assessed Valuation:**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Tangible Property</b>	<b>Motor Vehicles &amp; Watercraft</b>	<b>Total Assessed Value <sup>(1)</sup></b>
2020	\$2,057,490,605	\$212,453,194	\$214,969,097	\$2,484,912,896
2019	1,862,860,115	177,832,661	200,680,763	2,241,373,539
2018	1,798,634,993	198,466,562	193,666,252	2,190,767,807
2017	1,753,841,576	198,855,610	186,761,821	2,139,459,007
2016	1,679,226,862	194,905,731	170,684,127	2,044,816,720

<sup>(1)</sup>Total Assessed Value is less previous year exonerations

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Source: City of Nicholasville

**Property Tax Rates (per \$100.00 assessed valuation)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Tangible Property</b>	<b>Motor Vehicles &amp; Watercraft</b>
2020	.186	.186	.197
2019	.186	.186	.197
2018	.186	.186	.197
2017	.186	.186	.197
2016	.186	.186	.197

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Source: City of Nicholasville

**Other Tax Rates (expressed as a percentage)**

<b>Fiscal Year</b>	<b>Bank Shares (per \$100)</b>	<b>Payroll Tax (Occupational License Fee)</b>	<b>Insurance Premium Tax</b>	<b>Franchise Tax</b>				
				<b>Electric</b>	<b>Gas</b>	<b>Telephone</b>	<b>Cable</b>	<b>Garbage</b>
2020	2.0%	**	10.0%	3.0%	3.0%	*	*	10.0%
2019	2.0%	**	9.0%	3.0%	3.0%	*	*	10.0%
2018	2.0%	**	9.0%	3.0%	3.0%	*	*	10.0%
2017	2.0%	**	9.0%	3.0%	3.0%	*	*	10.0%
2016	2.0%	**	6.5%	3.0%	3.0%	*	*	10.0%

\*- Effective January 1, 2006, the State of Kentucky began levying a telecommunication tax in lieu of a local franchise tax. The City of Nicholasville receives a share of this tax.

\*\*-Effective 1/1/09, 1% of net profits and 1.5% of wages and compensation

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Source: City of Nicholasville

## Ten Largest Taxpayers

The following table list the largest corporate taxpayers of the City as reported by the Jessamine County Property Valuation Administrator as of January 1, 2019.

<u>Name</u>	<u>Assessed Valuation</u>
Alltech Inc	\$32,861,100
Map Real Estate LLC	19,100,483
Taan Investors LLC	13,994,300
Store Master Funding X LLC	11,600,000
Sam's East Inc	10,509,500
Kroger Limited Partnership I	10,500,000
West Acres LLC	9,800,000
Terraza 8 LLC	9,795,600
RJ Corman Real Estate LLC	9,753,512
Lex FL Nicholasville LLC	9,059,732

Source: City of Nicholasville

The table below lists the tax collection history of the City as reported by Jessamine County.

### Tax Collection History

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2020</u>
<b>% Collected Real Property Tax*</b>					
Total Taxes Due	\$3,122,081	3,259,354	\$3,319,868	\$3,444,486	\$3,307,377
Total Taxes Collected	\$3,115,615	\$3,250,001	\$3,301,102	\$3,413,516	\$3,756,217
% Collected	99.79%	99.71%	99.43%	99.10%	98.66%

*\*Total Taxes Collected as of 6/30/2020*

### Wage License/Net Profits License Fee

Fiscal Year	Total Receipts	Percent Change
2020	\$ 9,125,193	6.88%
2019	\$ 8,538,024	6.77%
2018	\$ 7,996,543	0.28%
2017	\$ 7,973,911	2.34%
2016	\$ 7,791,492	

*[The remainder of this page is intentionally left blank.]*

## Top Wage Tax Payers

<b>Tax Payer</b>	<b>Occupational Tax Bill</b>
Jessamine Co Board of Education	\$688,041
Alltech, Inc.	\$513,479
McLane/Cumberland	\$246,837
WestRock Converting, LLC	\$236,011
McKechnie Vehicle Components	\$228,784
Wal-Mart Associates, Inc.	\$199,797
AMCOR Rigid Plastics USA	\$194,318
Nicholasville City Government	\$176,018
Donaldson Company Inc.	\$152,986
RJ Corman Railroad Group, LLC	\$141,103

## EDUCATION

The Jessamine County School District provides primary and secondary public education to County citizens.

### Public Schools

	<b><u>Jessamine County Schools</u></b>
Total Enrollment (2018-2019)	8,091
School Count	14

*[The remainder of this page is intentionally left blank.]*

## Colleges and Universities

### Four-Year Colleges and Universities Within 60 Miles of Nicholasville

Institutions engaged in furnishing academic courses and granting degrees at baccalaureate or graduate levels.

MILES	INSTITUTION	LOCATION
4	Asbury Theological Seminary	Wilmore
4	Asbury University	Wilmore
13	Indiana Wesleyan University - Lexington Education Center	Lexington
13	Lexington Theological Seminary	Lexington
13	Sullivan University, Lexington Campus	Lexington
13	Transylvania University	Lexington
13	University of Kentucky	Lexington
18	Eastern Kentucky University	Richmond
19	Centre College	Danville
19	Eastern Kentucky University, Danville Campus	Danville
20	Midway University	Midway
23	Georgetown College	Georgetown
26	Berea College	Berea
27	Kentucky State University	Frankfort
37	Morehead State University at Mt. Sterling	Mt. Sterling
56	Campbellsville University	Campbellsville

*Note: Miles are calculated as straight-line distance, not highway miles. Source: Kentucky Cabinet for Economic Development*

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## Two-Year Colleges and Universities Within 60 Miles of Nicholasville

Institutions engaged in furnishing academic courses and granting degrees at baccalaureate or graduate levels.

MILES	INSTITUTION	LOCATION
13	American National University- Lexington KY Campus	Lexington
13	Bluegrass Community & Technical College, Cooper Campus	Lexington
13	Bluegrass Community & Technical College, Leestown Campus	Lexington
13	Bluegrass Community & Technical College, Newtown Pike Campus	Lexington
13	Spencerian College, Lexington Campus	Lexington
18	American National University - Richmond KY Campus	Richmond
19	American National University - Danville KY Campus	Danville
19	Bluegrass Community & Technical College, Danville Campus	Danville
20	Bluegrass Community & Technical College, Lawrenceburg Campus	Lawrenceburg
23	Bluegrass Community & Technical College, Advanced Manufacturing Center	Georgetown
23	Bluegrass Community & Technical College, Winchester - Clark Co. Campus	Winchester
38	Elizabethtown Community & Tech. College, Springfield Campus	Springfield
38	Maysville Community & Tech College, Licking Valley Campus	Cynthiana
43	Jefferson Community & Technical College, Shelby Co. Campus	Shelbyville
43	Somerset Community College, Casey Center	Liberty
55	Somerset Community College, Somerset North Campus	Somerset
59	Somerset Community College, Laurel North Campus	London

*Note: Miles are calculated as straight-line distance, not highway miles. Source: Kentucky Cabinet for Economic Development*

## VOCATIONAL TRAINING

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills. Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers. The Bluegrass State Skills corporation is the primary source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

## Kentucky Technical Schools Within 60 Miles of Nicholasville

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<b>Miles</b>	<b>Institution</b>	<b>Location</b>
-	Jessamine Career and Technology Center	Nicholasville
13	Eastside Technical Center	Lexington
13	Southside Technical Center	Lexington
17	Hughes Jones Harrodsburg ATC	Harrodsburg
18	Garrard County ATC	Lancaster
18	Madison County ATC	Richmond
23	Elkhorn Crossing School	Georgetown
23	Clark County ATC	Winchester
24	Lincoln County ATC	Stanford
27	Franklin County Career and Technical Center	Frankfort
37	Montgomery County ATC	Mt. Sterling
38	Harrison County ATC	Cynthiana
38	Rockcastle County ATC	Mount Vernon
43	Marion County ATC	Lebanon
43	Casey County ATC	Liberty
43	Shelby County ATC	Shelbyville
45	Jackson County ATC	McKee
49	Nelson County ATC	Bardstown
52	Lee County ATC	Beattyville
55	Pulaski ATC	Somerset
59	Oldham County CTC	Buckner

*Note: Miles are calculated as straight-line distance, not highway miles. Source: Kentucky Cabinet for Economic Development*

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## INDUSTRY

Business and industry locate to the Bluegrass Region of Central Kentucky for many reasons, including an educated workforce, innovation, central location, low cost of doing business and high quality of life.

**Educated Workforce** - Anchored by the University of Kentucky, the region is home to ten colleges and universities and six professional and technical colleges. In total, nearly 70,000 students are enrolled in institutions of higher learning in the Bluegrass, graduating more than 17,000 annually. Among cities over 300,000 in population, the U.S. Census Bureau ranks Lexington as the 14th most highly educated in the nation (based on the 41.8% of the population 25 years or older that have at least a bachelor's degree). Even more impressive, 18% of the population has an advanced degree, ranking Lexington the 11th most highly educated city.

**Capacity for Innovation** – The Lexington-Fayette Metropolitan Statistical Area (MSA) is the state leader in innovation and entrepreneurship, per Stats America's Innovation Index 2.0 which quantifies a county, MSA, or Economic Development District's capacity for innovation and the amount of innovation already produced. The Lexington-Fayette MSA has the highest overall index score in the state with 111.1, compared to Louisville/Jefferson County KY-IN MSA's 103.8 and Cincinnati OH-KY- IN MSA's 110.5.

**Central Location** – Nicholasville and Lexington are about 600 miles from 50% of the US population, sitting at the crossroads of two major interstates, I-75 and I-64, giving companies here direct access to both north-south and east-west routes.

**Low Business Costs** – Kentucky's business costs are among the lowest in the country. Kentucky has the lowest cost of electricity in the industrial sector among states east of the Mississippi River. According to the Energy Information Administration, Kentucky's industrial electricity rates are 5th lowest nationally and almost 20% lower than the national average. Water service is available through local providers in each of the Bluegrass counties. Kentucky American Water, located in Lexington, is the largest, with a capacity of 90 million gallons per day. Equally important to the economic growth of a region is the cost of living for its citizens. The composite cost of living is consistently below that national average.

**High Quality of Life** - Lexington is consistently recognized as being one of the best cities to live in. Lexington ranked #7 Most Affordable Big City in America by Kiplinger in 2014, Lexington ranked #16 Best Large City to Live in by Wallet Hub in 2016, and #8 Best City to Live in America by Money in 2018.

*Source: Commerce Lexington, 2019*

*[The remainder of this page is intentionally left blank.]*

## Major Business & Industry (Manufacturing & Supportive Service Firms Only) Jessamine County

Firm	Product	Total Emp.
<i>Nicholasville</i>		
Alltech Inc	Natural animal feed additives; corporate headquarters	450
Amcor Rigid Plastics	Plastic custom bottles, spirits, food and customer care products	205
American Building Components	Metal building products	26
Astecnos America Corporation	Process jigs and design and manufacture control panels for the auto industry	10
Aulick Chemical Solutions	Produces chemical solutions for water, wastewater and industrial compounds	25
Automated Cutting Technologies	Fixtures for display, kitchen cabinets, woodworking, contract machining machining, contact painting	22
Berry Global LLC	Flexible packaging stretch film	50
Central KY Truss LLC	Wood truss products	12
Central Ready Mix Concrete	Ready-Mixed Concrete	8
Clark Machine Tool & Die	Customer specific production machinery, special fixtures, special tooling including electronics and computer programming	17
Classic Rattan Inc	Rattan & Wicker furniture	20
Contemporary Wood Designs	Store fixtures, wooden counter tops & ready to assemble furniture, commercial cabinets & counter tops, office cabinetry	6
Cowart & Co Inc	Custom millwork, cabinets, bookcases, door jambs & window casings	6
Creative Draperies Inc	Manufactures hospital K& hospitality bedding & window treatments	8
Crown Marketing Plan	Multi-purpose cleaners	3
CW Assemblies LLC	Wiring harnesses & electrical sub-assemblies	115
Donaldson Co Inc	Industrial air pollution control devices	201
Faulkner-Fain Co Inc	Custom woodworking; custom bank interior	23
H2 Promotions	Embroidering service, screen printing	4
Ideal Tool & Manufacturing Co	Machine shop, parts, components, tools & dies, CNC	12
Integrated Security Solutions	Digital and electronic security equipment.	26
Irving Metals	Ready mix concrete and concrete products	10
Jourdan Graphics Services	Dies & die cutting, folding cartons, embossing & foil stamping	5
Lexington Paint & Supply Co	Industrial, latex, oil base, stains, varnish, water base & enamel paint	10
LockNet LLC	Develops and delivers custom solutions to business doors, locks and hardware	N/A
McKechnie Vehicle Components	Plastic injection molding. steel plating. painting automotive Components, wheel trim, center caps	353
Meade Concrete Products Inc	Manufacture and retail concrete blocks and other building materials	22
Multi-Link Inc	Manufacture telecommunications management equipment	4
Sargent & Greenleaf Inc	High security locks	110



Sector Technology Inc	Industrial cutting machinery	18
SMC LLC	Electronic manufacturing services, printed circuit board assembly	50
Southern Solutions LLC	Premium residential and commercial millwork and casework	10
Taylor Made Compounding	Compound pharmaceuticals, innovative therapies	N/A
Turner Labels & Shipping Supplies	Labels, tags & shipping supplies	27
Warner's Printing Service LLC	Offset printing, computer typesetting, die cutting & saddle stitch binding	12
WestRock	Paperboard folding boxes	250
<i>Wilmore</i>		
Highbridge Springs Water Inc.	Bottled distilled water and reverse osmosis drinking water	26

*Source: 2020 Kentucky Directory of Manufacturers*

*[The remainder of this page is intentionally left blank.]*

A list of the employment by major business and industry in the eight-county region consisting of Bourbon, Clark, Fayette, Franklin, Jessamine, Madison, Scott, and Woodford Counties.

Description	Number of Employees
Agriculture	140
Call Center/Back Office Operations	1,000
Corrections	443
Distillery	298
Distribution	3,700
Education	26,902
Engineering Services	1,600
Facility Services	155
Finance	1,063
Government Corporation	14,870
Healthcare	6,424
Healthcare	8,736
Industrial Services	326
Information Services	615
Logistics	145
Manufacturing	29,784
Outsourcing	2,612
Professional Services	793
Real Estate	397
Retail Trade	1,137
Software	200
Telecommunications	220
Transportation & Warehousing	1,463
Utilities	665
Wholesale Trade	<u>608</u>
Total	104,296

*Source: Commerce Lexington, Kentucky Cabinet for Economic Development, 2019*

## City's Overlapping Indebtedness

	Original Par	Amount Outstanding	Debt Burden (%)	Debt Burden (\$)
<b>Jessamine County<sup>1</sup></b>				
2007	\$500,000	\$280,000	51.2%	\$143,360
2008	\$1,000,000	\$550,000	51.2%	\$281,600
2011	\$599,788	\$104,963	51.2%	\$53,741
2015 - 1	\$228,225	\$32,644	51.2%	\$16,714
2015 - 2	\$50,000	\$10,627	51.2%	\$5,441
2017 USDA	\$699,100	\$688,710	51.2%	\$352,620
2018	\$2,699,380	\$2,699,380	51.2%	\$1,382,083
<b>Jessamine County Schools<sup>2</sup></b>				
2010-REF	\$1,815,000	\$1,270,000	51.2%	\$650,240
2011-REF	\$4,815,000	\$640,000	51.2%	\$327,680
2012A	\$15,305,000	\$13,979,464	51.2%	\$7,157,486
2012B	\$4,570,000	\$4,490,000	51.2%	\$2,298,880
2012-QZAB	\$4,248,592	\$2,653,352	51.2%	\$1,358,516
2013- Energy	\$3,350,000	\$1,945,000	51.2%	\$995,840
2014-REF	\$7,375,000	\$5,841,780	51.2%	\$2,990,991
2014	\$8,470,000	\$7,130,518	51.2%	\$3,650,825
2014B-REF	\$14,645,000	\$5,205,000	51.2%	\$2,664,960
2015-REF	\$14,925,000	\$12,680,000	51.2%	\$6,492,160
2016-REF	\$18,420,000	\$12,755,000	51.2%	\$6,530,560
2017	\$5,290,000	\$4,500,000	51.2%	\$2,304,000
2018	\$6,115,000	\$6,105,000	51.2%	\$3,125,760
2019	\$30,550,000	\$30,479,539	51.2%	\$15,605,524
<b>Jessamine County Library District<sup>1</sup></b>				
2014	\$5,200,000	\$4,567,356	51.2%	\$2,338,486
<b>Jessamine County Health District<sup>3</sup></b>				
2013	\$690,000	\$316,250	51.2%	\$161,920

<sup>1</sup>As of June 30, 2019, from Financial Statements

<sup>2</sup>As of September 30, 2020, includes District Portion Only

<sup>3</sup>As of June 30, 2019, KY Dept Local Gov. Debt Report

## City's Annual General Obligation Debt Service Requirements

The table below includes the City's estimated annual general obligation debt service requirements, payable from tax revenues as opposed to proprietary revenues such as utilities.

FY Ending June 30	Series 2011A Bonds	Series 2011B Bonds	Series 2018N-1 Note	Series 2019 Bonds	Total Debt Service
2020	\$123,563	\$262,005	\$144,655	\$301,205	\$831,436
2021	\$121,163	\$265,405	\$144,616	\$337,698	\$868,882
2022	\$123,763	\$262,905	\$144,567	\$332,148	\$863,383
2023	\$120,894		\$70,919	\$381,598	\$573,416
2024	\$123,025			\$399,398	\$522,423
2025	\$119,650			\$401,448	\$521,098
2026	\$126,275			\$393,198	\$519,473
2027	\$122,275			\$394,948	\$517,223
2028	\$123,150			\$396,398	\$519,548
2029	\$123,819			\$400,498	\$524,317
2030	\$119,281			\$399,823	\$519,104
2031	\$119,744			\$403,789	\$523,533
2032				\$396,373	\$396,373
2033				\$398,948	\$398,948
2034				\$400,788	\$400,788
2035				\$322,388	\$322,388
2036				\$324,688	\$324,688
2037				\$321,713	\$321,713
2038				\$323,600	\$323,600
2039				\$324,450	\$324,450
<b>Totals:</b>	<b>\$1,466,600</b>	<b>\$790,315</b>	<b>\$504,757</b>	<b>\$7,355,097</b>	<b>\$10,116,782</b>

*\*Does not include portions paid from Utility Revenue*

***Current Outstanding General Obligation Debt***

Series	Description	Type	Original Par Amount	Amount Outstanding	Interest Rate Range	Final Maturity	Call Information
2011A*	Municipal Building & Cemetery	GO Bonds - General	\$1,735,000	\$1,070,000	3.00% - 4.125%	02/01/31	Feb. 2021 @ 100%
2011B	Refunded 2002 - Various Projects	GO Bonds - General	\$2,525,000	\$505,000	3.00% - 3.10%	02/01/22	Non-Callable
2012A	Refunded 2003 - Water and Sewer	GO Bonds - Utility	\$2,415,000	\$650,000	2.000%	10/01/23	Non-Callable
2018N-1	Various Projects	GO Note – Utility/General	\$1,160,000	\$726,585	2.540%	06/01/23	N/A
2019	Various Projects & Refund Series 2009	GO Bonds - Utility/General	\$9,545,000	\$9,330,000	2.00% - 3.50%	05/01/39	May 2027 @ 100%
Total:	---	---	\$17,380,000	\$12,281,585	---	---	---

*\*To be refunded with the proceeds of the Series 2020 Bonds*

**APPENDIX B**

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

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**AUDITED FINANCIAL STATEMENTS OF THE CITY OF NICHOLASVILLE, KENTUCKY FOR THE  
FISCAL YEAR ENDING JUNE 30, 2019**

Note: The entire audited financial statements and accompanying supplemental information for the City's fiscal year ending June 30, 2019 is included in this Appendix B. Potential purchasers of the Bonds are reminded that the Bonds are secured solely by, and payable solely from, the tax revenues of the City as described in the forepart of this Official Statement and that revenues described in the enclosed audited financial statements for funds other than the City's general fund have not been pledged and are not legally required to be available to pay debt service on the Bonds.

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# **CITY OF NICHOLASVILLE, KENTUCKY**

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2019**



# CITY OF NICHOLASVILLE, KENTUCKY

## TABLE OF CONTENTS JUNE 30, 2019

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	<u>Page</u>
<b>Report of Independent Auditors</b> .....	1
<b>Management’s Discussion and Analysis</b> .....	4
<b>Basic Financial Statements</b>	
Statement of Net Position.....	17
Statement of Activities.....	18
Balance Sheet – Governmental Funds .....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	22
Statement of Net Position – Proprietary Funds (Business-Type Activities).....	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds (Business-Type Activities) .....	25
Statement of Cash Flows – Proprietary Funds (Business-Type Activities) .....	26
<b>Notes to Financial Statements</b> .....	27
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – General Fund – Budget and Actual.....	86
Schedule of Proportionate Share of the Net Pension Liability County Employees Retirement System Nonhazardous .....	89

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# CITY OF NICHOLASVILLE, KENTUCKY

## TABLE OF CONTENTS JUNE 30, 2019

---

Schedule of Pension Contributions County Employees Retirement System Nonhazardous .....	90
Schedule of Proportionate Share of the Net Pension Liability County Employees Retirement System Hazardous .....	91
Schedule of Pension Contributions County Employees Retirement System Hazardous .....	92
Schedule of Proportionate Share of the Net OPEB Liability County Employees Retirement System Nonhazardous .....	93
Schedule of OPEB Contributions County Employees Retirement System Nonhazardous .....	94
Schedule of Proportionate Share of the Net OPEB Liability County Employees Retirement System Hazardous .....	95
Schedule of OPEB Contributions County Employees Retirement System Hazardous .....	96
<b>Other Supplementary Information:</b>	
Budgetary Comparison Schedule – Utilities Fund .....	97
Combining Balance Sheet – Nonmajor Governmental Funds .....	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	101
<b>Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....</b>	<b>102</b>
<b>Schedule of Findings and Responses.....</b>	<b>104</b>
<b>Summary Schedule of Prior Year Findings and Responses .....</b>	<b>105</b>

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## REPORT OF INDEPENDENT AUDITORS

To the Mayor and Board of Commissioners  
City of Nicholasville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Nicholasville, Kentucky (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The City's 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 City'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 City'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.

To the Mayor and Board of Commissioners  
City of Nicholasville, Kentucky

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in Note 19 to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, during the year ended June 30, 2019. Our opinions are not modified with respect to this matter.

### Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information – general fund, schedule of proportionate share of net pension liability in County Employees Retirement System (CERS), the schedule of pension contributions to CERS, schedule of proportionate share of net other postemployment benefits (OPEB) liability in CERS, and the schedule of OPEB contributions to CERS on pages 86 through 96, 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.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information presented on pages 97 through 101 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

To the Mayor and Board of Commissioners  
City of Nicholasville, Kentucky

financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Blue & Co., LLC*

January 23, 2020  
Lexington, Kentucky

# CITY OF NICHOLASVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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The City's management offers this narrative overview and analysis of the financial performance of the City for the fiscal year ended June 30, 2019. Readers are encouraged to read this management discussion and analysis in conjunction with the City's financial statements and the accompanying notes.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (government-wide statement of net position) at the close of the fiscal year by approximately \$105,094,000.
- Government-wide net position increased by approximately \$2,192,000 between fiscal years.
- Expenses of governmental activities net of program revenues for the fiscal year totaled approximately (\$18,699,000), while general revenues and transfers totaled approximately \$19,378,000. Net position of governmental activities thus increased approximately \$678,000.
- Program revenues of business-type activities net of program expenses for the fiscal year totaled approximately \$788,000, while general revenues and transfers totaled approximately \$725,000. Net position of business-type activities thus increased approximately \$1,513,000.
- The fund balance of the General Fund increased approximately \$2,606,000 between fiscal years. At year-end, General Fund assets exceeded fund liabilities by approximately \$19,396,000.
- The fund balance of the Planning Commission Fund decreased approximately \$4,000 between fiscal years resulting in a deficit fund balance at year-end totaling approximately (\$32,000).
- Net position of the Utilities Fund increased approximately \$1,546,000 between fiscal years. At year-end, Utilities Fund assets exceeded fund liabilities by approximately \$53,566,000.
- Net position of the Cemetery Operations Fund decreased approximately \$33,000 between fiscal years. At year-end, the Cemetery Operations Fund's assets exceeded its liabilities by \$504,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The audit report consists of four parts: management's discussion and analysis (this section), the government-wide financial statements, the fund financial statements, and the accompanying notes to the financial statements. The audit report also includes supplemental information (both required

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# CITY OF NICHOLASVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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supplemental information and additional supplemental information) to provide additional information to be considered in conjunction with the City's financial statements.

The perspectives of the government-wide financial statements and the fund financial statements are discussed below.

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

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements report information about the City as a whole 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.

The government-wide financial statements distinguish between governmental activities and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees from external parties for goods or services.

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

The statement of activities presents information showing how the City's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in other fiscal periods.

As indicated above, the government-wide financial statements divide the City's activities between governmental activities and business-type activities as follows:

- Governmental activities - Most of the City's basic services are reported here, including general administration; the police, fire, and streets departments; and the City's planning and zoning operations. Property taxes, insurance premium taxes, and occupational licenses finance most of these activities.
- Business-type activities - Activities primarily paid for from charges and fees to cover the costs of services are reported here. This includes the City's public utilities services (electric, water, and sewer) and the operations of Maple Grove Cemetery.

# CITY OF NICHOLASVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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The government-wide financial statements can be found on pages 17 and 18.

### **Fund Financial Statements:**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities, programs, or objectives. The City, like other state and local governments, uses fund accounting to demonstrate compliance with laws, regulations, and contractual agreements that establish the authority for the City's programs and services. The City reports on two fund types, governmental and proprietary, as follows:

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities (under the accrual basis of accounting). In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City maintains ten individual governmental funds, of which the General Fund is the City's only major governmental fund. The other nine funds are presented in combining statements for non-major funds (additional supplemental information) on pages 100 and 101. The governmental fund financial statements can be found on pages 19 and 21.

The City's proprietary funds include two enterprise funds. The enterprise funds include operations for the City's electric, water, and sewer (Utilities fund) systems, as well as the Maple Grove Cemetery (Cemetery Operations Fund). Both the Utilities Fund and the Cemetery Operations Fund are presented on the proprietary fund financial statements. The proprietary fund financial statements, including the statement of cash flows, can be found on pages 23 through 26.



# CITY OF NICHOLASVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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The City adopts budgets for all funds in accordance with section 91-A-030 of the Kentucky Revised Statutes. The budgetary comparison schedule for the General Fund is presented as required supplemental information on pages 86 through 88. The City has elected to present budget and actual information for the Utilities Fund as additional supplemental information on pages 97 through 99.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental fund financial statements with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison. These two reconciliations can be found on pages 20 and 22.

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 27.

### **FINANCIAL ANALYSIS OF THE CITY**

#### *Government-wide Financial Analysis:*

The City's *combined* net position increased from \$102.9 million to \$105.1 million a 2.1 percent increase over the prior year's *combined* net position.

The analysis that follows focuses on the net position and changes in net position of the City's governmental and business-type activities.

**CITY OF NICHOLASVILLE, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

**Condensed Financial Information (in thousands)**  
**Statement of Net Position**  
**As of June 30**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 21,706	\$ 19,143	\$ 12,407	\$ 11,941	\$ 34,113	\$ 31,084
Capital assets-net	62,317	60,420	78,722	78,477	141,039	138,897
Total assets	84,023	79,563	91,129	90,418	175,152	169,981
Deferred outflow of resources	11,419	14,137	2,760	3,426	14,179	17,563
Long-term obligations	38,121	38,443	32,476	33,685	70,597	72,128
Other liabilities	2,729	2,584	6,335	6,763	9,064	9,347
Total liabilities	40,850	41,027	38,811	40,448	79,661	81,475
Deferred inflows of resources	3,568	2,328	1,008	840	4,576	3,168
Invested in capital assets, net of related debt	60,580	58,185	54,405	53,090	114,985	111,275
Restricted	1,652	1,195	2,501	2,772	4,153	3,967
Unrestricted (deficit)	(11,208)	(9,035)	(2,836)	(3,306)	(14,044)	(12,341)
Total net position	\$ 51,024	\$ 50,345	\$ 54,070	\$ 52,556	\$ 105,094	\$ 102,901

Net position for the City's governmental activities increased 1.4 percent (\$51.0 million compared to \$50.3 million). Unrestricted net position, the part of assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was a deficit of \$11.2 million as of June 30, 2019.

Net position of the City's business-type activities increased 2.9 percent (\$54.1 million compared to \$52.6 million). This increase, however, cannot be used to make up for any decreases, if any, reported in governmental activities. The City generally can only use these assets to finance the continuing operations of the business-type activities (public utilities services and cemetery operations). The unrestricted net position (business-type activities) was a deficit of approximately \$2.8 million as of June 30, 2019.

**CITY OF NICHOLASVILLE, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

**Condensed Financial Information (in thousands)  
Statement of Activities  
For the Years Ended June 30**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program revenues:						
Charges for services	\$ 665	\$ 716	\$ 24,360	\$ 25,771	\$ 25,025	\$ 26,487
Operating grants/contributions	1,306	1,187	63	5	1,369	1,192
Capital grants/contributions	3,947	6,385	1,739	5,443	5,686	11,828
Taxes	8,867	8,494			8,867	8,494
Licenses, permits, and fees	10,502	9,935			10,502	9,935
Other	389	294	344	275	733	569
Total revenue	<u>25,676</u>	<u>27,011</u>	<u>26,506</u>	<u>31,494</u>	<u>52,182</u>	<u>58,505</u>
<b>Program expenses:</b>						
General government	5,603	4,823			5,603	4,823
Public safety-police	8,537	8,202			8,537	8,202
Public-safety - fire	6,306	5,926			6,306	5,926
Public works-streets	4,086	3,652			4,086	3,652
Interest on long-term debt	85	80			85	80
Electric			14,956	17,405	14,956	17,405
Water			5,293	5,318	5,293	5,318
Sewer			4,602	4,237	4,602	4,237
Cemetery operations			523	476	523	476
Total program expenses	<u>24,617</u>	<u>22,683</u>	<u>25,374</u>	<u>27,436</u>	<u>49,991</u>	<u>50,119</u>
<b>Transfers</b>	<u>(381)</u>	<u>(478)</u>	<u>381</u>	<u>478</u>		
Changes in net position	\$ <u>678</u>	\$ <u>3,850</u>	\$ <u>1,513</u>	\$ <u>4,536</u>	\$ <u>2,191</u>	\$ <u>8,386</u>

The City's total revenues decreased by 10.9 percent (\$6.3 million). The total cost of all programs and services decreased 0.2 percent (\$0.1 million). Our analysis below separately considers the operations of governmental and business-type activities.

**Governmental activities:**

Revenues for the City's governmental activities decreased 4.9 percent (\$1.3 million). Total program expenses for governmental activities increased 8.5 percent (\$1.9 million). Of the \$24.6 million of program expenses for governmental activities, approximately \$20.0 million were financed with charges for services and taxes (primarily property taxes, insurance premium tax revenues, and occupational license fee revenues).

# CITY OF NICHOLASVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### ***Business-type activities:***

Revenues of the City's business-type activities decreased 15.9 percent (\$5.0 million), and program expenses decreased by 7.5 percent (\$2.1 million). Approximately \$14.9 million of the City's program expenses (or 58.7 percent) attributable to business-type activities consist of the expenses associated with the City's electric services.

- Charges for services in the Utility Fund decreased by approximately \$1,356,000 in the current year to \$24,252,000 while operating expenses decreased by approximately \$1,949,000 (excluding expenses related to GASB 68 and 75). The decreased revenue and expenses are primarily due to a decrease in the price and the amount of energy purchased from Kentucky Utilities. The electric utility also had an increased revenue of approximately 109,000 due to an revised pole attachment agreement. Water sales revenue increased by approximately \$41,000 and wastewater sales revenues decreased by approximately \$70,000 from the previous fiscal year.
- Capital grants and contributions in the Utility Fund decreased by approximately \$3.1 million over the prior fiscal year. The Utility Fund received contributed infrastructure of about \$1.5 million from completed residential development compared to \$4.6 million the previous year.
- Program expenses in the Utility Fund decreased by about \$1,949,000 from the previous year. Electric expenses (excluding expenses related to GASB 68 and 75) decreased by about \$1,978,000 due primarily to a decrease in the price and the amount of energy purchased from Kentucky Utilities. The water utility's expenses (excluding expenses related to GASB 68 and 75) increased over the prior year by approximately \$68,000. The wastewater utility's expenditures (excluding expenses related to GASB 68 and 75) increased by approximately \$77,000.
- The Maple Grove Cemetery (Cemetery Operations Fund) had revenues of approximately \$107,000 prior to transfers of approximately \$381,000 from the General Fund. The Cemetery Operations Fund expenses (excluding expenses related to GASB 68 and 75) were approximately \$499,000.

### **Fund Financial Analysis:**

#### ***Governmental funds:***

As the City completed the year, its governmental funds reported a *combined* fund balance of \$20.3 million, a 14.0 percent increase over the prior year's *combined* fund balance.

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# CITY OF NICHOLASVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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Both revenues and expenditures increased over the prior year with revenues increasing by 3.5 percent and expenditures increasing by 5.0 percent.

General Fund revenues increased by approximately \$697,000 over the prior fiscal year. Compared to last year, tax revenues increased by approximately \$367,000, licenses/permits/fees increased by approximately \$525,000, and intergovernmental revenues decreased by approximately \$278,000.

General Fund expenditures increased by approximately \$1,232,000 over the prior fiscal year. Compared to last fiscal year, the following increases occurred: personnel services approximately \$630,000, other expenses approximately \$324,000, medical claims approximately \$268,000, and intergovernmental expenditures approximately \$148,000. Capital outlays decreased approximately \$360,000. Transfers in increased compared to last year by approximately \$556,000.

### ***Proprietary funds:***

The fund statements for the proprietary funds mirror the business-type activities in the government-wide financial statements. See the above government-wide discussion for information regarding these funds.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the fiscal year, the City Commission revised the General Fund's budget in order to make adjustments in revenue projections, add or remove projects/expenditures, and to prevent budget overruns.

After all budget revisions, the General Fund's actual net change in Fund Balance was approximately \$1,219,000 more than budgeted (actual net increase of approximately \$2,606,000 with a budgeted net increase of approximately \$1,387,000).

Actual total revenues were approximately \$633,000 more than budgeted, and expenditures were approximately \$586,000 less than budgeted. The most significant differences in revenues resulted from insurance premium taxes and occupational license fees. The most significant differences in expenditures resulted from other expenditures, intergovernmental expenditures, stormwater/refuse/paving, and transfers out.

### **CAPITAL ASSETS ADMINISTRATION**

As of June 30, 2019, the City had approximately \$141,039,000 invested in capital assets (net of accumulated depreciation). The following table summarizes the changes in net capital assets (in thousands) between fiscal years 2019 and 2018.

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**CITY OF NICHOLASVILLE, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Non-depreciable capital assets:						
Land and improvements	\$ 3,411	\$ 3,013	\$ 637	\$ 637	\$ 4,048	\$ 3,650
Construction in progress	704	802	498	1,499	1,202	2,301
Depreciable capital assets:						
Buildings and improvements	3,753	3,729	209	162	3,962	3,891
Equipments & Vehicles	9,751	10,386	10,526	10,316	20,277	20,702
Infrastructure	101,049	96,901			101,049	96,901
Electric system			14,498	13,997	14,498	13,997
Water System			45,157	43,992	45,157	43,992
Sewer System			52,658	51,016	52,658	51,016
Accumulated depreciation	<u>(56,351)</u>	<u>(54,411)</u>	<u>(45,461)</u>	<u>\$ (43,142)</u>	<u>(101,812)</u>	<u>(97,553)</u>
Totals	<u>\$ 62,317</u>	<u>\$ 60,420</u>	<u>\$ 78,722</u>	<u>\$ 78,477</u>	<u>\$ 141,039</u>	<u>\$ 138,897</u>

As of June 30, 2019, construction in progress for governmental activities consisted of the study and design of an integrated bicycle/pedestrian system; phase two of a project to improve the downtown streetscape; repairs to the foundation and wall of Fire Station #2; a study to determine necessary repairs and improvements to a dam; and the constructing and equipping of a new fire station. Construction in progress for business-type activities as of June 30, 2019 consisted of capital expenditures for water distribution system improvements and sanitary sewer improvements including an expansion of a waste water treatment plant. Current year depreciation expense totaled approximately \$5.85 million.

Additional information on the City's capital assets can be found in Note 6 to the financial statements.

**CITY OF NICHOLASVILLE, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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**DEBT ADMINISTRATION**

The following table summarizes the principal outstanding on the City's long-term obligations (in thousands) as of June 30, 2019 and 2018:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 1,320	\$ 1,593	\$ 6,020	\$ 6,578	\$ 7,340	\$ 8,171
Loans	480	726	18,427	18,962	18,907	19,688
Totals	<u>\$ 1,800</u>	<u>\$ 2,319</u>	<u>\$ 24,447</u>	<u>\$ 25,540</u>	<u>\$ 26,247</u>	<u>\$ 27,859</u>

The fluctuations between years are attributed to draws on a general obligation note, draws on KIA loans, and continued payments of principal. Additional information on the City's long-term obligations can be found in Note 7 to the financial statements.

**Net Pension Liability and Deferred Outflows & Inflows Related to Pensions**

The following table summarizes (in thousands) the changes in net pension liability along with the changes in deferred outflows and deferred inflows of resources related to pensions:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Net Pension Liability	\$ (28,351)	\$ (26,716)	\$ (8,059)	\$ (7,757)	\$ (36,410)	\$ (34,473)
Deferred Outflows	8,214	10,055	2,004	2,574	10,218	12,629
Deferred Inflows	(1,717)	(1,703)	(573)	(706)	(2,290)	(2,409)

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# CITY OF NICHOLASVILLE, KENTUCKY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### **Net OPEB Liability and Deferred Outflows & Inflows Related to OPEB**

The following table summarizes (in thousands) the changes in net other post employment benefits (OPEB) liability along with the changes in deferred outflows and deferred inflows of resources related to OPEB.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Net OPEB Liability	\$ (8,349)	\$ (9,790)	\$ (2,344)	\$ (2,640)	\$ (10,693)	\$ (12,430)
Deferred Outflows	3,156	4,014	664	738	3,820	4,752
Deferred Inflows	(1,851)	(625)	(434)	(134)	(2,285)	(759)

### **CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

In August 2017, the City and Jessamine County (the "County") entered into an inter-local cooperation agreement under which both the City and County have agreed to make annual appropriations from their budgets to the Development Authority to fund the acquisition, development, and promotion of an industrial park located off Shun Pike (the "Project"). Both the City and County have agreed to share equally in the costs of the Project, including the repayment of any indebtedness incurred by the Development Authority. In August 2017, the Development Authority executed, with a local bank, a draw down loan secured by a mortgage on the Shun Pike property. The loan had a maturity date of September 2018, and was renewed at that time to September 2019. The maturity date has since been extended to December 2019. The loan has a fixed interest rate of 4.75%, requires monthly interest payments, and the principal is due upon maturity. The amount of principal outstanding as of June 30, 2019 totals \$1,268,585.

In September 2018, the City entered into an assistance agreement with the Kentucky Infrastructure Authority for a \$553,000 loan (Fund F17-001). The proceeds of the loan will be used to construct a twelve inch water main and a bidirectional booster pump station between the Nicholasville and Jessamine-South Elkhorn Water District systems. This will permit either utility to supply the other in the event of an emergency need. The loan's interest rate is 1.75%, and there is a .25% service fee. Semi-annual interest payments will commence within six months from the first draw of funds, and principal is to be repaid semi-annually starting within one year of the initiation of operations.

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## CITY OF NICHOLASVILLE, KENTUCKY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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In October 2018, the City received a Highway Safety Grant from the Commonwealth of Kentucky for \$21,200. The grant is to help deter speeding, impaired driving, and other traffic violations thus improving highway safety.

In September 2019, the City received a \$646,264 grant from the Department of Homeland Security to assist in paying the wages and benefits for six fire fighters over a period of three years. The City is required to match \$401,732 of these grant funds.

In September 2019, the City transferred land from the Utilities Fund to the General Fund in exchange for a cash payment and the assumption by the General Fund of the Utilities Fund's share of future 2011A General Obligation Bond debt service payments.

In October 2019, the City issued General Obligation Bonds, Series 2019 (the "2019 Bonds"), in the amount of \$9,545,000. Of these proceeds, \$5,675,000 will be used to finance the acquisition and furnishing of a new fire truck, the construction and equipping of a new fire station, partial construction and equipping of a new police station, and related debt issuance costs. The remaining proceeds of \$3,870,000 will be used to refund, pay, and redeem the outstanding General Obligation Bonds, Series 2009, and for related debt issuance costs. Principal on the outstanding 2019 Bonds is due annually each May 1 through May 1, 2039 in amounts ranging from \$215,000 to \$755,000. The bonds maturing on May 1 of years 2030, 2032, 2034, 2037, and 2039 are term bonds subject to mandatory sinking fund redemption. The outstanding 2019 Bonds bear interest, from the current period to completion, at rates ranging from 2.00% to 3.50% with interest due semiannually each May 1 and November 1. The bonds maturing on or after May 1, 2028, are subject to optional redemption on or after May 1, 2027. The General Fund carries \$5,675,000 and the Utilities Fund carries \$3,870,000 of the outstanding 2019 Bonds on their books. The debt carried on the General Fund's books is serviced with General Fund tax revenues. The debt carried on the Utilities Fund's books is serviced with excess revenues from the City's combined utility system. In the event that these excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues.

In October 2019, the City received a Highway Safety Grant from the Commonwealth of Kentucky for \$21,050. The grant is to help deter speeding, seat belt violations, and other traffic violations thus improving highway safety.

In October 2019, the City received an \$84,000 grant from the Kentucky Fire Commission to improve its fire training facilities. The City is not required to match these grant funds.

In November 2019, the City entered into an assistance agreement with the Kentucky Infrastructure Authority to increase the amount of KIA Loan Fund A15-090 to \$906,446, a \$565,466 increase. Fund A15-090 provides financing for the Orchard Parallel Sanitary Sewer Project which is part of the City's Sanitary Sewer Overflow Corrective Action Plan. The project will replace/up-size approximately 2,400

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## **CITY OF NICHOLASVILLE, KENTUCKY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

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linear feet of an existing gravity sewer to provide sufficient capacity to convey wastewater flows. The interest rate for the loan is 2.75%, and there is a .20% service fee. Semi-annual interest payments began with the first draw. Semi-annual principal payments will commence within twelve months from initiation of operations which is estimated to be during the summer of 2020. The loan shall be repaid over a period not to exceed 20 years.

In November 2019, the City entered into an assistance agreement with the Kentucky Infrastructure Authority for a \$910,000 loan (Fund A20-045). The proceeds of the loan will be used to plan and design an expansion of the City's waste water treatment plant. The loan's interest rate is 2.50%, and there is a .20% service fee. Semi-annual interest payments will commence within six months of the first draw. Semi-annual principal payments will begin within one year of the initiation of operations, and the loan shall be repaid over a period not to exceed five years.

The Jessamine Creek Environmental Control Facility is the City's only wastewater treatment plant. It has reached its rated capacity and must be expanded to be in compliance with environmental regulations. The project will increase the rated capacity from 4.1 million gallons per day (mgd) to approximately 7.1 mgd. The original design of the plant allocated space for an expansion on site. The expansion will consist of the addition of a 3.0 mgd oxidation ditch and splitter box, the construction of a new 100' diameter Clarifier, a second Aerobic Digester, a new chemical feed system and building will be constructed. Additionally, the existing grit removal equipment, Ultra Violet disinfection equipment, WWTP Drain Pumping Station, Sludge Processing conveyor system, Clarifiers No.1 & 2 equipment and drives, Supervisory Control and Data Acquisition (SCADA) System and replaced with new. The existing emergency generators and automatic transfer switches at influent pump station No.1 and the main plant will be replaced with larger generators and switches. The project will also include necessary site work, yard piping, and mechanical & electrical improvements. The project is estimated to cost \$16,000,000 and be completed in FY 2023.

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

This financial report is designed to provide a general overview of the City's finances. If you have any questions concerning the information provided in this report or need additional financial information, contact Laurie Young, CMA, Finance Officer, 601 North Main Street, Nicholasville, Kentucky, 40356

# CITY OF NICHOLASVILLE, KENTUCKY

## STATEMENT OF NET POSITION JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 11,859,612	\$ 3,109,981	\$ 14,969,593
Investments	5,298,503	1,429,204	6,727,707
Accounts receivable, net	3,504,609	3,170,774	6,675,383
Other receivables	250,719	222,147	472,866
Prepays	36,777	978	37,755
Restricted cash and cash equivalents	783,250	617,319	1,400,569
Restricted investments	10,600	1,883,286	1,893,886
Capital assets, net	62,317,518	78,721,554	141,039,072
Other long term assets	-0-	1,935,358	1,935,358
Internal balances	(37,763)	37,763	-0-
<b>Total assets</b>	<b>84,023,825</b>	<b>91,128,364</b>	<b>175,152,189</b>
<b>Deferred outflows of resources</b>			
Related to debt	49,069	92,373	141,442
Related to OPEB	3,155,909	663,729	3,819,638
Related to pension	8,213,621	2,004,198	10,217,819
<b>Total deferred outflows of resources</b>	<b>11,418,599</b>	<b>2,760,300</b>	<b>14,178,899</b>
<b>Total assets and deferred outflows</b>	<b>\$ 95,442,424</b>	<b>\$ 93,888,664</b>	<b>\$ 189,331,088</b>
<b>Liabilities</b>			
Accounts payable	\$ 522,418	\$ 2,606,018	\$ 3,128,436
Accrued expenses	609,478	66,771	676,249
Accrued interest payable	19,260	211,683	230,943
Meter deposits and other liabilities	731,768	864,319	1,596,087
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	433,400	225,765	659,165
Long-term debt	413,157	2,360,178	2,773,335
Portion due or payable after one year:			
Compensated absences	46,948	24,780	71,728
Long-term debt	1,373,132	22,048,701	23,421,833
Net OPEB liability	8,349,382	2,344,329	10,693,711
Net pension liability	28,351,485	8,058,490	36,409,975
<b>Total liabilities</b>	<b>40,850,428</b>	<b>38,811,034</b>	<b>79,661,462</b>
<b>Deferred inflows of resources</b>			
Related to OPEB	1,850,907	434,461	2,285,368
Related to pension	1,716,737	573,477	2,290,214
<b>Total deferred inflows of resources</b>	<b>3,567,644</b>	<b>1,007,938</b>	<b>4,575,582</b>
<b>Total liabilities and deferred inflows</b>	<b>44,418,072</b>	<b>39,818,972</b>	<b>84,237,044</b>
<b>Net position (deficit)</b>			
Invested in capital assets, net of related debt	60,580,298	54,405,048	114,985,346
Restricted for:			
Debt service	154,197	491,062	645,259
Capital projects	-0-	2,009,543	2,009,543
Community development	10,799	-0-	10,799
Parks and recreation	6,988	-0-	6,988
Public services - streets	448,783	-0-	448,783
Public safety	1,020,633	-0-	1,020,633
Permanent fund - cemetery	10,600	-0-	10,600
Unrestricted (deficit)	(11,207,946)	(2,835,961)	(14,043,907)
<b>Total net position (deficit)</b>	<b>51,024,352</b>	<b>54,069,692</b>	<b>105,094,044</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 95,442,424</b>	<b>\$ 93,888,664</b>	<b>\$ 189,331,088</b>

See accompanying notes to financial statements.

**CITY OF NICHOLASVILLE, KENTUCKY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
General government	\$ 5,602,858	\$ 273,738	\$ 97,242	\$ 114,802	\$ (5,117,076)	\$ -0-	\$ (5,117,076)
Public safety - police	8,537,146	390,623	388,201	17,825	(7,740,497)	-0-	(7,740,497)
Public safety - fire	6,305,749	500	251,321	-0-	(6,053,928)	-0-	(6,053,928)
Public works - streets	4,086,028	-0-	568,805	3,813,980	296,757	-0-	296,757
Interest on long-term debt	84,635	-0-	-0-	-0-	(84,635)	-0-	(84,635)
Total Government Activities	24,616,416	664,861	1,305,569	3,946,607	(18,699,379)	-0-	(18,699,379)
<b>Business-type activities:</b>							
Electric	14,955,838	15,234,188	60,567	241,947	-0-	580,864	580,864
Water	5,293,248	5,323,822	557	14,459	-0-	45,590	45,590
Sewer	4,601,568	3,694,175	2,443	1,482,281	-0-	577,331	577,331
Cemetery operations	523,390	107,419	-0-	-0-	-0-	(415,971)	(415,971)
Total Business-Type Activities	25,374,044	24,359,604	63,567	1,738,687	-0-	787,814	787,814
<b>Total Primary Government</b>	<b>\$ 49,990,460</b>	<b>\$ 25,024,465</b>	<b>\$ 1,369,136</b>	<b>\$ 5,685,294</b>	<b>(18,699,379)</b>	<b>787,814</b>	<b>(17,911,565)</b>
<b>General Revenues</b>							
Taxes:							
Property taxes, levied for general purposes					4,229,442	-0-	4,229,442
Insurance premium taxes					4,445,996	-0-	4,445,996
Motel Tax					99,702	-0-	99,702
Bank deposit tax					91,817	-0-	91,817
Licenses, permits, and fees:							
Occupational fee - net profit taxes					8,484,965	-0-	8,484,965
Franchise taxes					1,351,124	-0-	1,351,124
Alcohol regulatory fee					666,469	-0-	666,469
Income from investment and capital assets					31,882	42,244	74,126
Miscellaneous					357,399	302,214	659,613
Transfers					(380,969)	380,969	-0-
Total general revenues and transfers					19,377,827	725,427	20,103,254
Change in net position					678,448	1,513,241	2,191,689
Net position - beginning					50,345,904	52,556,451	102,902,355
Net position - ending					\$ 51,024,352	\$ 54,069,692	\$ 105,094,044

See accompanying notes to financial statements.

**CITY OF NICHOLASVILLE, KENTUCKY**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

JUNE 30, 2019

	<b>Governmental Funds</b>		
	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 11,847,549	\$ 12,063	\$ 11,859,612
Investments	5,298,503	-0-	5,298,503
Accounts receivable, net	3,340,769	163,839	3,504,608
Other receivables	73,532	91,709	165,241
Restricted cash and cash equivalents	135,139	648,111	783,250
Restricted investments	-0-	10,600	10,600
Due from other funds	-0-	3,630	3,630
<b>Total assets</b>	<b>\$ 20,695,492</b>	<b>\$ 929,952</b>	<b>\$ 21,625,444</b>
<b>Liabilities and fund balance</b>			
Liabilities:			
Accounts payable	\$ 513,427	\$ 8,991	\$ 522,418
Accrued payable expenses	599,028	10,450	609,478
Other liabilities	160,667	3,144	163,811
Due to (from) other funds	26,128	15,265	41,393
<b>Total liabilities</b>	<b>1,299,250</b>	<b>37,850</b>	<b>1,337,100</b>
Fund balance:			
Nonspendable:			
Permanent fund - cemetery	-0-	10,600	10,600
Restricted for:			
Community development	10,799	-0-	10,799
Parks and recreation	-0-	6,988	6,988
Public safety	129,365	660,184	789,549
Debt service	-0-	154,197	154,197
Public services - streets	-0-	80,338	80,338
Assigned for:			
Special revenue fund	-0-	12,057	12,057
Unassigned for:			
General funds	19,256,078	-0-	19,256,078
Special revenue fund	-0-	(32,262)	(32,262)
<b>Total fund balance</b>	<b>19,396,242</b>	<b>892,102</b>	<b>20,288,344</b>
<b>Total liabilities and fund balance</b>	<b>\$ 20,695,492</b>	<b>\$ 929,952</b>	<b>\$ 21,625,444</b>

*See accompanying notes to financial statements.*

# CITY OF NICHOLASVILLE, KENTUCKY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Fund balance - total governmental funds		\$ 20,288,344
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital assets		62,317,518
<p>Certain long-term assets are not available to pay for current year expenditures and, therefore, are not reported in the governmental funds. These include deferred receivables, accrued interest receivable, and deferred outflows of resources related to debt.</p>		
		171,323
<p>Long-term obligations, including accrued payables and contingencies, are not due and payable in the current year and, therefore, are not reported in the governmental funds.</p>		
		(567,955)
<p>Long-term obligations and compensated absences are not due and payable in the current year and, therefore, are not reported in the governmental funds.</p>		
		(480,348)
<p>Long-term obligations, including accrued interest payables on bonds, are not due and payable in the current year and, therefore, are not reported in the governmental funds.</p>		
Accrued interest payable	(19,260)	
General obligation bond and notes	(1,786,289)	
		(1,805,549)
<p>Some liabilities, including net pension and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds</p>		
		(36,700,867)
<p>Deferred outflows and inflow of resources related to pension and OPEB are applicable to future periods, and therefore, are not reported in the governmental funds.</p>		
Deferred outflows of resources related to pensions	8,213,621	
Deferred outflows of resources related to OPEB	3,155,909	
Deferred inflows of resources related to pensions	(1,716,737)	
Deferred inflows of resources related to OPEB	(1,850,907)	
		(28,898,981)
Net position of governmental activities		\$ 51,024,352

*See accompanying notes to financial statements.*

**CITY OF NICHOLASVILLE, KENTUCKY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

	<b>Governmental Funds</b>		
	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Totals</b>
<b>Revenues:</b>			
Taxes	\$ 8,874,296	-0-	\$ 8,874,296
Licenses, permits, and fees	9,889,148	896,141	10,785,289
Fines and forfeitures	196,598	-0-	196,598
Intergovernmental	1,088,006	716,982	1,804,988
Others	366,519	110,849	477,368
<b>Total revenues</b>	<b>20,414,567</b>	<b>1,723,972</b>	<b>22,138,539</b>
<b>Expenditures:</b>			
Current:			
General government	4,316,401	854,732	5,171,133
Public safety - police	6,066,511	115,002	6,181,513
Public safety - fire	4,385,480	2,248	4,387,728
Public works - streets	1,162,982	542,000	1,704,982
Debt service:			
Principal	-0-	518,670	518,670
Interest	-0-	66,347	66,347
Capital outlay	905,066	204,537	1,109,603
Other grant expenditures	127,228	-0-	127,228
<b>Total Expenditures</b>	<b>16,963,668</b>	<b>2,303,536</b>	<b>19,267,204</b>
Excess of Revenues Over (Under) Expenditures	3,450,899	(579,564)	2,871,335
Other Financing Sources (Uses):			
Interfund transfers in	662,208	1,125,822	1,788,030
Interfund transfers out	(1,506,791)	(662,208)	(2,168,999)
Total Other Financing Sources (Uses)	(844,583)	463,614	(380,969)
Net Change In Fund Balances	2,606,316	(115,950)	2,490,366
Beginning Fund Balance	16,789,926	1,008,052	17,797,978
<b>Ending Fund Balance</b>	<b>\$ 19,396,242</b>	<b>\$ 892,102</b>	<b>\$ 20,288,344</b>

*See accompanying notes to financial statements.*

## CITY OF NICHOLASVILLE, KENTUCKY

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds		\$ 2,490,366
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.</p>		
Capital outlay	1,225,418	
Contributed assets	3,831,805	
Depreciation expense	(2,893,601)	
Difference	2,163,622	2,163,622
<p>Certain receivables and prepaid expenses that do not provide current financial resources are not reported as revenue in the funds</p>		
		(294,512)
<p>Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Principal payments is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Loan principal retirement	246,170	
Bond principal retirement	272,500	
Amortization of deferred outflows related to debt	(18,995)	
		499,675
<p>Changes in accrued interest payable</p>		
<p>The net pension and OPEB expense is an actuarial calculation and does not require the use of current financial resources and it is excluded as an expenditure in governmental funds. Additionally, since the current year contributions to the pension plan will be included in the subsequent year's pension expense calculation, those contributions should not be considered in the government-wide statements.</p>		
		(4,134,197)
<p>Long-term obligations and compensated absences are not payable from current year resources and are not reported as expenditures of the current year. In the statement of activities, these costs represent expenses of the current year</p>		
		(50,109)
<p>Certain liabilities in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures of the governmental funds.</p>		
		3,603
Change in net position of governmental activities		\$ 678,448

*See accompanying notes to financial statements.*



**CITY OF NICHOLASVILLE, KENTUCKY**

STATEMENT OF NET POSITION –  
 PROPRIETARY FUNDS (BUSINESS-TYPE ACTIVITIES)  
 JUNE 30, 2019

	<b>Business-Type Activities</b>		
	Utilities Fund	Cemetery Operations Fund	Totals
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 3,015,533	\$ 94,448	\$ 3,109,981
Investments	1,429,204	-0-	1,429,204
Accounts receivable, net	3,170,774	-0-	3,170,774
Other receivables	222,139	8	222,147
Other current assets	978	-0-	978
Due from other funds	39,848	-0-	39,848
<b>Total current assets</b>	<b>7,878,476</b>	<b>94,456</b>	<b>7,972,932</b>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	617,319	-0-	617,319
Restricted investments	1,883,286	-0-	1,883,286
Capital assets, net	77,788,216	933,338	78,721,554
Other long term receivables, net	1,935,358	-0-	1,935,358
<b>Total noncurrent assets</b>	<b>82,224,179</b>	<b>933,338</b>	<b>83,157,517</b>
<b>Total assets</b>	<b>90,102,655</b>	<b>1,027,794</b>	<b>91,130,449</b>
Deferred outflows of resources related to debt	92,373	-0-	92,373
Deferred outflows of resources related to pension	1,892,087	112,111	2,004,198
Deferred outflows of resources related to OPEB	626,162	37,567	663,729
<b>Total deferred outflows of resources</b>	<b>2,610,622</b>	<b>149,678</b>	<b>2,760,300</b>
<b>Total assets and deferred outflows</b>	<b>\$ 92,713,277</b>	<b>\$ 1,177,472</b>	<b>\$ 93,890,749</b>

*See accompanying notes to financial statements.*

**CITY OF NICHOLASVILLE, KENTUCKY**

STATEMENT OF NET POSITION –  
 PROPRIETARY FUNDS (BUSINESS-TYPE ACTIVITIES)  
 JUNE 30, 2019

	<b>Business-Type Activities</b>		
	Cemetery		Totals
	Utilities Fund	Operations Fund	
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	2,597,348	8,670	\$ 2,606,018
Accrued payroll expenses	62,511	4,260	66,771
Accrued interest payable	211,683	-0-	211,683
Current portion of accrued compensated absences	210,243	15,522	225,765
Meter deposits and other liabilities	861,374	2,945	864,319
Current portion of long-term debt	2,360,178	-0-	2,360,178
Due to (from) other fund	-0-	2,085	2,085
<b>Total current liabilities</b>	<b>6,303,337</b>	<b>33,482</b>	<b>6,336,819</b>
<b>Noncurrent liabilities:</b>			
Accrued compensated absences	20,549	4,231	24,780
Long-term debt	22,048,701	-0-	22,048,701
Net pension liability	7,608,594	449,896	8,058,490
Net OPEB liability	2,215,319	129,010	2,344,329
<b>Total noncurrent liabilities</b>	<b>31,893,163</b>	<b>583,137</b>	<b>32,476,300</b>
<b>Total liabilities</b>	<b>38,196,500</b>	<b>616,619</b>	<b>38,813,119</b>
Deferred inflows of resources related to OPEB	409,717	24,744	434,461
Deferred inflows of resources related to pension	541,217	32,260	573,477
<b>Total deferred inflows of resources</b>	<b>950,934</b>	<b>57,004</b>	<b>1,007,938</b>
<b>Total liabilities and deferred inflows</b>	<b>39,147,434</b>	<b>673,623</b>	<b>39,821,057</b>
<b>Net position</b>			
Invested in capital assets, net of related debt	53,471,710	933,338	54,405,048
Restricted			
Debt service	491,062	-0-	491,062
Capital projects	2,009,543	-0-	2,009,543
Unrestricted	(2,406,472)	(429,489)	(2,835,961)
<b>Total net position</b>	<b>53,565,843</b>	<b>503,849</b>	<b>54,069,692</b>
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 92,713,277</b>	<b>\$ 1,177,472</b>	<b>\$ 93,890,749</b>

See accompanying notes to financial statements.

**CITY OF NICHOLASVILLE, KENTUCKY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –  
 PROPRIETARY FUNDS (BUSINESS-TYPE ACTIVITIES)  
 FOR THE YEAR ENDED JUNE 30, 2019

	<b>Business-Type Activities</b>		
	Cemetery		Totals
	Utilities Fund	Operations Fund	
<b>Operating revenues:</b>			
Charges for services	\$ 23,769,025	\$ -0-	\$ 23,769,025
Grave sales, openings, and closings	-0-	96,600	96,600
Penalties and service charges	461,131	-0-	461,131
Others	299,926	10,819	310,745
<b>Total operating revenues</b>	<b>24,530,082</b>	<b>107,419</b>	<b>24,637,501</b>
<b>Operating expenses:</b>			
Utility administration	2,609,494	-0-	2,609,494
Electric department	13,492,154	-0-	13,492,154
Meter operations	779,514	-0-	779,514
Water distribution	994,708	-0-	994,708
Water treatment	1,532,225	-0-	1,532,225
Sewer collection	569,175	-0-	569,175
Sewer treatment	1,200,600	-0-	1,200,600
Cemetery operations	-0-	485,255	485,255
Depreciation expense	2,917,026	38,133	2,955,159
<b>Total operating expenses</b>	<b>24,094,896</b>	<b>523,388</b>	<b>24,618,284</b>
Operating income (loss)	435,186	(415,969)	19,217
<b>Non-operating revenues (expenses):</b>			
Water and sewer tap fees	134,600	-0-	134,600
Pole attachment fees	108,810	-0-	108,810
Grant revenue	320,355	-0-	320,355
Income from investments	94,943	34	94,977
Interest expense	(734,025)	-0-	(734,025)
Amortization expense	(21,735)	-0-	(21,735)
Miscellaneous income (expense)	27,542	-0-	27,542
(Loss) gain on disposal of capital assets	(296,063)	2,138	(293,925)
<b>Total non-operating revenue (expenses)</b>	<b>(365,573)</b>	<b>2,172</b>	<b>(363,401)</b>
Income (Loss) Before Contributions and Transfers	69,613	(413,797)	(344,184)
Contributed assets	1,476,456	-0-	1,476,456
Transfers In	-0-	380,969	380,969
Change in net position	1,546,069	(32,828)	1,513,241
Total net position - beginning,	52,019,774	536,677	52,556,451
<b>Total net position - ending</b>	<b>\$ 53,565,843</b>	<b>\$ 503,849</b>	<b>\$ 54,069,692</b>

*See accompanying notes to financial statements.*

**CITY OF NICHOLASVILLE, KENTUCKY**

**STATEMENT OF CASH FLOWS –  
PRORIETARY FUNDS (BUSINESS-TYPE ACTIVITIES)  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-Type Activities</b>		
	<b>Utilities Fund</b>	<b>Cemetery Operations Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 24,809,044	\$ 96,600	\$ 24,905,644
Other operating receipts	299,926	10,817	310,743
Cash payments to suppliers for goods and services	(16,107,506)	(116,881)	(16,224,387)
Cash payments to employees for services	(4,844,603)	(325,166)	(5,169,769)
Net cash flows from operating activities	4,156,861	(334,630)	3,822,231
<b>Cash flows from non-capital financing activities:</b>			
Operating transfers - in from other funds	-0-	380,969	380,969
Net cash flows from non-capital financing activities	-0-	380,969	380,969
<b>Cash flows from capital and related financing activities</b>			
Water and sewer tap fees	134,600	-0-	134,600
Pole attachment fees	108,810	-0-	108,810
Capital grants received	347,897	-0-	347,897
Borrowing under long term obligations	1,187,207	-0-	1,187,207
Proceeds from sales of capital assets	93,173	2,138	95,311
Purchases of capital assets	(1,973,761)	(65,667)	(2,039,428)
Principal paid on long-term debt	(2,279,036)	-0-	(2,279,036)
Interest paid on long-term debt	(734,346)	-0-	(734,346)
Net cash flows from capital and related financing activities	(3,115,456)	(63,529)	(3,178,985)
<b>Cash flows from investing activities</b>			
Proceeds from sales of investments	278,112	-0-	278,112
Purchases of investments	(120,139)	-0-	(120,139)
Income from investments	94,943	34	94,977
Net cash flows from investing activities	252,916	34	252,950
Net increase (decrease) in cash equivalents	1,294,321	(17,156)	1,277,165
Cash and cash equivalents at beginning of year	2,338,531	111,604	2,450,135
Cash and cash equivalents at end of year	\$ 3,632,852	\$ 94,448	\$ 3,727,300
<b>Shown in the financial statements as:</b>			
Cash and cash equivalents	3,015,533	94,448	3,109,981
Restricted cash and cash equivalents	617,319	-0-	617,319
	\$ 3,632,852	\$ 94,448	\$ 3,727,300
<b>Reconciliation of net operating income (loss) to net cash flows from operating activities</b>			
Operating income (loss)	\$ 435,186	\$ (415,969)	\$ 19,217
Adjustments			
Depreciation expense	2,917,026	38,133	2,955,159
Net changes in assets/liabilities:			
Accounts receivable	292,979	-0-	292,979
Other receivables and other current assets	285,909	(2)	285,907
Accounts payable	(368,948)	(2,825)	(371,773)
Accrued payroll expenses	(3,158)	(2,115)	(5,273)
Accrued leave expenses	14,701	1,803	16,504
Meter deposits and other liabilities	(189,036)	(78)	(189,114)
Due to other funds	(20,296)	157	(20,139)
Net OPEB liability	(278,930)	(16,909)	(295,839)
Net pension liability	283,901	17,211	301,112
Deferred inflows	158,271	9,595	167,866
Deferred outflows	629,256	36,369	665,625
Net cash flows from operating activities	\$ 4,156,861	\$ (334,630)	\$ 3,822,231

*See accompanying notes to financial statements.*

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the City of Nicholasville, Kentucky (the City) is presented to assist in understanding the City's financial statements. The financial statements and the related notes are representations of the City's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### **A. FINANCIAL REPORTING ENTITY**

The City operates under the City Commission form of government and provides the following services as authorized by its charter: public safety, public works, recreation, and community development.

The financial statements of the City include the funds, account groups, and entities over which the Mayor and the City Commission are financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB Statement No. 14, 39, and 61, was determined on the basis of the City's ability to significantly influence operations, select the governing authority, and participate in fiscal management and the scope of the public service. The Nicholasville Planning Commission has been included in the financial statements because of these criteria.

The reporting entity may also include organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the City is financially accountable or the organization's exclusion would cause the City's financial statements to be misleading or incomplete. The City has evaluated various organizations with which it is related. Currently, the accompanying financial statements do not reflect any component units.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility, is a joint venture. Based upon these criteria, the Jessamine County Joint Economic Development Authority (the Development Authority) and the Nicholasville-Jessamine County Joint Board of Parks and Recreation (Parks and Recreation) are considered joint ventures of the City. The City has no equity interest in either organization as evidenced by an explicit and measurable right to the organization's net resources. A mere residual interest in the organization's assets upon dissolution is not reflective of an equity interest.

As joint ventures in which the City has no equity interest, the Development Authority and Parks and Recreation have been excluded from the City's financial statements. Also see Note 14.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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A related organization is an entity for which the primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The City's officials are responsible for appointing the members of the boards of several other organizations, but the City's accountability, for these organizations, does not extend beyond making these appointments. The City's Mayor, with the consent of the City Commissioners, appoints board members of the Housing Authority of Nicholasville, the Jessamine County Chamber of Commerce, the Nicholasville Historic Preservations Commission, and the local Jessamine County Board of Assessment Appeals. See also Note 14.

### **B. BASIS OF PRESENTATION**

As a result of adopting Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," in the year ended June 30, 2003, the financial statements include a Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations. The City also presents two sets of financial statements: government-wide financial statements and fund financial statements. Reconciliations between the two sets of financial statements are provided within the financial statements.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The City applies all Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

#### Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. These statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Business-type activities are financed in whole or in part by fees from external parties for goods or services.

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

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*.

### Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds reported by the City are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the City or if the total assets, liabilities, revenues, or expenses/expenditures of the individual fund are at least ten percent of the corresponding total and whose total assets, liabilities, revenues, or expenses/expenditures are at least five percent of the corresponding total for all governmental and proprietary funds combined.

Governmental funds are those through which most of the City's functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the City's governmental funds:

*General Fund* – This fund represents the general operations of the City and accounts for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection and the general administration of the government are reported in this fund. The General Fund is the City's only major governmental fund.

*Special revenue and other non-major funds* are governmental funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or capital projects) that are restricted by law to be expended for specific purposes. The City maintains the following *non-major* (not meeting the criteria of a major fund) *funds*.

*Planning Commission Fund* – This fund was established as a special revenue fund to account for the planning and zoning operations of the Nicholasville Planning Commission. The Nicholasville Planning Commission is funded in part by the City's General Fund.

*Municipal Aid Program Fund* – This is a special revenue fund to account for the funds received from the Kentucky Transportation Cabinet's Department of Rural and Municipal Aid. The grant funds are to be expended exclusively on road repairs, maintenance, and improvements.

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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*Drug Enforcement Forfeiture Fund* – This fund is used to account for the activity associated with property which is seized in drug related arrests (both federal and state criminal cases).

*DARE Fund* – This fund is used to account for the activity associated with the City's Drug Abuse Resistance Education program.

*Fire Prevention Fund* – This fund is used to account for activity associated with the City's Fire Prevention program.

*LGEA Fund* – This special revenue fund is used to account for grants received by the City from the State's Local Government Economic Assistant Fund (mineral taxes).

*Debt Service Fund* – The debt service fund is used to account for the accumulation of resources used to pay the principal and interest on the City's general obligation bonds and notes. (See Note 7)

*Alcoholic Beverage Control Regulatory Fund* – This fund is used to account for the regulatory license fee imposed upon gross receipts from the sale of alcoholic beverages.

*Permanent funds* are governmental funds used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purpose of supporting the reporting government's programs. The City maintains the following non-major (not meeting the criteria of a major fund) permanent fund:

*Permanent Cemetery Fund* – This fund accounts for the Anne Scott Trust which is designated to maintain the Scott Family lot in the Maple Grove Cemetery.

The City's proprietary funds are used to account for the activities of the City which are similar to those found in private business enterprises. The City's proprietary fund types, both enterprise funds, were established to account for the acquisition, operation, and maintenance of the City's facilities and services which are predominately self-supported by user charges or where the City has decided that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City's enterprise operations are included in the following funds:

*Utilities Fund* – The Utilities Fund is used to account for the electric, water, and sewer services provided to residents of the City and surrounding areas, the operations of which are financed by user charges. The Utilities Fund is the City's only major proprietary fund.

*Cemetery Operations Fund* – This fund is used to account for the provision of cemetery lots, burial and cemetery maintenance services to the residents of the City and the surrounding areas.

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

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

#### Measurement Focus:

The government-wide financial statements report information on all of the activities of the City. In the government-wide statement of net position and statement of activities both governmental and business-type activities are presented using the economic resources measurement focus as defined in item B below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as indicated.

- A. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### Basis of Accounting:

In the government-wide statement of net position and statement of activities both governmental and business-type 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, regardless of the timing of related cash flows.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual and are recognized in the financial statements when they are measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. “Measurable” means knowledge of being able to reasonably estimate the amount. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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days of year-end. Expenditures (including capital outlay) are generally recorded when the related fund liability is incurred, as under accrual accounting, however, certain expenditures, such as those related to accrued leave and debt service, are recorded only when payment is due.

The proprietary funds utilize the accrual basis of accounting as defined above.

Revenues such as charges for service, property taxes, franchise taxes, licenses, investment earnings, and intergovernmental revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Permits, fines, and forfeitures, and certain other revenues are recorded as revenues when received because they are generally not measurable until actually received.

### **D. USE OF ESTIMATES**

The preparation of financial statements in conformity with the 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### **E. ASSETS, LIABILITIES, AND EQUITY**

#### Cash and Cash Equivalents:

The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the proprietary funds' statement of cash flows. The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

#### Investments:

Investments are reported at fair value as determined by quoted market prices. The City's investments consist principally of certificates of deposits and obligations of the United States Government and other fixed income issues. Unrealized gains and losses (included within income from investments) are included in the accompanying financial statements. These funds are invested for periods that comply with cash flow requirements of bond ordinances and the City's general government services.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Accounts Receivable:

Accounts receivable from customers and taxpayers are less an allowance for uncollectible balances. Additions to the allowance are charged to operations in the period in which the receivable becomes impaired. The City provides an allowance based on historical collection experience and a review of the current status of existing receivables. At June 30, 2019, accounts receivables of governmental and proprietary funds are net of an allowance of approximately \$63,800 and \$308,200 respectively.

### Inventories:

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenses/expenditures at the time of purchase.

### Capital Assets:

The accounting treatment of fixed assets depends on whether the fixed assets are used in governmental or proprietary operations.

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the government-wide statement of net position. The City's current capitalization threshold is \$1,000. Depreciation is taken over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of capital asset is as follows:

Infrastructure	20 – 50 years
Plants, buildings, and improvements	40 – 50 years
Equipment and vehicles	5 – 15 years

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Future major repairs and replacements are not being accumulated; rather the City has set aside funds for future needs. Should repairs be made, they will be expensed at that time.

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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Interest costs are capitalized when incurred by proprietary funds on debt where the proceeds are used to finance the construction of fixed assets.

### Bond Discount/Premiums:

In the government-wide financial statements and proprietary fund types in the fund financial statements, bond discount/premiums costs are capitalized in the year of issue and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond discounts/premiums (other financing uses/sources) during the current period. In the government-wide financial statements bond discounts/premiums are presented as a direct deduction/addition to long-term debt.

### Amortization of Deferred Gain or Loss on Early Retirement of Debt

Deferred gain or loss on early retirement of debt is amortized on the straight-line method over the original remaining life of the old debt or the life of the new debt, whichever is less. The results of this method do not materially differ from those that would be obtained by applying the effective interest method. In the government-wide financial statements deferred amounts on refunding are presented as part of deferred outflows of resources.

### Deferred Outflows and Inflows of Resources Related to Pensions and OPEB:

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds. Governmental funds report the City's pension contributions as pension expenditures; however, in the Statement of Activities, the pension and OPEB expense largely represents the change in net pension liability and net OPEB liability from the prior year, with provisions for deferring certain items.

### Compensated Absences (Accrued Leave):

All vacation leave is accrued when incurred in the government-wide financial statements. Only the accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the government fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### Long-term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as an other financing source.

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Pensions:

For purposes of measuring the 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's fiduciary net position have been determined on the same basis as they are reported by CERS.

### Postemployment Benefit Other Than Pensions (OPEB)

For purpose of measuring the liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of the CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they were reported by CERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investment are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The CERS Insurance Funds are reported as OPEB trust funds and are accounted for on the accrual basis of accounting.

### Interfund Transactions:

During the course of operations, transactions may occur between funds that may result in amounts owed between funds (see Note 13). Outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide statement of net position as internal balances.

### Equity Classifications:

#### *Government-Wide financial statements:*

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets, adjusted for deferred inflows and outflows related to debt.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### *Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified into the following components:

Non-spendable fund balances are either not in spendable form such as inventories and long-term receivables, or they are legally or contractually required to be maintained intact such as the corpus of a permanent fund.

Restricted fund balances include amounts constrained to being used for specific purposes by external parties, constitutional provisions, and enabling legislation.

Committed fund balances include amounts whose use is constrained by limitations that the government imposes upon itself.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balances consist of balances with no constraint on how they are spent.

Proprietary fund equity is classified as net position.

### **F. REVENUES AND EXPENSES/EXPENDITURES:**

#### Program Revenues:

In the government-wide statement of activities, the primary sources of the City’s program revenues are revenues from business-type charges for services associated with the electric, water, and sewer services provided to residents of the City and surrounding areas.

#### Operating Revenues and Expenses:

Operating revenues and expenses for proprietary (enterprise) funds are those that result from providing services. They also include all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Expenses/Expenditures:

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

Governmental funds report expenditures of financial resources. Governmental fund expenditures are classified by function in the governmental funds' statement of revenues, expenditures, and changes in fund balances, with detail by natural or object classification provided as supplemental information.

The proprietary funds report expenses relating to the use of economic resources. Proprietary fund expenses are classified by function in the proprietary fund statement of revenues, expenses, and changes in net position, with detail by natural or object classification provided as supplemental information.

### **G. TOTAL COLUMN ON THE FUND FINANCIAL STATEMENTS:**

The total columns on the fund financial statements are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation.

### **NOTE 2 – BUDGETARY CONTROL AND ENCUMBRANCES**

The City follows the procedures established pursuant to section 91A.030 of the Kentucky Revised Statutes (KRS) in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as adopted by ordinance of the City and have been revised for amendments authorized during the year.

Encumbrance accounting, under which the commitment to expend funds (purchase orders, contracts, and other commitments) is recorded to reserve that portion of the applicable appropriation, is not employed by the City. These financial statements have not been prepared using the encumbrance system.

### Deficit Fund Balance

The Planning Commission Fund had a negative fund balance on June 30, 2019 in the amount of \$32,262. The negative fund balances above are due to revenue recognition of the City under the modified accrual basis of accounting. Additional revenues received in fiscal year 2020 are expected to eliminate the deficit.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### **NOTE 3 – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2019 were levied on September 10, 2018 on the assessed property located in the City as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all property taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date</u>
1. due date for payment of taxes	upon receipt
2. face value amount payment period	to October 31
3. past due date, 10% penalty	November 1
4. interest charge, 1% per month	January 1
5. additional penalty, greater of \$75 or 25%	March 1

Vehicle taxes are collected by the County Clerk of Jessamine County and are due and collected in the birth month of the vehicle's licensee.

### **NOTE 4 – DEPOSITS AND INVESTMENTS**

As of June 30, 2019, the City's cash and cash equivalent funds are substantially covered by federal depository insurance or by collateral held by the custodial banks in the City's name.

Deposits (cash and certificates of deposits) are carried at cost, which approximates fair value. At June 30, 2019, the carrying amounts of the City's deposits were \$24,991,754 and the bank balances and cash on hand were \$25,649,350 and \$6,081, respectively. The City's cash deposits are classified as follows:

Category 1. Insured \$1,738,842

Category 2. Collateralized with securities held by the pledging financial institution \$23,910,508

Category 3. Uncollateralized consists of cash on hand in the amount of \$6,081



# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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As of June 30, 2019, the investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
<u>General Fund</u>		
Certificates of deposit	\$ 5,298,503	August 2019 - June 2020
<u>Cemetery's Permanent Fund</u>		
Certificates of deposit	10,600	May 2020
<u>Utility Fund</u>		
Certificates of deposit	<u>3,312,490</u>	July 2019 - August 2020
Total investments	<u>\$ 8,621,593</u>	

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk.

*Credit Risk:* Under KRS 66.480 and in accordance with the City's formal investment policy, the City is permitted to invest in the following:

- Obligations of the United States and of its' agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States Government agency;
- Obligations of any corporation of the United States Government;
- Certificates of deposit issued by, or other interest-bearing accounts of, any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity, or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4);
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency;
- Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

- Securities issued by a state or local government, or any instrumentality of an agency thereof in the United States, and rated in one of the three highest categories by a nationally recognized rating agency;
- Shares of mutual funds (the mutual fund shall be an open and diversified investment company registered under the Federal Investment Company Act of 1940, as amended; the management company of the investment company shall have been in operation for at least five years; and all securities in the mutual funds shall be eligible investments pursuant to the above).

*Concentration of Credit Risk:* The amount invested at any time by the City in uncollateralized certificates of deposit issued by any bank or savings and loan institution, bankers' acceptances, commercial paper, or securities issued by a state or local government, or any instrumentality of an agency thereof in the United States (as described above), shall not exceed 20% of the total amount invested by the City. With the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 20% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution.

*Interest Rate Risk:* The City's formal investment policy does not address policies relative to investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following schedule details the composition of the governmental-type activities' account balances within the various funds as of June 30, 2019. Sweep accounts have been netted to the source accounts. There are no other accounts with negative balances.

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Investments</u>	<u>Total</u>
Operating Cash	\$ 11,756,600	\$ 135,139	\$ 3,540,155	\$	\$ 15,431,894
Debt Service		154,197			154,197
Construction			575,997		575,997
Incentive Accounts	90,948		1,182,351		1,273,299
Forfeiture Funds		485,212			485,212
Cemetery Permanent Fund				10,600	10,600
Other Non-Major	12,064	8,702			20,766
	<u>11,859,612</u>	<u>783,250</u>	<u>5,298,503</u>	<u>10,600</u>	<u>17,951,965</u>
Totals	<u>\$ 11,859,612</u>	<u>\$ 783,250</u>	<u>\$ 5,298,503</u>	<u>\$ 10,600</u>	<u>\$ 17,951,965</u>

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

The following schedule details the composition of the business-type activities' account balances within the various funds as of June 30, 2019. (See also Note 7):

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Investments</u>	<u>Total</u>
KIA Sinking Fund	\$ 188,085	\$	\$ 1,172,105	\$	\$ 1,360,190
Debt Service		490,760		302	491,062
Construction		314			314
Operation and Maintenance	2,827,449		257,099		3,084,548
Water and Sewer RR&E Funds		126,245		1,882,984	2,009,229
Capital Projects					
Cemetery Operations	94,447				94,447
Totals	<u>\$ 3,109,981</u>	<u>\$ 617,319</u>	<u>\$ 1,429,204</u>	<u>\$ 1,883,286</u>	<u>\$ 7,039,790</u>

**NOTE 5 – OTHER RECEIVABLES AND NON-OPERATING REVENUES/EXPENSES**

The City constructed gravity and force main collection lines to connect the "Dragstrip" area to the existing wastewater collection system (the "Dragstrip Project"). A portion of the cost of these improvements was assessed to the properties benefited by the improvements. Assessment liens were placed on the improved properties in 2009, the principal sum of which was due within thirty days from the date of the lien without interest or, if the property owner elected, was payable at a one and two tenths percent (1.2%) rate of interest for a period of twenty years. Upon completion of the Dragstrip Project in fiscal year ended June 30, 2011, unpaid assessments were recorded on the Utilities Fund's books as both assets and revenues. As of June 30, 2019, unpaid assessments total approximately \$2,040,600, the current portion of which is approximately \$105,200. Also see Note 7.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 6 –CAPITAL ASSETS**

Capital asset activity during the year ended June 30, 2019 is as follows:

Governmental Activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Non-depreciable capital assets:				
Land and improvements	\$ 3,013,047	\$ 398,216	\$	\$ 3,411,263
Constuction in progress	801,986	461,777	559,719	704,044
Total non-depreciable capital assets	<u>3,815,033</u>	<u>859,993</u>	<u>559,719</u>	<u>4,115,307</u>
Depreciable capital assets:				
Buildings and improvements	3,729,459	23,748		3,753,207
Equipment	3,766,433	192,699	12,746	3,946,386
Vehicles	6,619,853	179,169	994,375	5,804,647
Infrastructure	96,900,602	4,148,797		101,049,399
Total depreciable capital assets	<u>111,016,347</u>	<u>4,544,413</u>	<u>1,007,121</u>	<u>114,553,639</u>
Total capital assets	114,831,380	5,404,406	1,566,840	118,668,946
Less accumulated depreciation	<u>54,411,418</u>	<u>2,893,601</u>	<u>953,591</u>	<u>56,351,428</u>
Totals	\$ <u>60,419,962</u>	\$ <u>2,510,805</u>	\$ <u>613,249</u>	\$ <u>62,317,518</u>

Depreciation expense attributable to governmental activities was charged to the governmental functions/programs per the statement of activities as follows:

General government	\$ 101,382
Public safety - police	265,119
Public safety - fire	252,296
Public works - streets	<u>2,274,804</u>
Total	\$ <u>2,893,601</u>

During the fiscal year, the City received donated infrastructure valued at approximately \$3,814,000 from developers within the City.

## CITY OF NICHOLASVILLE, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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The decrease in construction in progress is due to the completion of Phase I of the Performance Park and the abandonment of the new municipal building project.

As of June 30, 2019, construction in progress (governmental activities) consists of capital expenditures related to the following projects:

- In June 2014, the City entered into an agreement with the Commonwealth of Kentucky Transportation Cabinet (the "CKTC") under which the City was awarded \$80,000, with a 25% local match, to conduct a study to provide a safe and integrated bicycle/pedestrian system that will enable students to walk and bike to school from neighborhoods in Jessamine County. In March 2017, the CKTC awarded the City a \$104,000 grant, with a 20% local match, to design a shared use trail to East Jessamine High School and an \$112,000 grant, with a 20% match, to design a shared use trail to West Jessamine High School. As of June 30, 2019, construction in progress totals approximately \$369,700.
- The City is funding an addition to the multi-use space along South Main Street. The estimated cost of the project is \$95,700. As of June 30, 2019 construction in progress totals approximately \$59,300.
- The Fire Station #2 Foundation/Wall Repair project will repair damage to the building that was caused by differential settling. Based on an engineering investigation of the building, the estimated cost of the project is \$75,000. As of June 30, 2019, construction in progress totals approximately \$1,800.
- A study to determine necessary repairs or improvements to the Lake Mingo Dam is underway. The scope and cost of repairs or improvements, if any, have not been determined as of this time. As of June 30, 2019 the construction in progress was \$3,750.
- The City is constructing and equipping a new fire station on the north end of Nicholasville. The estimated cost of the project is \$2,600,000. As of June 30, 2019, construction in progress totals approximately \$269,500.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Business type Activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Utility plant, land, and buildings	\$ 13,997,400	\$ 559,429	\$ 59,316	\$ 14,497,513
Water treatment plant, land, and water system improvements	43,991,948	1,248,095	83,010	45,157,033
Sewer treatment plant, land, and improvements	51,015,883	1,818,182	175,680	52,658,385
Equipment and vehicles	10,023,867	714,562	470,568	10,267,861
Cemetery land and improvements	636,711			636,711
Cemetery buildings & grounds	162,305	46,522		208,827
Cemetery vehicles & equipment	291,432	19,145	52,582	257,995
Construction in progress	1,498,613	1,034,200	2,034,347	498,466
Total capital assets	<u>121,618,159</u>	<u>5,440,135</u>	<u>2,875,503</u>	<u>124,182,791</u>
Less accumulated depreciation	<u>43,141,623</u>	<u>2,955,159</u>	<u>635,545</u>	<u>45,461,237</u>
Totals	\$ <u><u>78,476,536</u></u>	\$ <u><u>2,484,976</u></u>	\$ <u><u>2,239,958</u></u>	\$ <u><u>78,721,554</u></u>

Depreciation expense attributable to business-type activities was charged to the functions/programs per the statement of activities as follows:

Electric	\$ 328,426
Water	1,139,839
Sewer	1,448,761
Cemetery	<u>38,133</u>
Total	\$ <u><u>2,955,159</u></u>

During the fiscal year, the City received donated infrastructure valued at approximately \$1,476,500 from developers within the City.

The decrease in construction in progress is due to the completion of the Jessamine South Elkhorn Water District Interconnect; Eastern By-Pass Utility Relocation; and Kentucky Highway Information projects, the placement in service of a telescopic articulating boom, and the abandonment of the new municipal building project.

## CITY OF NICHOLASVILLE, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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As of June 30, 2019, construction in progress (business-type activities) consists of capital expenditures relative to the following projects:

- The Orchard Parallel Sanitary Sewer Project is one element of the City's Sanitary Sewer Overflow Corrective Action Plan. The project will replace/up-size approximately 6,400 linear feet (LF) of an existing gravity sewer to provide sufficient capacity to convey wastewater flows. The proposed parallel/replacement sewers would be a combination of 10 and 12 inch diameter pipes. The estimated project cost is \$967,500 and will be financed by the Kentucky Infrastructure Authority loan A15-090. As of June 30, 2019, construction in progress totals approximately \$245,400.
- This project is for the development of a 201 Facilities Plan which is a regulatory required planning document which details how the City plans to meet its obligation to provide sanitary sewer service to its planning area. The plan will be used to as preliminary engineering work for the capital projects in the sewer collection system and at the wastewater treatment plant. The estimated cost of the Facilities Plan is \$75,000. As of June 30, 2019, construction in progress totals approximately \$18,000.
- The Lake Street Tank Painting project includes cleaning and painting the outside of the 750,000 gallon water tank, sandblasting and repainting the interior, and installing an air bubbler system that will circulate the water in the tank. The project cost is \$411,000. As of June 30, 2019, construction in progress totals approximately \$39,100.
- This project consists of the construction of 19,800 LF of 24" ductile iron transmission main from the water treatment plant to the city. The project will allow increased pumping capacity from the water treatment plant to increase from the current 7 MGD capacity to an ultimate future 15 MGD capacity. The project is part of a 1990 master plan of improvements for the distribution system. Pumping costs, related to energy, will decrease due to the reduction of head loss in the transmission system. Nicholasville currently has three small diameter transmission mains, between the WTP and the distribution system, one of which was installed in the 1950s. The provision of a 24" parallel water main will result in significantly less headloss in the transmission system and result in higher velocity and volume of water delivered. The Nicholasville 24" parallel transmission main project will assist in the turnover of existing water storage tanks. Currently, the water supply is restricted to about 7.5 MGD due to headloss in the existing transmission mains. The project will allow the City of Nicholasville to better comply with the safe drinking water act (Stage II Disinfectants and Disinfection Byproducts rule) by allowing the stored water to "turn over" better by filling their three distribution storage tanks faster and draining them lower on a routine basis, effectively reducing the stored water time. The estimated construction cost is \$4,650,000. As of June 30, 2019, construction in progress totals approximately \$196,000.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### **NOTE 7 – LONG-TERM OBLIGATIONS**

#### Governmental Activities:

#### **General Obligation Bonds**

- In November 2009, the City issued General Obligation Bonds, Series 2009 (the "2009 Bonds"), in the amount of \$6,905,000, for the purpose of providing funds to pay costs of major municipal water and sanitary sewer service additions and improvements, including the refunding of a 2007 utility revenue bond anticipation note and a 2009 utility revenue bond anticipation note. Principal on the outstanding 2009 Bonds is due annually each October 1 through October 1, 2029 in amounts ranging from \$325,000 to \$480,000. The bonds maturing on October 1 of the years 2023 and 2025 are term bonds subject to mandatory sinking fund redemption. The outstanding 2009 Bonds bear interest, from the current period to completion, at rates ranging from 3.500% to 4.125% with interest due semiannually each April 1 and October 1. The bonds maturing on and after October 1, 2020, are subject to optional redemption on and after October 1, 2019. The principal outstanding as of June 30, 2019 is \$4,375,000.

The debt is carried on the Utilities Fund's books, and the debt is serviced with excess revenues from the City's combined utility system. In the event that these excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues.

- In April 2011, the City issued General Obligation Bonds, Series 2011A (the "2011A Bonds"), in the amount of \$1,735,000. The proceeds were used to pay and discharge General Obligation Bond Anticipation Note, Series 2009 (the "2009 Note"), and for related costs of issuance. The proceeds of the 2009 Note were used to pay preliminary costs of the acquisition, development and construction of a new municipal government building and the acquisition of additional municipal cemetery land.

Principal on the outstanding 2011A Bonds is due annually each February 1 through February 1, 2031 in amounts ranging from \$80,000 to \$115,000. The outstanding 2011A Bonds bear interest, from the current period to completion, at rates ranging from 3.00% to 4.125% with interest due semiannually each February 1 and August 1. The bonds maturing on and after February 1, 2022 are subject to optional redemption on and after February 1, 2021. The bonds maturing on February 1 of the years 2021, 2023, 2025, and 2031 are subject to mandatory sinking fund redemption in part, at the selection of the paying agent and bond registrar. The principal outstanding as of June 30, 2019 is \$1,150,000.

The General Fund and Utilities Fund each carry one-half of the 2011A Bond debt on their books. The debt carried on the Utilities Fund's books is serviced with excess revenues from the City's combined utility system. In the event that these excess revenues do not meet the

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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debt service requirements, the debt will be serviced with General Fund tax revenues. The debt carried on the General Fund's books is serviced with General Fund tax revenues. (The Cemetery Fund satisfied its obligation related to the 2009 Note by transferring funds to cover its obligation; one-half of the funds were transferred to the Utilities Fund and one half to the General Fund.) The General Fund's share of principal outstanding as of June 30, 2019 is \$575,000.

- In April 2011, the City issued General Obligation Bonds, Series 2011B (the "2011B Bonds"), in the amount of \$2,525,000. The proceeds were used to advance refund and defease the City's outstanding General Obligation Bonds, Series 2002 (the "2002 Bonds"), and to pay related costs of issuance. The 2002 Bonds financed the City's share of the construction of a new aquatic center, the construction of a new fire station, and the acquisition of a new fire truck; the debt outstanding at the time of the advance refunding was \$2,340,000.

The proceeds of the 2011B Bonds, after paying costs of issuance, were deposited into an escrow account for the advance refunding of the 2002 Bonds and invested in United States Treasury securities scheduled to mature at such times that the maturities, along with the investment earnings, will retire the bonds from the 2002 Bonds when they mature. This action constituted a defeasance of the 2002 Bonds maturing on or after February 1, 2012. The advance refunding resulted in a difference between the funds required for refunding and the net book value of the old debt of \$204,192. This difference, reported as a deferred outflow of resources on the government-wide financial statements, is being amortized on the government-wide financial statements as a component of interest expense over the remaining life of the old debt.

Principal on outstanding 2011B Bonds is due annually each February 1 through February 1, 2022 in amounts ranging from \$240,000 to \$255,000. The outstanding 2011A bonds bear interest, from the current period to completion, at rates ranging from 2.75% to 3.10% with interest due semiannually each February 1 and August 1. The bonds are not subject to optional or mandatory redemption, and the debt is serviced with General Fund tax revenues. The principal outstanding as of June 30, 2019 is \$745,000.

- In February 2012, the City issued City of Nicholasville, Kentucky, General Obligation Bonds, Series 2012A (the "2012A Bonds") in the amount of \$2,415,000. The proceeds were used to advance refund and defease the outstanding Utilities Revenue Bonds, Series 2003A and to pay related costs of issuance. The advance refunding resulted in a difference between the funds required for refunding and the net carrying amount of the old debt. This difference, \$251,761, reported as a deferred outflow of resources on the government-wide financial statements is being amortized as a component of interest expense over the remaining life of the old debt.

Principal on outstanding 2012A Bonds is due annually each October 1 through October 1, 2023 in amounts ranging from \$210,000 to \$220,000. The outstanding 2012A Bonds bear

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**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

interest, from the current period to completion, at a rate of 2% with interest due semiannually each October 1 and April 2. The bonds are not subject to optional or mandatory redemption. The principal outstanding as of June 30, 2019 is \$1,070,000.

The debt is carried on the Utilities Fund's books, and the debt is serviced with excess revenues from the City's combined utility system. In the event that these excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues.

At June 30, 2019, the future debt service requirements for general obligation bonds are as follows assuming the Utilities Fund has excess revenues sufficient for its portion of debt service related to General Obligation Bonds, Series 2009, Series 2011A, Series 2011B, and Series 2012A:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 280,000	\$ 43,786	\$ 323,786
2021	290,000	35,986	325,986
2022	297,500	27,286	324,786
2023	42,500	17,947	60,447
2024	45,000	16,513	61,513
2025-2029	252,500	55,084	307,584
2030-2031	112,500	7,013	119,513
	<u>\$ 1,320,000</u>	<u>\$ 203,615</u>	<u>\$ 1,523,615</u>

**General Obligation Notes – Governmental Funds**

- In June 2014, the City issued General Obligation Note, Series 2014N-1 in the amount of \$1,175,000 for the purposes of paying a portion of the costs of the acquisition of a new fire truck and firefighting equipment, the costs of rehabilitating and improving a water tower and related facilities, and the costs of debt issuance. A principal payment of \$235,000 was due annually each January 1 through January 1, 2019. Semi-annual interest payments were due each January and July until maturity, and on the date of any prepayment, at a fixed rate of 1.43%. The note could have been prepaid without penalty at any time or times in whole or in part by the City at its option. The note was fully paid during the 2019 fiscal year.

The debt was carried on both the General Fund's books (56.71%) and the Utilities Fund's books (43.29%). The General Fund's debt was serviced with General Fund tax revenues, and the Utilities Fund's debt was serviced with excess revenues from the City's combined utility system. In the event that the Utilities Fund's excess revenues did not meet the debt service requirements, the debt would have been serviced with General Fund tax revenues.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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- In June 2018, the City issued General Obligation Note, Series 2018N-1 in the amount of \$1,160,000 for the purpose of financing the acquisition and furnishing of a new fire truck, the acquisition of a new aerial lift truck, the acquisition and equipping of a new dump truck, the acquisition of a new transformer, and the costs of debt issuance. The note is a five year loan allowing for principal draws during the first year and requiring semi-annual interest payments each June and December until maturity, and on the date of any prepayment, at a fixed rate of 2.54%. Principal payments are due semi-annually beginning December 2019 and ending June 2023. The note may be prepaid without penalty at any time or times in whole or in part by the City at its option. The principal balance outstanding as of June 30, 2019 is \$1,005,700.

The debt is carried on both the General Fund's books and the Utilities Fund's books based on the use of the note proceeds. The General Fund's debt will be serviced with General Fund tax revenues, and the Utilities Fund's debt will be serviced with excess revenues from the City's combined utility system. In the event that the Utilities Fund's excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues.

The General Fund's share of the outstanding principal balance as of June 30, 2019 is \$479,788.

At June 30, 2019, the future debt service requirements for general obligation notes are as follows assuming the Utilities Fund has excess revenues sufficient for its portion of the debt service related to General Obligation Notes, Series 2018N-1:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 133,157	\$ 11,506	\$ 144,663
2021	136,560	8,056	144,616
2022	140,051	4,516	144,567
2023	70,020	904	70,924
	<u>\$ 479,788</u>	<u>\$ 24,982</u>	<u>\$ 504,770</u>

## CITY OF NICHOLASVILLE, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

At June 30, 2019, all future debt service requirements of the governmental activities are as follows assuming the Utilities Fund has excess revenues sufficient for its portion of the debt service related to General Obligation Bonds, Series 2009, Series 2011A, Series 2011B, Series 2012A and General Obligation Note, Series 2018N-1:

Year Ending June 30	Governmental Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest
2020	\$ 280,000	\$ 43,786	\$ 133,157	\$ 11,506
2021	290,000	35,986	136,560	8,056
2022	297,500	27,286	140,051	4,516
2023	42,500	17,947	70,020	904
2024	45,000	16,513		
2025-2029	252,500	55,084		
2030-2034	112,500	7,013		
	\$ 1,320,000	\$ 203,615	\$ 479,788	\$ 24,982

As of June 30, 2019, the amount of long-term obligations (relative to the City's governmental activities) that is due within one year, totals \$413,157.

The outstanding general obligation bonds contain provisions that in the event of default, any holder of the bonds may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by the City and its officers and agents of all duties imposed or required by law or the bond ordinances, including the levying and collection of sufficient taxes and the application thereof in accordance with the ordinances.

The outstanding general obligation note from direct borrowings contains a provision that in the event of default, any holder may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by the City and its officers and agents of all duties imposed or required by law or the note ordinance, including the levying and collection of sufficient taxes and the application thereof in accordance with the ordinance.

Activity in the long-term obligations of governmental activities during the year ended June 30, 2019 is summarized as follows:

## CITY OF NICHOLASVILLE, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
General Obligation Bonds:					
Bonds Payable	\$ 1,592,500	\$	\$ 272,500	\$ 1,320,000	\$ 280,000
Bond Discount	(15,914)	-	(2,415)	(13,499)	-
Total Bonds	1,576,586	-	270,085	1,306,501	280,000
Direct Borrowings and Direct Placements:					
General Obligation Notes	725,958	-	246,170	479,788	133,157
Totals	\$ 2,302,544	\$ -	\$ 516,255	\$ 1,786,289	\$ 413,157

#### Business-type Activities:

#### **Loans**

- In 2003, the City received a loan from the Kentucky Infrastructure Authority, Fund C02-02. The proceeds were used to retire anticipation notes issued to acquire Spears Water Company in 2003. The loan's interest rate is 3.00%, and there is a .20% service fee. Principal and interest are paid semi-annually for a term of 20 years through December 2023. The loan's outstanding principal balance as of June 30, 2019 totals \$1,162,586.
- In 2007, the City received a loan from the Kentucky Infrastructure Authority Fund A06-07, the not to exceed amount of which was increased in April 2009 to \$12,359,352. In August 2005, the City entered into an agreed order with the Commonwealth of Kentucky Environmental and Public Protection Cabinet whereby the City agreed to comply with a detailed corrective action plan (the plan) and its associated milestone dates. The plan principally concerned the construction of the Town Fork interceptor and related improvements at the City's Jessamine Creek environmental control facility. The loan proceeds were mainly used to finance this plan. The loan's interest rate is 3.00%, and there is a .20% service fee. Principal and interest are paid semi-annually for a term of 20 years through June 2028. The loan's outstanding principal balance as of June 30, 2019 totals \$6,343,032.
- In 2008, the City received a loan from the Kentucky Infrastructure Authority Fund F07-08, the not to exceed amount of which was increased in April 2009 to \$8,800,000. The proceeds were used to partially finance an expansion of the water treatment plant. The loan's interest rate is 3.00%, and there is a .25% service fee. Principal and interest are paid semi-annually for a term of 20 years through June 2030. The loan's outstanding principal balance as of June 30, 2019 totals \$5,477,474.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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- In 2009, the City received a loan not to exceed \$7,494,225 from the Kentucky Infrastructure Authority Fund A08-06. Approximately \$5,404,280 of the proceeds were used to partially finance the construction of gravity and force main collection lines to connect the "Dragstrip" area to the existing wastewater collection system. Approximately \$585,770 of the loan was for the Brookview Sanitary Sewer Replacement Project and approximately \$53,850 was for the Mary Rose Lift Station Elimination Project. The loan's interest rate is 1.00%, and there is a .20% service fee. Principal and interest are paid semi-annually for a term of 20 years through June 2031. The loan's outstanding principal balance as of June 30, 2019 totals \$3,850,563. Also see Note 5.
- In 2013, the City received a loan from the Kentucky Infrastructure Authority Fund F13-022, the not to exceed amount of which was increased in July 2014 and increased again in September 2015 to a final not to exceed amount of \$488,400. The proceeds were used to partially finance the replacement of the undersized and obsolete water distribution system in the Armory Place area of Nicholasville. The loan's interest rate is 1.75%, and there is a .25% service fee. Principal and interest are paid semi-annually for a term of 20 years through December 2035. The loan's outstanding principal balance as of June 30, 2019 totals \$414,736.
- In April 2015, the City entered into an assistance agreement with the Kentucky Infrastructure Authority for a \$340,980 loan Fund A15-090 to provide financing for the Orchard Parallel Sanitary Sewer Project. The Orchard Parallel Sanitary Sewer Project is one element of the City's Sanitary Sewer Overflow Corrective Action Plan. The project will replace/up-size approximately 2,400 linear feet of an existing gravity sewer to provide sufficient capacity to convey wastewater flows.  
  
The loan's interest rate is 2.75%, and there is a .20% service fee. Semi-annual interest payments will commence with the first draw. Semi-annual principal payments will commence within twelve months from initiation of operations which is estimated to be during the summer of 2020. The loan shall be repaid over a period not to exceed 20 years from the date of initiation of operations. The loan's outstanding principal balance as of June 30, 2019 totals \$65,452.
- In September 2015, the City entered into an assistance agreement with the Kentucky Infrastructure Authority for a \$416,120 loan Fund F1 15-066 to provide financing for the planning and design of a 24" parallel transmission main from the City's water treatment plant to the City's distribution system which will allow an increase in pumping capacity of 15 million gallons daily (MGD) from 7 MGD. The loan's interest rate is 2.75%, and there is a .25% service fee. Semi-annual interest payments will commence with the first draw. Principal is to be repaid semi-annually once the project is completed, and the loan shall be repaid over a period not to exceed five years from the project completion date. The loan's outstanding principal balance as of June 30, 2019 totals \$166,026.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

- In September 2018, the City entered into an assistance agreement with the Kentucky Infrastructure Authority for a \$553,000 loan ( Fund F17-001). The proceeds of the loan will be used to construct a twelve inch water main and a bidirectional booster pump station between the Nicholasville and Jessamine-South Elkhorn Water District systems. This will permit either utility to supply the other in the event of an emergency need. The loan's interest rate is 1.75%, and there is a .25% service fee. Semi-annual interest payments will commence within six months from the first draw of funds, and principal is to be repaid semi-annually for a term of 20 years starting within one year of the initiation of operations. The loan's outstanding principal balance as of June 30, 2019 totals \$420,671.

At June 30, 2019, the future debt service requirements of the business-type activities' Kentucky Infrastructure Authority loans are as follows:

Year Ending June 30	Principal	Interest	Service Fee	Total
2020	\$ 1,639,220	\$ 438,406	\$ 38,168	\$ 2,115,794
2021	1,700,227	395,477	34,632	2,130,336
2022	1,760,683	350,623	30,940	2,142,246
2023	1,807,037	304,268	27,131	2,138,436
2024	1,715,662	256,586	23,221	1,995,469
2025-2029	7,581,476	649,851	62,587	8,293,914
2030-2034	1,510,625	52,050	6,828	1,569,503
2035-2039	181,419	8,633	1,089	191,141
2040-2041	<u>4,190</u>	<u>87</u>	<u>6</u>	<u>4,283</u>
Totals	<u>\$ 17,900,539</u>	<u>\$ 2,455,981</u>	<u>\$ 224,602</u>	<u>\$ 20,581,122</u>

The Kentucky Infrastructure Authority (KIA and the Authority) loan conditions require that the utility rates generate enough revenue "at least adequate to provide for the payments to the Authority required" for KIA debt service and "to provide for the operation of the System." This can be interpreted as requiring a debt service coverage ratio of 100%. For fiscal year ended June 30, 2019, the actual debt coverage ratio is 214% which excludes debt subordinate to KIA debt.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### **Revenue Bonds**

On August 1, 2003, the City issued City of Nicholasville, Kentucky, Utilities Revenue Bonds, Series 2003A (the "Series 2003A bonds"), and Utilities Refunding Revenue Bonds, Series 2003B (the "Series 2003B bonds"). The proceeds of the \$3,450,000 Series 2003A bonds were used for the acquisition, construction, and installation of new water service facilities, while the proceeds of the \$6,945,000 Series 2003B bonds were used to refund, redeem, and discharge portions of 1992 and 1993 issues.

The proceeds of the Series 2003B bonds were deposited into an escrow account and invested in United States Treasury securities scheduled to mature at such times that the maturities along with the investment earnings will retire the applicable bonds from the 1992 and 1993 issues, when they mature. This action constituted a defeasance of the 1992 and 1993 bonds maturing on or after October 1, 2003. The advance refunding resulted in a difference between the funds required for refunding and the net carrying amount of the old debt. This difference, \$888,105, was reported in the financial statements as a reduction of long-term obligations and deferred and amortized as a component of interest expense using the remaining life of the old debt until the date of defeasance; see below.

In February 2012, the City issued City of Nicholasville, Kentucky, General Obligation Bonds Series 2012A in the amount of \$2,415,000. The proceeds were used to advance refund and defease the outstanding Series 2003A bonds and to pay related costs of issuance. The advance refunding resulted in a difference between the funds required for refunding and the net carrying amount of the old debt. This difference, \$251,761, reported as a deferred outflow of resources and amortized as a component of interest expense over the remaining life of the old debt.

In April 2012, the City irrevocably deposited into the City's Utilities Revenue Bond Fund an amount which, in addition to moneys already held in the Bond Fund, was sufficient to pay the remaining payments of principal of and interest due on the Series 2003B bonds to their final maturity. This action constituted a defeasance of the Series 2003B bonds.

### **General Obligation Bonds:**

- In November 2009, the City issued General Obligation Bonds, Series 2009 (the "2009 Bonds"), in the amount of \$6,905,000, for the purpose of providing funds to pay costs of major municipal water and sanitary sewer service additions and improvements, including the refunding of a 2007 utility revenue bond anticipation note and a 2009 utility revenue bond anticipation note. Principal on the outstanding 2009 Bonds is due annually each October 1 through October 1, 2029 in amounts ranging from \$325,000 to \$480,000. The outstanding 2009 Bonds bear interest, from the current period to completion, at rates ranging from 3.500% to 4.125% with interest due semiannually each April 1 and October 1. The bonds maturing on and after October 1, 2020, are subject to optional redemption on and after October 1, 2019. The bonds maturing on October 1 of the years 2023 and 2025 are subject



# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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to mandatory sinking fund redemption in part, at the selection of the paying agent and bond registrar. The outstanding principal balance as of June 30, 2019 is \$4,375,000.

The debt is carried on the Utilities Fund's books, and the debt is serviced with excess revenues from the City's combined utility system. In the event that these excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues.

- In April 2011, the City issued General Obligation Bonds, Series 2011A (the "2011A Bonds"), in the amount of \$1,735,000. The proceeds were used to pay and discharge General Obligation Bond Anticipation Note, Series 2009 (the "2009 Note"), and for related costs of issuance. The proceeds of the 2009 Note were used to pay preliminary costs of the acquisition, development and construction of a new municipal government building and the acquisition of additional municipal cemetery land.

Principal on the outstanding 2011A Bonds is due annually each February 1 through February 1, 2031 in amounts ranging from \$85,000 to \$115,000. The outstanding 2011A Bonds bear interest, from the current period to completion, at rates ranging from 3.000% to 4.125% with interest due semiannually each February 1 and August 1. The bonds maturing on and after February 1, 2022 are subject to optional redemption on and after February 1, 2021. The bonds maturing on February 1 of the years 2021, 2023, 2025, and 2031 are subject to mandatory sinking fund redemption in part, at the selection of the paying agent and bond registrar. The outstanding principal balance as of June 30, 2019 is \$1,150,000.

The General Fund and Utilities Fund each carry one-half of the 2011A Bond debt on their books. The debt carried on the Utilities Fund's books is serviced with excess revenues from the City's combined utility system. In the event that these excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues. The debt carried on the General Fund's books is serviced with General Fund tax revenues. (The Cemetery Fund satisfied its obligation related to the 2009 Note by transferring funds to cover its obligation; one-half of the funds were transferred to the Utilities Fund and one half to the General Fund.) The Utilities Fund's share of the outstanding principal balance as of June 30, 2019 is \$575,000.

- In February 2012, the City issued City of Nicholasville, Kentucky, General Obligation Bonds, Series 2012A (the "2012A Bonds") in the amount of \$2,415,000. The proceeds were used to advance refund and defease the outstanding Utilities Revenue Bonds, Series 2003A and to pay related costs of issuance. The advance refunding resulted in a difference between the funds required for refunding and the net carrying amount of the old debt. This difference, \$251,761, is reported as a deferred outflow of resources and amortized as a component of interest expense over the remaining life of the old debt.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Principal on outstanding 2012A Bonds is due annually each October 1 through October 1, 2023 in amounts ranging from \$210,000 to \$220,000. The outstanding 2012A Bonds bear interest, from the current period to completion, at a rate of 2% with interest due semiannually each October 1 and April 2. The bonds are not subject to optional or mandatory redemption. The outstanding principal balance as of June 30, 2019 is \$1,070,000.

The debt is carried on the Utilities Fund's books, and the debt is serviced with excess revenues from the City's combined utility system. In the event that these excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues.

As of June 30, 2019, the future debt service requirements for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 575,000	\$ 206,474	\$ 781,474
2021	590,000	189,224	779,224
2022	607,500	171,049	778,549
2023	622,500	151,634	774,134
2024	645,000	131,322	776,322
2025-2029	2,387,500	374,184	2,761,684
2030-2031	592,500	16,913	609,413
	<u>\$ 6,020,000</u>	<u>\$ 1,240,800</u>	<u>\$ 7,260,800</u>

**General Obligation Notes:**

- In June 2014, the City issued General Obligation Note, Series 2014N-1 in the amount of \$1,175,000 for the purposes of paying a portion of the costs of the acquisition of a new fire truck and firefighting equipment, the costs of rehabilitating and improving a water tower and related facilities, and the costs of debt issuance. A principal payment of \$235,000 was due annually each January 1 through January 1, 2019. Semi-annual interest payments were due each January and July until maturity, and on the date of any prepayment, at a fixed rate of 1.43%. The note could have been prepaid without penalty at any time or times in whole or in part by the City at its option. The note was fully paid during the 2019 fiscal year.

The debt was carried on both the General Fund's books (56.71%) and the Utilities Fund's books (43.29%). The General Fund's debt was serviced with General Fund tax revenues, and the Utilities Fund's debt was serviced with excess revenues from the City's combined utility system. In the event that the Utilities Fund's excess revenues did not meet the debt service requirements, the debt would have been serviced with General Fund tax revenues.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

- In June 2018, the City issued General Obligation Note, Series 2018N-1 in the amount of \$1,160,000 for the purpose of financing the acquisition and furnishing of a new fire truck, the acquisition of a new aerial lift truck, the acquisition and equipping of a new dump truck, the acquisition of a new transmission switch, the painting of a water tank, the acquisition of meter equipment, and the costs of debt issuance. The note is a five year loan allowing for principal draws during the first year and requiring semi-annual interest payments each June and December until maturity, and on the date of any prepayment, at a fixed rate of 2.54%. Principal payments are due semi-annually beginning December 2019 and ending June 2023. The note may be prepaid without penalty at any time or times in whole or in part by the City at its option. The outstanding principal balance as of June 30, 2019 is \$1,005,700.

The debt is carried on both the General Fund's books and the Utilities Fund's books based on the use of the note proceeds. The General Fund's debt will be serviced with General Fund tax revenues, and the Utilities Fund's debt will be serviced with excess revenues from the City's combined utility system. In the event that the Utilities Fund's excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues.

The Utility Fund's share of the outstanding principal balance as of June 30, 2019 is \$525,912.

At June 30, 2019, the future debt service requirements for general obligation notes are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 145,958	\$ 12,612	\$ 158,570
2021	149,689	8,830	158,519
2022	153,515	4,951	158,466
2023	76,750	991	77,741
	<u>\$ 525,912</u>	<u>\$ 27,384</u>	<u>\$ 553,296</u>

## CITY OF NICHOLASVILLE, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

At June 30, 2019, all future debt service requirements of the business-type activities are as follows

Year Ending June 30	Business-Type Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 575,000	\$ 206,474	\$ 1,785,178	\$ 489,187
2021	590,000	189,224	1,849,916	438,939
2022	607,500	171,049	1,914,198	386,513
2023	622,500	151,634	1,883,788	332,390
2024	645,000	131,322	1,715,662	279,807
2025-2029	2,387,500	374,184	7,581,476	712,438
2030-2034	592,500	16,913	1,510,625	58,878
2035-2039			181,419	9,722
2040-2045			4,190	93
	\$ 6,020,000	\$ 1,240,800	\$ 18,426,452	\$ 2,707,967

As of June 30, 2019, the amount of long-term obligations (relative to the City's business-type activities) that is due within one year, totals \$2,360,178.

The outstanding general obligation bonds contain the following provision applicable to the General Fund: In the event of default, any holder of the bonds may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by the City and its officers and agents of all duties imposed or required by law or the bond ordinances, including the levying and collection of sufficient taxes and the application thereof in accordance with the ordinances.

The outstanding general obligation note of \$525, 912 from direct borrowings contains the following provision applicable to the General Fund: In the event of default, any holder may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by the City and its officers and agents of all duties imposed or required by law or the note ordinance, including the levying and collection of sufficient taxes and the application thereof in accordance with the ordinance.

The Kentucky Infrastructure Authority (AKA "KIA") loans of \$17,900,540 from direct borrowings contain a provision that whenever an event of default occurs and is continuing, KIA may, without any further demand or notice, take one or any combination of the following remedial steps:

## CITY OF NICHOLASVILLE, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

- A) Declare all payments due to be immediately due and payable
  
- B) Exercise all the rights and remedies of KIA set forth in Chapter 224A of the Kentucky Revised Statutes
  
- C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under the Assistance Agreement
  
- D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

Activity in the long-term obligations of business-type activities during the year ended June 30, 2019 is summarized as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
General Obligation Bonds:					
Bonds Payable	\$ 6,577,500		\$ 557,500	\$ 6,020,000	\$ 575,000
Bond Premium	16,703		3,182	13,521	
Bond Discount	(55,941)		(4,847)	(51,094)	
Total Bonds	6,538,262	-	555,835	5,982,427	575,000
Direct Borrowings and Direct Placements:					
General Obligation Notes	106,145	562,897	143,130	525,912	145,958
KIA Loans	18,856,301	624,310	1,580,071	17,900,540	1,639,220
Total Direct	18,962,446	1,187,207	1,723,201	18,426,452	1,785,178
Totals	\$ 25,500,708	\$ 1,187,207	\$ 2,279,036	\$ 24,408,879	\$ 2,360,178

#### **NOTE 8 – ACCRUED LEAVE**

It is the City's policy to permit employees to accumulate earned but unused vacation leave and sick pay benefits. The policy of the City is to record only the costs of vacation leave.

#### *Vacation Leave:*

Vacation leave is accumulated at amounts ranging from approximately 6 hours per month to 20 hours per month, determined by length of service and position, with a maximum accumulation up to 30 days. The calendar year is the period used for determining accumulated vacation leave.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Activity in the liability for accrued leave during the year ended June 30, 2019 is summarized as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities	\$ <u>430,239</u>	\$ <u>399,593</u>	\$ <u>349,484</u>	\$ <u>480,348</u>
Business-type activities	\$ <u>234,041</u>	\$ <u>184,404</u>	\$ <u>167,900</u>	\$ <u>250,545</u>

As of June 30, 2019, the amounts estimated to be due within one year total approximately \$659,200 of which the governmental activities total approximately \$433,400 and business-type activities total approximately \$225,800.

### *Sick Leave Benefits:*

It is the policy of the City to record the cost of sick leave when paid. Generally, sick leave (earned one day per month with unlimited accumulation) is paid when an employee is absent due to illness, injury, or related family death and illness. There is no liability recorded for sick leave at June 30, 2019. The estimated accumulated amount of unused sick leave at June 30, 2019 totals approximately \$1,334,300.

### *Sick Leave Bank:*

City employees who receive sick leave benefits may contribute and draw from a Sick Leave Bank. Days contributed to the Sick Leave Bank may be used by any eligible plan participant. In any twelve month period, an individual may draw no more than thirty-five percent of the total days accumulated in the Sick Bank and no more than fifty days total. During the fiscal year ended June 30, 2019, approximately \$77,300 was paid out of the Sick Leave Bank.

### **NOTE 9 – SELF-INSURANCE PROGRAM**

The City has a self-funded employee benefit plan to provide health care, dental, and vision insurance for its employees and their dependents. The City has contracted with Anthem Blue Cross and Blue Shield (BCBS) to act as the claims processor. The City reserves the right to amend or terminate at any time the plan and the benefits provided.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

An accrued liability is recorded at year-end which estimates the incurred but not paid claims. This liability is reported for the Governmental Funds and the Proprietary Funds with meter deposits and other liabilities. Changes in the balances of the estimated claims liabilities during the year ended June 30, 2019 are summarized as follows:

	Balance July 1, 2018	Increases (Incurred Claims)	Decreases (Claim Payments)	Balance June 30, 2019
Governmental activities	\$ <u>54,328</u>	\$ <u>1,308,191</u>	\$ <u>1,314,259</u>	\$ <u>48,260</u>
Business-type activities	\$ <u>38,765</u>	\$ <u>509,117</u>	\$ <u>525,979</u>	\$ <u>21,903</u>

The City limits its losses through the use of a stop-loss policy from a reinsurer. During fiscal year 2019, the City paid the claims processor approximately \$309,000 consisting of both administrative fees (for the claims processor services provided by Anthem BCBS) and the costs associated with the reinsurance coverage. For the plan year ending December 31, 2019, the specific individual loss limit is \$150,000. The City's minimum aggregate stop loss limit as of September 2019 totaled approximately \$2,620,000 for plan year ending December 31, 2019.

**NOTE 10. POST-EMPLOYMENT HEALTH CARE BENEFITS**

Covered employees are all regular full-time employees who work in non-hazardous and hazardous duty positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in Other Post-employment Benefit (OPEB) plan administered by the County Employees Retirement System (CERS), a cost-sharing multi-employer public employee retirement system. The plan provides health insurance benefits to plan members and also to certain beneficiaries of plan members under prescribed circumstances.

For non-hazardous and hazardous members participating prior to July 1, 2003, Kentucky Retirement System pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008, are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement.

The Kentucky Retirement Systems' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS and other state pension systems. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based on Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

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

Portion Paid by Insurance As of June 30, 2019	
<u>Years of Service</u>	<u>Paid by Insurance Fund</u>
20+ years	100%
15-19 years	75%
10-14 year	50%
4-9 years	25%
Less than 4 years	0%

Benefit and contributions rates are established by state statute. Per Kentucky Revised Statute 61.565 contributions requirements of the active employees and the participating organizations are established and may be amended by the KRS board. Employees with a participation date after 9/1/2008 were required to contribute an additional 1 percent of their salary for retiree healthcare benefits. The plan was contractually required to contribute 5.26 and 10.47 percent of covered payroll to the nonhazardous and hazardous insurance plans respectively, actuarially determined as an amount that, when combined with employees during the year, with an additional amount to finance any unfunded accrued liability. The plan's total required contributions to CERS nonhazardous and hazardous insurance plans for the year ended June 30, 2019 was \$282,785 and \$609,926 respectively.

At June 30, 2019, the City reported a liability of approximately \$3,586,000 for its proportionate share of the net OPEB liability for non-hazardous employees and approximately \$7,108,000 for hazardous employees. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the OPEB pension liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net OPEB liability was determined using the City's actual contributions for 2018. At June 30, 2019, the City's proportion was 0.201948% for the non-hazardous employees and 0.996994% for hazardous employees.

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## CITY OF NICHOLASVILLE, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

For the year ended June 30, 2019, the City recognized OPEB expense of approximately \$1,616,000 government-wide. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

#### **Non-Hazardous**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 417,848
Net difference between projected and actual earnings on OPEB plan investments		246,974
Changes of assumptions	716,087	8,284
Change in proportion and differences between City contributions and proportionate share of contributions		20,776
City contributions and implicit subsidy subsequent to the measurement date	<u>340,626</u>	
Total	<u>\$ 1,056,713</u>	<u>\$ 693,882</u>

#### **Hazardous**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 794,359
Net difference between projected and actual earnings on pension plan investments		675,758
Changes of assumptions	2,181,299	19,443
Change in proportion and differences between City contributions and proportionate share of contributions		101,926
City contributions and implicit subsidy subsequent to the measurement date	<u>581,624</u>	
Total	<u>\$ 2,762,923</u>	<u>\$ 1,591,486</u>

The deferred outflows of resources of \$892,711 related to City contributions subsequent to the measurement date and \$29,539 resulting from the implicit subsidy subsequent to the measurement date and before the end of the fiscal year will be recognized as a component of OPEB expense in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to OPEB's will be recognized in OPEB expense as follows:

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date

<u>June 30</u>	
2020	\$ 406,391
2021	406,391
2022	14,064
2023	(155,070)
2024	(35,408)
Thereafter	<u>(24,350)</u>
Total	\$ <u><u>612,018</u></u>

### Actuarial Methods and Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 were based on actuarial valuation of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date of June 30, 2017 to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions. There have been no changes in actuarial assumption since June 30, 2017. The actuarial assumptions are:

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

<b>Item</b>	<b>CERS Non-Hazardous and Hazardous</b>
Actuarial Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	25 Years, Closed
Inflation:	2.30%
Payroll Growth Rate:	2.0% for CERS non-hazardous and hazardous
Salary Increases	3.05% average
Investment Rates of Return:	6.25%
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.00% at 1/1/2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Healthcare Trend Rates (post-65)	Initial trend starting at 5.00% at 1/1/2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

## CITY OF NICHOLASVILLE, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity:		
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity		
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed:		
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt (EMD)	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	100.00%	

#### Discount Rate

The single discount rates of 5.85% for non-hazardous and 5.97% for hazardous were used to measure the total OPEB liability as June 30, 2018. For both hazardous and non-hazardous groups, the single discount rate is based on the expected rate of return on OPEB plan investments 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. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in CERS contribute the actuarially determined contribution rate, which is determined using a closed funding period (25 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the CERS'

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the CERS's trust. Therefore, the municipal bond rate was applied to future expected benefit payment associated with the implicit subsidy.

*Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the discount rates.* The following presents the City's proportionate share of the CERS net OPEB liability calculated using the discount rate of 5.84% for non-hazardous and 5.96% for hazardous employees, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<b>Non-Hazardous</b>		
1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
<hr/>	<hr/>	<hr/>
\$ 4,657,050	\$ 3,585,547	\$ 2,672,821
<b>Hazardous</b>		
1% Decrease (4.97%)	Current Discount Rate (5.97%)	1% Increase (6.97%)
<hr/>	<hr/>	<hr/>
\$ 9,880,696	\$ 7,108,163	\$ 4,888,677

*Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates.* The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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**Non-Hazardous**

1% Decrease 6.50% Decreasing to 4.00% over 5 years <hr/> \$ 2,669,475	7.50% Decreasing to 5.00% over 5 years <hr/> \$ 3,585,547	1% Increase 8.50% Decreasing to 6.00% over 5 years <hr/> \$ 4,665,331
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**Hazardous**

1% Decrease 6.50% Decreasing to 4.00% over 5 years <hr/> \$ 4,841,002	7.50% Decreasing to 5.00% over 5 years <hr/> \$ 7,108,163	1% Increase 8.50% Decreasing to 6.00% over 5 years <hr/> \$ 9,916,136
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Detailed information about the CER's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the Kentucky Retirement Systems (which is a matter of public record.)

The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to the CERS.

**NOTE 11. RETIREMENT PLAN**

Plan Description

The City has elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530. The plan is administered by the Board of Trustees of the Kentucky Retirement Systems. The plan is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. There are three different pension benefit tiers within the defined benefit plan. The tier under which an employee falls is determined by the employee's participation date. The benefits an employee receives under a specific tier depend upon various factors such as the employee's age, length of service, classification, total compensation, etc.

In addition to the CERS, employees are also eligible to participate in a Section 457 plan, a Section 401(k) plan (both traditional and Roth), and a Roth IRA plan sponsored by the Commonwealth of Kentucky. Monies under these plans are not available to employees (without penalty) unless certain criteria established by the Internal Revenue Code have been satisfied. The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to these plans.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Benefits Provided Nonhazardous:**

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
	Participation Prior to 9/1/2008	Participation 9/1/2008 through 12/31/2013	Participation on or after 1/1/2014
<b>Covered Employees:</b>	Substantially all regular members working more than 100 hours a month employed in non-hazardous duty positions of the City.		
<b>Benefit Formula:</b>	Final Compensation X	Benefit Factor X	Cash Balance Plan
	Service	Years of	
<b>Final Compensation</b>	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months.	No final compensation.
<b>Benefit Factor:</b>	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

	<b>Tier 1</b> Participation Prior to 9/1/2008	<b>Tier 2</b> Participation 9/1/2008 through 12/31/2013	<b>Tier 3</b> Participation on or after 1/1/2014
<b>Cost of Living Adjustment (COLA):</b>	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit:</b>	Any age with 27 years of service. Age 65 with 48 months of service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service	
<b>Reduced Retirement Benefit:</b>	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military)	No reduced retirement benefit.



**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**Benefits Provided Hazardous:**

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
	Participation Prior to 9/1/2008	Participation 9/1/2008 through 12/31/2013	Participation on or after 1/1/2014
<b>Covered Employees:</b>	Substantially all regular members working more than 100 hours a month employed in hazardous duty positions of the City.		
<b>Benefit Formula:</b>	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
<b>Final Compensation</b>	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years; Each year must contain 12 months.	No final compensation.
<b>Benefit Factor:</b>	2.50%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Additional years above 25 = 2.50% (2.50% benefit factor only applies to service earned in excess of 25 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

	<b>Tier 1</b> Participation Prior to 9/1/2008	<b>Tier 2</b> Participation 9/1/2008 through 12/31/2013	<b>Tier 3</b> Participation on or after 1/1/2014
<b>Cost of Living Adjustment (COLA):</b>	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
<b>Unreduced Retirement Benefit:</b>	Any age with 20 years of service. Age 55 with 60 months of service	Any age with 25 years of service. Age 60 with 5 month of service	
<b>Reduced Retirement Benefit:</b>	Age 50 with 15 years of service but less than 20 years of service	Age 50 with 15 years of service. Excludes purchased service (exception: refunds, omitted, free military)	No reduced retirement benefit.

Contributions

Benefits and contributions rates are established by state statute. Per Kentucky Revised Statute 61.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the Kentucky Retirement System's Board. For the fiscal year ended June 30, 2019, covered non-hazardous and hazardous employees were required to contribute 5.00% and 8.00%, respectively, of their annual covered salaries for retirement benefit. Covered non-hazardous and hazardous employees are required by Kentucky State Statutes to contribute an additional 1% of their salaries to the plan if their participation date is on or after September 1, 2008. The City was contractually required to contribute 16.22% and 24.86% of covered payroll to the nonhazardous and hazardous CERS pension plan, respectively. The City's total required contribution to CERS nonhazardous and hazardous pension plans for the year ended June 30, 2019 was approximately \$872,000 and \$1,448,000, respectively.

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

At June 30, 2019, the City reported a liability of approximately \$12,300,000 for its proportionate share of the net pension liability for non-hazardous employees and approximately \$24,110,000 for hazardous employees. 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

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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performed as of June 30, 2017, rolled forward to 2018 using generally accepted actuarial principles. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities. At June 30, 2019, the City's proportion was 0.201955% for the non-hazardous employees and 0.996929% for hazardous employees.

### Actuarial Methods and Assumptions

The total pension liability, net pension liability, and sensitivity for KRS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	25 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	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25% for CERS non-hazardous and hazardous
Date of experience study	July 1, 2008 – June 30, 2013

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

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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For the year ended June 30, 2019, the City recognized pension expense of approximately \$6,530,000 government-wide. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Non-Hazardous**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 401,181	\$ 180,041
Net difference between projected and actual earnings on pension plan investments	571,944	719,424
Changes of assumptions	1,202,036	
Change in proportion and differences between City contributions and proportionate share of contributions	54,046	9,211
City contributions subsequent to the measurement date	<u>872,010</u>	
Total	<u>\$ 3,101,217</u>	<u>\$ 908,676</u>

**Hazardous**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,918,773	\$
Net difference between projected and actual earnings on pension plan investments	893,655	1,165,608
Changes of assumptions	2,566,459	
Change in proportion and differences between City contributions and proportionate share of contributions	289,504	215,930
City contributions subsequent to the measurement date	<u>1,448,211</u>	
Total	<u>\$ 7,116,602</u>	<u>\$ 1,381,538</u>

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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The deferred outflows of resources of \$2,320,221 related to City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date	
Year ended June 30	
2020	\$ 4,145,750
2021	1,916,387
2022	(279,863)
2023	<u>(174,890)</u>
Total	<u>\$ 5,607,384</u>

### Actuarial Methods and Assumptions

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 5, 2015. 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 expenses 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 consultants 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 timeframe. The assumptions 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.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The target asset allocation and best estimates of arithmetic nominal 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		
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity		
Internation Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed		
Global Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt (EMD)	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Credit	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>	

Discount Rate

The projected of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumed that local employers would contribute the actuarially determined contributions rate of projected compensation over the remaining 25 years (closed amortization period of the unfunded actuarial accrued liability).

June 30, 2018 is the actuarial valuation date upon which the total pension liability is based. The discount rate is defined as the single rate of return that when applied to all projected payments results in an actuarial value of projected benefit payments. A municipal bond rate was not used.

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

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**Non-Hazardous**

1%	Current	1%
Decrease	Discount Rate	Increase
<u>(5.25%)</u>	<u>(6.25%)</u>	<u>(7.25%)</u>
\$ 15,484,017	\$ 12,299,675	\$ 9,631,754

**Hazardous**

1%	Current	1%
Decrease	Discount Rate	Increase
<u>(5.25%)</u>	<u>(6.25%)</u>	<u>(7.25%)</u>
\$ 30,208,626	\$ 24,110,299	\$ 19,068,889

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the Kentucky Retirement Systems.

The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to the CERS.

**NOTE 12 – LEASE COMMITMENTS**

The City leases vehicles from Enterprise Fleet Management, Inc. under non-cancellable operating leases. Rental expense under these leases is approximately \$115,000 and \$83,000 for governmental and enterprise fund, respectively, for a total of \$198,000 for the fiscal year ended June 30, 2019. Future minimum lease payments required as of June 30, 2019 are approximately \$141,000 and \$87,000 for governmental and enterprise funds respectively for a total of \$228,000 all of which is payable in fiscal year ending June 30, 2020.

As of June 30, 2019, the City had entered into eleven non-cancellable one year vehicle leases with Enterprise Fleet Management, Inc. that were not active as of June 30, 2019. Future minimum lease payments required under these leases are approximately \$78,000 and \$52,000 for governmental and enterprise funds respectively, for a total of \$130,500 all of which is payable within one year of the respective lease start date.

After fiscal year ended June 30, 2019, the City entered into fifteen additional non-cancellable one year leases with Enterprise Fleet Management, Inc. that require future minimum lease payments of approximately \$419,100 for the general fund all of which is payable within one year of the respective lease state date.

**CITY OF NICHOLASVILLE, KENTUCKY**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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Amounts included in the future minimum lease payments are the monthly rental payments for the non-cancellable lease term of twelve months plus any cash required up front.

Lessee agrees to pay Lessor within thirty days after the end of the term of each lease additional rent equal to the difference, if any, of the book value of each vehicle over the wholesale value of such vehicle as determined by Lessor in good faith. However, if the net proceeds are less than the guaranteed residual (defined below), this rental charge is limited to the amount of the difference between the guaranteed residual and the book value. The guaranteed residual is 20% of the delivered price at the end of the minimum lease term and thereafter, 20% of the book value as of the end of the prior month. The guaranteed residual does not apply to vehicles that have been subject to damage or any abnormal or excessive wear and tear as determined by the Lessor in good faith.

**NOTE 13 – INTERFUND TRANSACTIONS**

A summary of interfund transfers during the year ended June 30, 2019 is as follows:

	<b>Transfers From</b>			<b>Total</b>
	General Fund	Debt Service Fund	ABC Regulatory Fund	
General Fund	\$	\$	\$ 662,208	\$ 662,208
Planning Commission Fund	611,340			611,340
Debt Service Fund	514,482			514,482
Cemetery Operations Fund	380,969			380,969
	<u>\$ 1,506,791</u>	<u>\$ 0</u>	<u>\$ 662,208</u>	<u>\$ 2,168,999</u>

Transfers are used to move revenues collected in the General or other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations or other requirements.



# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **NOTE 14 – JOINT VENTURES AND RELATED ORGANIZATIONS**

As indicated in Note 1 (Financial Reporting Entity), the Jessamine County Joint Economic Development Authority (the Development Authority) and the Nicholasville-Jessamine County Joint Board of Parks and Recreation (Parks and Recreation) are considered joint ventures of the City.

The Development Authority is a nonprofit industrial authority created to acquire, retain, develop, and promote land for industrial and commercial purposes in Jessamine County, Kentucky. The City has no equity interest in the Development Authority; however, it does make an annual operating contribution. The City and Jessamine County (the County) each appoint three members to the Development Authority's governing board.

At June 30, 2018, the Development Authority's audited financial statements reflect a net position of approximately \$1,205,000. Complete financial statements for the Development Authority can be obtained from its offices at 102 South First Street in Nicholasville, Kentucky.

In April 2008, the Development Authority executed a lease with N and R Enterprises, LLC for property developed with Community Economic Growth Grant (CEGG) funds provided by the Governor's Office for Local Development (GOLD). Per the May 2008 agreement with GOLD, the Development Authority shall repay the CEGG funds received of \$447,285 over the 180 month lease period.

In August 2017, the City and Jessamine County (the "County") entered into an inter-local cooperation agreement under which both the City and County have agreed to make annual appropriations from their budgets to the Development Authority to fund the acquisition, development, and promotion of an industrial park located off Shun Pike (the "Project"). Both the City and County have agreed to share equally in the costs of the Project, including the repayment of any indebtedness incurred by the Development Authority. In August 2017, the Development Authority executed, with a local bank, a draw down loan secured by a mortgage on the Shun Pike property. The loan had a maturity date of September 2018, and was renewed at that time to September 2019. The maturity date has since been extended to December 2019. The loan has a fixed interest rate of 4.75%, requires monthly interest payments, and the principal is due upon maturity. The amount of principal outstanding as of June 30, 2019 totals \$1,268,585.

Parks and Recreation is a joint board of the City, the County, and the City of Wilmore (the parties). Parks and Recreation's joint board is comprised of two Nicholasville City Commissioners, two Jessamine County Fiscal Court Magistrates, and one City of Wilmore Council Member. The City and the County share jointly in the funding of the operational and capital costs of Parks and Recreations through annual operating contributions; however, the City has no equity interest in Parks and Recreation. While the parties have no involvement in the daily operations of the organization, the City and the County are ultimately responsible for Parks and Recreation, its operations, and its policies. At June 30, 2015, Parks and Recreation's audited financial statements reflect a net position of approximately \$844,200. Complete financial statements for Parks and Recreation can be obtained from its offices at 402 Park Drive in Nicholasville, Kentucky.

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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Intergovernmental expenses for the year ended June 30, 2019, include contributions to the Jessamine County Joint Economic Development Authority and the City of Nicholasville-Jessamine County Joint Board of Parks and Recreation in the approximate amounts of \$95,000 and \$340,000, respectively.

Joint Tourism Commission is a joint board of the City, the County, and the City of Wilmore (the parties). Joint Tourism Commission joint board is comprised of seven members appointed by one by the Mayor of the City of Nicholasville, one Jessamine County Fiscal Court Magistrates, one by local restaurants, one by the Jessamine County Chamber of Commerce and three by the City of Wilmore. The Cities and the County will impose a 3% transient room tax the City paid approximate \$100,000 to the Joint Tourism Commission in 2019.

As indicated in Note 1 (Financial Reporting Entity) the Housing Authority of Nicholasville, the Jessamine County Chamber of Commerce, the Nicholasville Historic Preservation Commission, and the local Jessamine County Board of Assessment Appeals are related organizations. Intergovernmental expenses for the year ended June 30, 2019 include payments to the Jessamine County Chamber of Commerce of \$8,500. The City did not appropriate any other funds to related organizations during 2019.

### **NOTE 15 – CONDUIT DEBT**

During the fiscal year ending June 30, 2007, the City Commission authorized the issuance of Educational, Cultural, and Recreational revenue bonds, Series 2006, in the amount of \$6,625,000, the terms of which were amended in 2010. The proceeds were used by Bethel Harvest Church, Inc. (a Kentucky non-profit organization) for the purposes of financing new facilities and refinancing existing outstanding debt. The outstanding debt as of June 30, 2019 is \$5,759,150.

During the fiscal year ending June 30, 2007, the City Commission authorized the issuance of Industrial Building revenue bonds in the amount of \$7,000,000 for Rock-Tenn Packaging and Paperboard, LLC, a Georgia limited liability company. The aggregate principal amount payable could not be determined as of June 30, 2019.

Such bonds as issued for Bethel Harvest and Rock-Tenn Packaging shall never be a general obligation of the City. Neither the City, the City Commission, the Commonwealth, nor any political subdivision of the Commonwealth, shall be obligated to pay the principal of or interest on such bonds or any other costs incident thereto. Neither the full faith and credit nor the taxing power of the City, the Commonwealth, or any political subdivision of the Commonwealth, is pledged towards the payment of the principal of or interest on such bonds or any other costs incident thereto. Accordingly, the financial statements of the City will not include any assets or liabilities related to the issuance of such bonds.

# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **NOTE 16 – 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; injuries to employees; natural disasters; and workers' compensation claims. The City participates in three pooled self-insurance programs sponsored by the Kentucky League of Cities (KLC). These three programs provide general liability and property insurance, workers' compensation coverage, and unemployment compensation benefits as described below.

The KLC Insurance Services Associations (KLCISA) General Insurance Trust was established in 1987 under the statutory authority of the Kentucky Inter-local Cooperation Act for the purpose of creating and operating various self-insurance, insurance, and investment trusts for the benefit of its members. The KLCISA is an unincorporated, non-profit association voluntarily established by the participating cities, urban-county governments, and related public agencies and political subdivisions within the Commonwealth of Kentucky. The KLCISA received its Certificate of Authority from the Kentucky Office of Insurance (Office). Accordingly, the KLCISA General Insurance Trust is subject to the Office's regulatory oversight.

Through the KLCISA General Insurance Trust, members are offered general, public official, law enforcement, and auto liability coverage (liability program), as well as auto physical damage, property, crime, and boiler/machinery coverage (property program). In order to reduce its ultimate loss exposure arising from significant losses, the KLCISA General Insurance Trust obtains reinsurance coverage. Reinsurance coverage for the liability program is obtained through Markel Insurance Company and Great American. These companies cover losses in excess of \$1,000,000 up to \$9,000,000. Reinsurance coverage for the property program is obtained through Travelers Indemnity Company and coverage changes depending on the size and type of the claim (property, earthquake, or boiler/machinery).

The KLC-Workers Compensation Trust (KLC-WCT) was established in 1993 pursuant to the statutory authority of the Kentucky Inter-local Cooperation Act for the purpose of providing workers' compensation coverage for KLC members. The KLC-WCT is an unincorporated, non-profit association voluntarily established by the participating cities, urban-county governments, and related public agencies and political subdivisions within the Commonwealth of Kentucky. The Certificate of Authority for the KLC-WCT was granted by the Kentucky Office of Insurance. Accordingly, the KLC-WCT is subject to the Office's regulatory oversight.

The KLC-WCT also obtains reinsurance coverage in order to reduce its ultimate loss exposure arising from significant losses relative to workers' compensation claims. Reinsurance coverage for the KLC-WCT is purchased from Safety National Casualty Corporation. Safety National covers losses in excess of \$1,500,000 up to \$4,000,000. In addition, employer's liability of \$4,000,000 is provided (KLC-WCT's retention at \$1,500,000 plus \$4,000,000 of reinsurance).

The KLCISA General Insurance Trust and the KLC-WCT are pools in which risk is transferred among the participants of the individual pools. The pooling agreements permit the pools to make an

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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additional assessment to their members. KLC management has determined that there will not be an assessment for the 2018-2019 policy period. KLC utilizes an independent actuary to perform annual rate adequacy and rate reserve studies for the pools. Additionally, the actuary annually certifies the adequacy of the rates to regulators.

The KLC-Unemployment Compensation Reimbursement Trust (KLC-UCRT) was established in 1979 as a service to those KLC members and related agencies that are required to provide unemployment compensation benefits pursuant to the Kentucky Unemployment Insurance Law as provided by Public Law 94-566, the Unemployment Compensation Amendments of 1976, and section 341.277 of the Kentucky Revised Statutes. In lieu of making contributions to the Kentucky Unemployment Compensation Fund, participants can elect to reimburse the Commonwealth of Kentucky for all benefits paid to workers for compensable weeks of unemployment.

Benefits paid by the Commonwealth of Kentucky to former eligible employees of each participant are reimbursed by the KLC-UCRT quarterly and charged to the participant's account. The agreement of participation provides that each participant is responsible for all of the benefits paid and each participant is required to make additional contributions to the KLC-UCRT within 30 days of notification of a deficit, if its contributions plus allocated investment income are less than the benefits and allocated expenses charged to its account. Thus, the KLC-UCRT assumes no liability for participant deficit balances, as it operates as a pool of self-insured members rather than as a group self-insurer.

Participants make quarterly contributions to the KLC-UCRT based on rates approved by KLC management, who periodically utilize independent actuarial studies. Annually, each participant is individually rated with a contribution rate determined by that participant's experience in the first fifteen of the last eighteen quarters prior to the effective date of the rates.

The City is exposed to various risks associated with land development within the City limits. The City utilizes lines of credit and bonds to mitigate these risks.

### **NOTE 17 – TAX ABATEMENTS**

The City has resolved to allow entities to retain or to receive refunds for a portion of the Nicholasville occupational license fees withheld from certain employees in accordance with criteria established under the Kentucky Business Investment Program (the "KBI") and the Kentucky Jobs Development Act (the "KJDA"). Both KBI and KJDA are authorized by Section 154.24 of the Kentucky Revised Statutes. The City participates in these programs to encourage creation of jobs and investments in the City. During fiscal year ended June 30, 2019, entities retained or received refunds for approximately \$47,500 under these programs. There are no provisions for recapturing any abated taxes.

Pursuant to Section 92.300 of the Kentucky Revised Statutes, the City has abated city property taxes as an inducement to locate a manufacturing facility within the City limits. To be eligible for the

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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abatement, the facility must be completed. The abatement is allowed for five years and issued each year as a reduction in the tax liability. The reduction in the tax liability is a percentage of the current assessed property value. There are no provisions for recapturing any abated taxes. During fiscal year ended June 30, 2019, approximately \$20,100 of property taxes were abated.

### **NOTE 18 – SUBSEQUENT EVENTS**

Events or transactions that affect financial statement amounts or disclosures sometimes occur subsequent to the period end, but before the financial statements are issued. Subsequent events, if applicable, may impact the current financial statement or may reveal conditions that did not exist at the financial statement date. The search for subsequent events is covered through the date of the auditors' report.

In September 2019, the City received a \$646,264 grant from the Department of Homeland Security to assist in paying the wages and benefits for six fire fighters over a period of three years. The City is required to match \$401,732 of these grant funds.

In September 2019, the City transferred land with a carrying value of \$706,123 from the Utilities Fund to the General Fund in exchange for a cash payment of \$131,123 and the assumption by the General Fund of the Utilities Fund's share of future 2011A General Obligation Bond debt service payments of \$575,000.

In October 2019, the City issued General Obligation Bonds, Series 2019 (the "2019 Bonds"), in the amount of \$9,545,000. Of these proceeds, \$5,675,000 will be used to finance the acquisition and furnishing of a new fire truck, the construction and equipping of a new fire station, partial construction and equipping of a new police station, and related debt issuance costs. The remaining proceeds of \$3,870,000 will be used to refund, pay, and redeem the outstanding General Obligation Bonds, Series 2009, and for related debt issuance costs. Principal on the outstanding 2019 Bonds is due annually each May 1 through May 1, 2039 in amounts ranging from \$215,000 to \$755,000. The bonds maturing on May 1 of years 2030, 2032, 2034, 2037, and 2039 are term bonds subject to mandatory sinking fund redemption. The outstanding 2019 Bonds bear interest, from the current period to completion, at rates ranging from 2.00% to 3.50% with interest due semiannually each May 1 and November 1. The bonds maturing on or after May 1, 2028, are subject to optional redemption on or after May 1, 2027. The General Fund carries \$5,675,000 and the Utilities Fund carries \$3,870,000 of the outstanding 2019 Bonds on their books. The debt carried on the General Fund's books is serviced with General Fund tax revenues. The debt carried on the Utilities Fund's books is serviced with excess revenues from the City's combined utility system. In the event that these excess revenues do not meet the debt service requirements, the debt will be serviced with General Fund tax revenues.

In October 2019, the City received a Highway Safety Grant from the Commonwealth of Kentucky for \$21,050. The grant is to help deter speeding, seat belt violations, and other traffic violations thus improving highway safety.

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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In October 2019, the City received an \$84,000 grant from the Kentucky Fire Commission to improve its fire training facilities. The City is not required to match these grant funds.

In November 2019, the City entered into an assistance agreement with the Kentucky Infrastructure Authority to increase the amount of KIA Loan Fund A15-090 to \$906,446, a \$565,466 increase. Fund A15-090 provides financing for the Orchard Parallel Sanitary Sewer Project which is part of the City's Sanitary Sewer Overflow Corrective Action Plan. The project will replace/up-size approximately 2,400 linear feet of an existing gravity sewer to provide sufficient capacity to convey wastewater flows. The interest rate for the loan is 2.75%, and there is a .20% service fee. Semi-annual interest payments began with the first draw. Semi-annual principal payments will commence within twelve months from initiation of operations which is estimated to be during the summer of 2020. The loan shall be repaid over a period not to exceed 20 years.

In November 2019, the City entered into an assistance agreement with the Kentucky Infrastructure Authority for a \$910,000 loan (Fund A20-045). The proceeds of the loan will be used to plan and design an expansion of the City's waste water treatment plant. The loan's interest rate is 2.50%, and there is a .20% service fee. Semi-annual interest payments will commence within six months of the first draw. Semi-annual principal payments will begin within one year of the initiation of operations, and the loan shall be repaid over a period not to exceed five years.

### **NOTE 19 – NEW STANDARDS IMPLEMENTATION**

During 2019, the City implemented *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. See Note 7 for the additional disclosures related to debt. This new standard did not have an impact on the financial statements.

### **NOTE 20 – RECENT GASB PRONOUNCEMENTS**

**GASB Statement No. 87, Leases**, will be effective for periods beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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# CITY OF NICHOLASVILLE, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**GASB Statement No. 91**, *Conduit Debt Obligations*, will be effective for periods beginning after December 31, 2020. This statement clarifies the financial reporting and enhances the supporting disclosures for conduit debt obligations and related commitments in the financial statements of issuers.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF NICHOLASVILLE, KENTUCKY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GENERAL FUND – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>Taxes</b>				
Property taxes	\$ 3,870,000	\$ 3,823,000	\$ 3,809,561	\$ (13,439)
Motor vehicle and boat tax	390,000	419,000	419,881	881
Bank deposit tax	86,000	91,000	91,817	817
Motel tax	100,000	100,000	99,702	(298)
Insurance premium tax	4,000,000	4,200,000	4,453,335	253,335
Total taxes	<u>8,446,000</u>	<u>8,633,000</u>	<u>8,874,296</u>	<u>241,296</u>
<b>License, permits, and fees</b>				
Occupational licenses	8,200,000	8,320,000	8,538,025	218,025
Franchise fees	1,290,000	1,390,000	1,351,123	(38,877)
Total licenses, permits, and fees	<u>9,490,000</u>	<u>9,710,000</u>	<u>9,889,148</u>	<u>179,148</u>
<b>Fines and forfeitures</b>				
Penalties and interest	110,000	160,000	183,251	23,251
Parking violations	2,000	1,200	1,357	157
Fire fines/fees	0	1,000	500	(500)
Police arrest fees	9,000	9,000	11,490	2,490
Total fines and forfeitures	<u>121,000</u>	<u>171,200</u>	<u>196,598</u>	<u>25,398</u>
<b>Intergovernmental revenues</b>				
Police training incentives	352,000	315,000	322,921	7,921
Firefighters training incentives	265,000	250,000	245,741	(4,259)
Base court revenue	30,000	28,000	28,281	281
Grants - CDBG/home	0	0	0	-0-
Grants- other	0	149,000	162,947	13,947
School resource officer and other	246,000	345,000	328,116	(16,884)
Total intergovernmental revenue	<u>893,000</u>	<u>1,087,000</u>	<u>1,088,006</u>	<u>1,006</u>
<b>Other revenue</b>				
Income from investments	35,000	80,000	111,257	31,257
Incentive fee	0	40,000	104,037	64,037
Sales of assets	0	20,000	104,053	84,053
Other	25,000	40,000	47,172	7,172
Total other revenue	<u>60,000</u>	<u>180,000</u>	<u>366,519</u>	<u>186,519</u>
<b>Total Revenues</b>	<u>19,010,000</u>	<u>19,781,200</u>	<u>20,414,567</u>	<u>633,367</u>

See report of independent auditors

## CITY OF NICHOLASVILLE, KENTUCKY

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND – BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>Expenditures</b>				
<b>General government</b>				
Personnel services	1,248,600	1,178,700	1,174,349	(4,351)
Medicial claims paid	1,350,000	1,300,000	1,231,341	(68,659)
Outside services	386,000	362,500	337,672	(24,828)
Utilities, rent, insurance	325,500	319,000	304,659	(14,341)
Materials and supplies	53,000	55,200	49,026	(6,174)
Repairs and maintenance	37,000	39,000	29,678	(9,322)
Other expenses	1,066,800	224,500	527,840	303,340
Intergovernmental expenditures	538,000	561,000	661,836	100,836
<b>Total general government</b>	<b>5,004,900</b>	<b>4,039,900</b>	<b>4,316,401</b>	<b>276,501</b>
<b>Public safety - police</b>				
Personnel services	5,547,600	5,437,900	5,412,746	(25,154)
Outside services	57,500	54,700	36,991	(17,709)
Utilities, rent, insurance	54,000	52,000	44,127	(7,873)
Materials and supplies	327,000	307,000	264,714	(42,286)
Repairs and maintenance	77,000	91,500	74,464	(17,036)
Other expenses	137,800	213,300	233,469	20,169
<b>Total public safety - police</b>	<b>6,200,900</b>	<b>6,156,400</b>	<b>6,066,511</b>	<b>(89,889)</b>
<b>Public safety fire</b>				
Personnel services	4,079,100	4,073,900	3,994,534	(79,366)
Outside services	46,400	60,500	59,536	(964)
Utilities, rent, insurance	53,500	57,000	50,945	(6,055)
Materials and supplies	105,950	123,350	122,826	(524)
Repairs and maintenance	114,100	114,600	116,572	1,972
Other expenses	33,300	38,900	41,067	2,167
<b>Total public safety - fire</b>	<b>4,432,350</b>	<b>4,468,250</b>	<b>4,385,480</b>	<b>(82,770)</b>

**CITY OF NICHOLASVILLE, KENTUCKY**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GENERAL FUND – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>Public works - streets</b>				
Personnel services	415,400	428,700	419,843	(8,857)
Outside services	16,400	16,400	9,835	(6,565)
Stormwater, refuse, paving	167,600	449,000	342,721	(106,279)
Utilities, rent, insurance	277,500	283,500	286,421	2,921
Materials and supplies	98,900	87,900	62,176	(25,724)
Repairs and maintenance	36,000	57,500	32,789	(24,711)
Other expenses	5,600	7,800	9,197	1,397
Total public works - streets	<u>1,017,400</u>	<u>1,330,800</u>	<u>1,162,982</u>	<u>(167,818)</u>
<b>Other (income) expenditures</b>				
Capital outlay	677,900	1,294,000	905,066	(388,934)
CDBG expenditures	-0-	-0-	-0-	-0-
Capital and operating grant expenditures	-0-	127,000	127,228	228
Interfund transfers in	(617,000)	(637,000)	(662,208)	25,208
Interfund transfers out	1,655,100	1,615,100	1,506,791	(108,309)
Total other (income) expenditures	<u>1,716,000</u>	<u>2,399,100</u>	<u>1,876,877</u>	<u>(522,223)</u>
<b>Total Expenditures</b>	18,371,550	18,394,450	17,808,251	(586,199)
Excess of revenues over (under) expenditures	638,450	1,386,750	2,606,316	1,219,566
Beginning Fund Balance	<u>16,789,926</u>	<u>16,789,926</u>	<u>16,789,926</u>	<u>-0-</u>
<b>Ending Fund Balance</b>	<u>\$ 17,428,376</u>	<u>\$ 18,176,676</u>	<u>\$ 19,396,242</u>	<u>\$ 1,219,566</u>

**CITY OF NICHOLASVILLE, KENTUCKY**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 COUNTY EMPLOYEES RETIREMENT SYSTEM NONHAZARDOUS  
 JUNE 30, 2019

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	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
Proportion of the net pension liability (asset)	0.201955%		0.201901%		0.199350%		0.201370%		0.192262%
Proportionate share of the net pension liability	\$ 12,299,675		\$ 11,817,886		\$ 9,815,276		\$ 8,658,015		\$ 6,238,000
Covered payroll	\$ 5,136,729		\$ 5,065,730		\$ 4,879,858		\$ 4,820,898		\$ 4,420,762
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	239.45%		233.29%		201.14%		179.59%		141.11%
Plan fiduciary net position as a percentage of the total pension liability	53.54%		53.30%		55.50%		59.97%		66.80%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of the fiscal year ended above.

# CITY OF NICHOLASVILLE, KENTUCKY

## SCHEDULE OF PENSION CONTRIBUTIONS COUNTY EMPLOYEES RETIREMENT SYSTEM NONHAZARDOUS JUNE 30, 2019

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 872,010	\$ 743,798	\$ 706,670	\$ 606,066	\$ 614,665
Contribution in relation to the statutorily required contribution	(872,010)	(743,798)	(706,670)	(606,066)	(614,665)
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 5,376,140	\$ 5,136,729	\$ 5,065,730	\$ 4,879,858	\$ 4,820,898
Contribution as a percentage of covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%

**Notes to Schedule**

Valuation date	June 30, 2016	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2014
Experience study	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013

**Methods and assumptions used to determine contributions:**

Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	Five-year smoothed market	Five-year smoothed market
Remaining amortization period	27 years, Closed	28 year, closed	28 year, closed	29 year, closed	29 year, closed
Investment return	7.50%	7.50%	6.75%	7.50%	7.75%
Payroll growth rate	4.00%	4.00%	4.00%	4.00%	4.00%
Inflation	3.25%	3.25%	3.25%	3.25%	3.50%
Salary increase	4.0%, average,	4.0%, average, including inflation	4.0%, average, including inflation	4.0%, average, including inflation	4.50% per annum

**Mortality**

The rate of mortality for active members is based on the RP-2000 Combined Mortality Table projected to with scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table 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 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.

Note: This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF NICHOLASVILLE, KENTUCKY**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 COUNTY EMPLOYEES RETIREMENT SYSTEM HAZARDOUS  
 JUNE 30, 2019

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.996929%	1.012635%	0.978280%	0.966760%	0.944184%
Proportionate share of the net pension liability	\$ 24,110,299	\$ 22,655,465	\$ 16,786,629	\$ 14,840,831	\$ 11,347,000
Covered payroll	\$ 5,553,471	\$ 5,559,143	\$ 5,085,815	\$ 4,947,688	\$ 4,784,021
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	434.15%	407.54%	330.07%	299.95%	237.19%
Plan fiduciary net position as a percentage of the total pension liability	49.26%	49.80%	53.95%	57.52%	63.50%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of the fiscal year ended above.

# CITY OF NICHOLASVILLE, KENTUCKY

## SCHEDULE OF PENSION CONTRIBUTIONS COUNTY EMPLOYEES RETIREMENT SYSTEM HAZARDOUS JUNE 30, 2019

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,448,211	\$ 1,232,871	\$ 1,206,890	\$ 1,030,386	\$ 1,025,655
Contribution in relation to the statutorily required contribution	(1,448,211)	(1,232,871)	(1,206,890)	(1,030,386)	(1,025,655)
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	\$ 5,823,818	\$ 5,553,471	\$ 5,559,143	\$ 5,085,815	\$ 4,947,688
Contribution as a percentage of covered payroll	24.87%	22.20%	21.71%	20.26%	20.73%

### Notes to Schedule

Valuation date	June 30, 2016	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2014
Experience study	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013
<b>Methods and assumptions used to determine contributions:</b>					
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	Five-year smoothed market	Five-year smoothed market
Remaining amortization period	27 year, closed	28 year, closed	28 year, closed	29 year, closed	29 year, closed
Investment return	7.50%	7.50%	6.75%	7.50%	7.75%
Payroll growth rate	4.00%	4.00%	4.00%	4.00%	4.00%
Inflation	3.25%	3.25%	3.25%	3.25%	3.50%
Projected salary increase	4.0% average	4.0%, average, including inflation	4.0%, average, including inflation	4.0%, average, including inflation	4.50% per annum

### Mortality

The rate of mortality for active members is based on the RP-2000 Combined Mortality Table projected to with scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table 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 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 future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

Note: This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF NICHOLASVILLE, KENTUCKY**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM NONHAZARDOUS  
JUNE 30, 2019

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	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability (asset)	0.201948%	0.201901%
Proportionate share of the net OPEB liability	\$ 3,585,547	\$ 4,058,901
Covered payroll	\$ 5,136,729	\$ 5,065,730
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	69.80%	80.12%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of the fiscal year ended above.



# CITY OF NICHOLASVILLE, KENTUCKY

## SCHEDULE OF OPEB CONTRIBUTIONS COUNTY EMPLOYEES RETIREMENT SYSTEM NONHAZARDOUS JUNE 30, 2019

	2019	2018	2017	2016
Statutorily required contribution	\$ 282,785	\$ 241,426	\$ 239,609	\$ 226,425
Contribution in relation to the statutorily required contribution	(282,785)	(241,426)	(239,609)	(226,425)
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 5,376,140	\$ 5,136,729	\$ 5,065,730	\$ 4,879,858
Contribution as a percentage of covered payroll	5.26%	4.70%	4.73%	4.64%

**Notes to Schedule**

Valuation date	June 30, 2016	June 30, 2015	June 30, 2015	Not available
Experience study	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	Not available

**Methods and assumptions used to determine contributions:**

Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percentage of pay	Level percentage of pay	Level percentage of pay	Not available
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	Not available
Amortization period	27 year, Closed	28 year, Closed	28 year, Closed	Not available
Investment return	7.50%	7.50%	7.50%	Not available
Payroll growth rate	4.00%	4.00%	4.00%	
Inflation	3.25%	3.25%	3.25%	Not available
Projected salary increase	4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	Not available
Healthcare Trend Rates (Pre 65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years	Not available
Healthcare Trend Rates (Post - 65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years	Not available

**Mortality**

RP-2000 Combined Mortality, project to 2013 with Scale BB (set back 1 year for females)

Note: This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF NICHOLASVILLE, KENTUCKY**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM HAZARDOUS  
JUNE 30, 2019**

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	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability (asset)	0.996994%	1.012635%
Proportionate share of the net OPEB liability	\$ 7,108,163	\$ 8,371,166
Covered payroll	\$ 5,553,471	\$ 5,559,143
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	127.99%	150.58%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	59.00%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above for the fiscal year were determined as of the fiscal year ended above.

# CITY OF NICHOLASVILLE, KENTUCKY

## SCHEDULE OF OPEB CONTRIBUTIONS COUNTY EMPLOYEES RETIREMENT SYSTEM HAZARDOUS JUNE 30, 2019

	2019	2018	2017	2016
Statutorily required contribution	\$ 609,926	\$ 519,250	\$ 519,778	\$ 645,390
Contribution in relation to the statutorily required contribution	(609,926)	(519,250)	(519,778)	(645,390)
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 5,823,818	\$ 5,553,471	\$ 5,559,143	\$ 5,085,815
Contribution as a percentage of covered payroll	10.47%	9.35%	9.35%	12.69%

**Notes to Schedule**

Valuation date	June 30, 2016	June 30, 2015	June 30, 2015	Not available
Experience study	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	July 1, 2008 - June 30, 2013	Not available

**Methods and assumptions used to determine contributions:**

Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Not available
Amortization method	Level percentage of pay	Level percentage of pay	Level percentage of pay	Not available
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	20% of the difference between market value of assets and the expected actuarial value of assets is recognized	Not available
Amortization period	27 year, Closed	28 year, Closed	28 year, Closed	
Investment return	7.50%	7.50%	7.50%	Not available
Payroll growth rate	4.00%	4.00%	4.00%	Not available
Inflation	3.25%	3.25%	3.25%	Not available
Projected salary increase	4.0%, average	4.0%, average, including inflation	4.0%, average, including inflation	Not available
Healthcare Trend Rates (Pre 65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years	Not available
Healthcare Trend Rates (Post - 65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years	Not available

**Mortality**

RP-2000 Combined Mortality, project to 2013 with Scale BB (set back 1 year for females)

Note: This is a 10 year schedule. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**SUPPLEMENTARY INFORMATION**

**CITY OF NICHOLASVILLE, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE –  
UTILITIES FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>Operating revenue</b>				
Electric, water, and sewer service charges				
Electric	\$ 16,253,733	\$ 15,367,522	\$ 14,949,852	\$ (417,670)
Water	5,537,917	5,339,325	5,225,962	(113,363)
Sewer	3,753,991	3,617,332	3,593,211	(24,121)
Total Service Charges	<u>25,545,641</u>	<u>24,324,179</u>	<u>23,769,025</u>	<u>(555,154)</u>
Penalties and services charges	470,000	470,000	461,131	(8,869)
Other revenues	210,000	210,000	299,926	89,926
<b>Total operating revenue</b>	<u>26,225,641</u>	<u>25,004,179</u>	<u>24,530,082</u>	<u>(474,097)</u>
<b>Operating Expenses:</b>				
<b>Utility administration</b>				
Personnel services	1,223,747	1,224,482	1,190,158	(34,324)
GASB 68 Pension and GASB 75 OPEB expense	0	0	207,263	207,263
Medicinal claims paid	700,000	700,000	472,073	(227,927)
Contractual services	149,500	162,500	162,521	21
Materials and supplies	131,600	131,600	121,743	(9,857)
Repairs and maintenance	23,000	38,000	25,733	(12,267)
Other expenses	437,750	437,116	430,003	(7,113)
Total utility administration	<u>2,665,597</u>	<u>2,693,698</u>	<u>2,609,494</u>	<u>(84,204)</u>
<b>Electric department</b>				
Personnel services	780,151	790,151	801,037	10,886
GASB 68 Pension and GASB 75 OPEB expense	0	0	140,867	140,867
Electric purchases	13,920,882	12,355,000	11,805,787	(549,213)
Contractual services	236,600	311,600	401,815	90,215
Materials and supplies	41,500	71,000	88,749	17,749
Repairs and maintenance	18,500	32,500	39,080	6,580
Other expenses	211,600	213,557	214,819	1,262
Total electric department	<u>15,209,233</u>	<u>13,773,808</u>	<u>13,492,154</u>	<u>(281,654)</u>

**CITY OF NICHOLASVILLE, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE –  
UTILITIES FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>Meter operations</b>				
Personnel services	532,351	532,351	562,837	30,486
GASB 68 Pension and GASB 75 OPEB expense	-0-	-0-	106,964	106,964
Medicial claims paid	-0-	-0-	-0-	-0-
Contractual services	11,300	11,300	12,640	1,340
Materials and supplies	74,750	77,950	69,712	(8,238)
Repairs and maintenance	26,200	19,700	18,837	(863)
Other expenses	14,950	15,174	8,524	(6,650)
<b>Total meter operations</b>	<b>659,551</b>	<b>656,475</b>	<b>779,514</b>	<b>123,039</b>
<b>Water distribution</b>				
Personnel services	369,784	346,699	412,941	66,242
GASB 68 Pension and GASB 75 OPEB expense	-0-	-0-	82,523	82,523
Water purchases	298,000	298,000	282,520	(15,480)
Contractual services	79,500	24,500	58,540	34,040
Materials and supplies	134,200	142,200	132,865	(9,335)
Repairs and maintenance	19,000	21,500	13,298	(8,202)
Other expenses	26,300	26,431	12,021	(14,410)
<b>Total water distributions</b>	<b>926,784</b>	<b>859,330</b>	<b>994,708</b>	<b>135,378</b>
<b>Water treatment</b>				
Personnel services	588,173	593,761	629,753	35,992
GASB 68 Pension and GASB 75 OPEB expense	-0-	-0-	105,893	105,893
Water withdrawal fees	408,347	408,347	354,771	(53,576)
Contractual services	30,700	26,700	16,643	(10,057)
Materials and supplies	276,500	276,500	289,812	13,312
Repairs and maintenance	85,500	85,500	92,140	6,640
Other expenses	9,100	9,608	43,213	33,605
<b>Total water treatment</b>	<b>1,398,320</b>	<b>1,400,416</b>	<b>1,532,225</b>	<b>131,809</b>

**CITY OF NICHOLASVILLE, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE –  
UTILITIES FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<b>Sewer collections</b>				
Personnel services	347,903	327,359	367,859	40,500
GASB 68 Pension and GASB 75 OPEB expense	-0-	-0-	58,078	58,078
Contractual services	70,300	70,300	40,753	(29,547)
Materials and supplies	56,800	56,800	35,720	(21,080)
Repairs and maintenance	22,500	22,500	31,903	9,403
Other expenses	37,500	38,241	34,862	(3,379)
<b>Total sewer collections</b>	<b>535,003</b>	<b>515,200</b>	<b>569,175</b>	<b>53,975</b>
<b>Sewer treatment</b>				
Personnel services	478,949	429,268	419,490	(9,778)
GASB 68 Pension and GASB 75 OPEB expense	-0-	-0-	69,176	69,176
Contractual services	198,500	198,500	206,558	8,058
Materials and supplies	105,500	105,500	94,363	(11,137)
Repairs and maintenance	122,000	122,000	107,766	(14,234)
Other expenses	290,500	290,805	303,247	12,442
<b>Total sewer collections</b>	<b>1,195,449</b>	<b>1,146,073</b>	<b>1,200,600</b>	<b>54,527</b>
Depreciation expenses	2,800,000	2,800,000	2,917,026	117,026
<b>Total Operating Expenses</b>	<b>25,389,937</b>	<b>23,845,000</b>	<b>24,094,896</b>	<b>249,896</b>
Excess of revenues over (under) expenditures	835,704	1,159,179	435,186	(723,993)
Other Financing Sources (Uses):				
Water and sewer tap fees	169,000	169,000	134,600	(34,400)
Pole attachment fees	-0-	-0-	108,810	108,810
Grant revenue	-0-	-0-	320,355	320,355
Miscellaneous revenue	-0-	-0-	27,542	27,542
Interest income	45,000	45,000	94,943	49,943
Contributed assets	-0-	-0-	1,476,456	1,476,456
Interest expense	(792,000)	(757,000)	(734,025)	22,975
Amortization expense	0	0	(21,735)	(21,735)
Gain (loss) on sales and disposals of capital assets	0	0	(296,063)	(296,063)
Operating transfers out	-0-	-0-	-0-	-0-
<b>Total other financing sources (uses)</b>	<b>(578,000)</b>	<b>(543,000)</b>	<b>1,110,883</b>	<b>1,653,883</b>
Net Change In Fund Balances	257,704	616,179	1,546,069	929,890
Beginning Fund Balance	52,019,774	52,019,774	52,019,774	-0-
<b>Ending Fund Balance</b>	<b>\$ 52,277,478</b>	<b>\$ 52,635,953</b>	<b>\$ 53,565,843</b>	<b>\$ 929,890</b>

**CITY OF NICHOLASVILLE, KENTUCKY**

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2019

	Nonmajor Funds - Governmental									Totals
	Planning Commission Fund	ABC Regulatory Fund	Municipal Aid Program Fund	Drug Enforcement Forfeiture Fund	DARE Fund	Fire Prevention Fund	LGEA Fund	Debt Service Fund	Permanent Cemetery Fund	
<b>Assets</b>										
Cash and cash equivalents	\$ 6	\$ -0-	\$ -0-	\$ -0-	\$ 11,831	\$ 226	\$ -0-	\$ -0-	\$ -0-	\$ 12,063
Accounts receivable, net	-0-	163,839	-0-	-0-	-0-	-0-	-0-	-0-	-0-	163,839
Other receivables	3,885	-0-	77,166	6,265	-0-	-0-	4,393	-0-	-0-	91,709
Restricted cash and cash equivalents	-0-	2,935	3,172	485,212	-0-	-0-	2,595	154,197	-0-	648,111
Restricted investments	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	10,600	10,600
Due from other funds	-0-	-0-	-0-	3,630	-0-	-0-	-0-	-0-	-0-	3,630
<b>Total assets</b>	<b>\$ 3,891</b>	<b>\$ 166,774</b>	<b>\$ 80,338</b>	<b>\$ 495,107</b>	<b>\$ 11,831</b>	<b>\$ 226</b>	<b>\$ 6,988</b>	<b>\$ 154,197</b>	<b>\$ 10,600</b>	<b>\$ 929,952</b>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities:</b>										
Accounts payable	\$ 7,311	\$ -0-	\$ -0-	\$ 1,680	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 8,991
Accrued payroll expenses	10,450	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	10,450
Other liabilities	3,127	17	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,144
Due to other funds	15,265	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,265
<b>Total liabilities</b>	<b>36,153</b>	<b>17</b>	<b>-0-</b>	<b>1,680</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>37,850</b>
<b>Fund Balance:</b>										
<b>Nonspendable:</b>										
Cemetery perpetual care	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	10,600	10,600
<b>Restricted for:</b>										
Parks and recreation	-0-	-0-	-0-	-0-	-0-	-0-	6,988	-0-	-0-	6,988
Public safety	-0-	166,757	-0-	493,427	-0-	-0-	-0-	-0-	-0-	660,184
Debt service	-0-	-0-	-0-	-0-	-0-	-0-	-0-	154,197	-0-	154,197
Streets	-0-	-0-	80,338	-0-	-0-	-0-	-0-	-0-	-0-	80,338
<b>Assigned for:</b>										
Special revenue fund	-0-	-0-	-0-	-0-	11,831	226	-0-	-0-	-0-	12,057
<b>Unassigned for:</b>										
Special revenue fund	(32,262)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(32,262)
<b>Total fund balance</b>	<b>(32,262)</b>	<b>166,757</b>	<b>80,338</b>	<b>493,427</b>	<b>11,831</b>	<b>226</b>	<b>6,988</b>	<b>154,197</b>	<b>10,600</b>	<b>892,102</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,891</b>	<b>\$ 166,774</b>	<b>\$ 80,338</b>	<b>\$ 495,107</b>	<b>\$ 11,831</b>	<b>\$ 226</b>	<b>\$ 6,988</b>	<b>\$ 154,197</b>	<b>\$ 10,600</b>	<b>\$ 929,952</b>



**CITY OF NICHOLASVILLE, KENTUCKY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

	<b>Nonmajor Funds - Governmental</b>									
	Planning Commission Fund	ABC Regulatory Fund	Municipal Aid Program Fund	Drug Enforcement Forfeiture Fund	DARE Fund	Fire Prevention Fund	LGEA Fund	Debt Service Fund	Permanent Cemetery Fund	Totals
<b>Revenues:</b>										
Licenses, permits, and fees	\$ 229,672	\$ 666,469	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 896,141
Intergovernmental	-0-	-0-	554,646	146,819	-0-	-0-	15,517	-0-	-0-	716,982
Other Revenue	17,835	2,530	12,575	66,428	8,584	2,035	-0-	798	64	110,849
<b>Total Revenues</b>	<b>247,507</b>	<b>668,999</b>	<b>567,221</b>	<b>213,247</b>	<b>8,584</b>	<b>2,035</b>	<b>15,517</b>	<b>798</b>	<b>64</b>	<b>1,723,972</b>
<b>Expenditures:</b>										
Current:										
General government	840,732	-0-	-0-	-0-	-0-	-0-	14,000	-0-	-0-	854,732
Public safety - police	-0-	-0-	-0-	112,157	2,845	-0-	-0-	-0-	-0-	115,002
Public safety - fire	-0-	-0-	-0-	-0-	-0-	2,248	-0-	-0-	-0-	2,248
Public works - streets	-0-	-0-	542,000	-0-	-0-	-0-	-0-	-0-	-0-	542,000
Debt Service										
Principal	-0-	-0-	-0-	-0-	-0-	-0-	-0-	518,670	-0-	518,670
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	66,347	-0-	66,347
Fees	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Capital outlay	22,365	-0-	131,557	44,697	-0-	5,918	-0-	-0-	-0-	204,537
<b>Total Expenditures</b>	<b>863,097</b>	<b>-0-</b>	<b>673,557</b>	<b>156,854</b>	<b>2,845</b>	<b>8,166</b>	<b>14,000</b>	<b>585,017</b>	<b>-0-</b>	<b>2,303,536</b>
Excess of Revenues Over (Under) Expenditures	(615,590)	668,999	(106,336)	56,393	5,739	(6,131)	1,517	(584,219)	64	(579,564)
Other Financing Sources (Uses)										
Proceeds from the issuance of debt	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other Financing (Uses)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Operating transfers in	611,340	-0-	-0-	-0-	-0-	-0-	-0-	514,482	-0-	1,125,822
Operating transfers out	-0-	(662,208)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(662,208)
<b>Total Other Financing Sources (Uses)</b>	<b>611,340</b>	<b>(662,208)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>514,482</b>	<b>-0-</b>	<b>463,614</b>
Excess of Revenues and Other Sources Over (Under) Expenditures	(4,250)	6,791	(106,336)	56,393	5,739	(6,131)	1,517	(69,737)	64	(115,950)
Beginning fund balance	(28,012)	159,966	186,674	437,034	6,092	6,357	5,471	223,934	10,536	1,008,052
<b>Fund balance, end of year</b>	<b>\$ (32,262)</b>	<b>\$ 166,757</b>	<b>\$ 80,338</b>	<b>\$ 493,427</b>	<b>\$ 11,831</b>	<b>\$ 226</b>	<b>\$ 6,988</b>	<b>\$ 154,197</b>	<b>\$ 10,600</b>	<b>\$ 892,102</b>



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**REPORT OF INDEPENDENT AUDITORS 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 Board of Commissioners  
 City of Nicholasville, Kentucky

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nicholasville, Kentucky (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 23, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 the 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 the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blue & Co., LLC*

Lexington, Kentucky  
January 23, 2020

**CITY OF NICHOLASVILLE, KENTUCKY**

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2019

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There were no findings reported for the year ended June 30, 2019

## CITY OF NICHOLASVILLE, KENTUCKY

### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES JUNE 30, 2019

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The following findings were reported for the year ended June 30, 2018:

**Finding: 2018-1**

*Condition:* During the 2018 year-end close and preparation of the 2018 financial statements, certain adjustments to beginning net position as of July 1, 2017, were identified related to the following:

- Assessments receivable
- Construction in process
- Bond issue costs
- Allocation of the net pension liability and related deferred outflows of resources between the general fund and utility fund

*Recommendation:* We recommended the City review its year-end external financial statement preparation procedures related to non-routine transactions plus procedures related for the implementation of new accounting standards and modify if necessary.

*Current Status:* The City required more detailed information be communicated to accounting regarding grants and contracts to assist in determining whether to expense or capitalize future expenditures. The City has also put additional procedures in place to ensure the proper allocation and recording of net pension liability and related deferred inflows and deferred outflows of resources.

**APPENDIX C**

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

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**STATEMENT OF INDEBTEDNESS**

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STATEMENT OF INDEBTEDNESS  
 KY CONST. §§157 and 158  
 KRS §66.041

COMMONWEALTH OF KENTUCKY     )  
   ) SS  
 COUNTY OF JESSAMINE                     )

The undersigned Finance Officer of the City of Nicholasville, Commonwealth of Kentucky, does hereby certify that the following statements concerning the financial condition of the City are true and correct as they appear from records of the City:

1. The assessed valuation of all the taxable property in the City as estimated on the last certified assessment is	\$2,538,634,835
2. The current population of the City is	30,865
3. The total of all bonds, notes and other obligations currently issued and outstanding, including the estimated issue of the Bonds	\$58,588,010
4. Bonds and Bond Anticipation Notes, notes and other obligations excluded from the calculation of net indebtedness are as follows:	
(a) Obligations issued in anticipation of the levy or collection of special assessments which are payable solely from those assessments or are otherwise self-supporting obligations	-0
(b) Obligations issued in anticipation of the collection of current taxes or revenues for the fiscal year which are payable within that fiscal year	-0
(c) Obligations, which are not self-supporting obligations, issued after July 15, 1996 by any instrumentality of the City created for the purpose of financing public projects for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy tax to pay debt charges	-0
(d) Self-supporting obligations and other obligations for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy a tax to pay debt charges	5,789,798
(e) Obligations issued to pay costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year	-0
(f) Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases	891,627
(g) Bonds and Bond Anticipation Notes issued in the case of an emergency, when the public health or safety should so require	-0
(h) Bonds and Bond Anticipation Notes issued to fund a floating indebtedness	<u>          </u> -0
TOTAL EXEMPT OBLIGATIONS	\$ 6,681,425



5. The total of Bonds and Bond Anticipation Notes, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (line 3 minus line 4) is \$ 51,906,585
6. The total of Bonds and Bond Anticipation Notes, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in line 5 above, does not exceed 10.0% of the assessed valuation of all the taxable property in the City.
7. The current tax rate of the City, for other than school purposes, upon the value of the taxable property therein is \$0.00186 which does not exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.
8. The issuance of the Bonds and Bond Anticipation Notes, notes or other obligations set forth in line 3 hereof will not cause the tax rate set forth in line 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.

IN WITNESS WHEREOF, I have hereunto set my hand this November 18, 2020.

/s/ \_\_\_\_\_  
Laurie Young  
Finance Officer

**APPENDIX D**

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

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**FORM OF APPROVING OPINION OF BOND COUNSEL**

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*The form of the legal approving opinion of Dinsmore & Shohl LLP, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of its delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in the opinion after the date of the opinion.*

[Date of delivery]

Ladies and Gentlemen:

We have examined the transcript submitted relating to the issue of \$38,715,000\* General Obligation Bonds, Series 2020A (the "Bonds") of the City of Nicholasville, Kentucky (the "City"), dated the date of their initial delivery, numbered R-1 upward and of the denomination of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the City in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the City without limitation as to rate.

2. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The City has not designated the Bonds as "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the City and others contained in the transcript which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion.

Very truly yours,

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\* Preliminary, subject to change as set out in the Official Terms and Condition of Bond Sale.

**APPENDIX E**

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

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**BOOK ONLY ENTRY SYSTEM**

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## APPENDIX E

### CITY OF NICHOLASVILLE, KENTUCKY GENERAL OBLIGATION BONDS, SERIES 2020A

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#### BOOK-ENTRY-ONLY SYSTEM

The Bonds initially will be issued solely in book entry form to be held in the book-entry only system maintained by DTC, New York, NY. So long as such book entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners (as defined below) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the applicable Bond Ordinance.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. Neither the City nor the Registrar and Paying Agent make any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond for each maturity will be issued and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except if use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by the Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Registrar and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Registrar and Paying Agent and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Registrar and Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Registrar and Paying Agent's DTC account.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable but neither the City nor the Registrar and Paying Agent take any responsibility for the accuracy thereof.

**NEITHER THE CITY NOR THE REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE REGISTRAR AND PAYING AGENT AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESPECTIVE BOND ORDINANCE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.**

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Bonds or



other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The City and the Registrar and Paying Agent cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In such event, the applicable Bond Ordinance provides for issuance of fully registered Bonds (“Replacement Bonds”) directly to the Beneficial Owners of Bonds, other than DTC or its nominee, only if DTC resigns or is removed as the securities depository for the Bonds. Upon the occurrence of this event, the City and the Registrar and Paying Agent may appoint another qualified depository. If the City and the Registrar and Paying Agent fail to appoint a successor depository, the Bonds shall be withdrawn from DTC and issued in fully registered form, whereupon the City shall execute and the Registrar and Paying Agent, as authenticating agent, shall authenticate and deliver Replacement Bonds in the denomination of \$5,000 or integral multiples thereof. The City will pay for all costs and expenses of printing, executing and authenticating the Replacement Bonds. Transfer and exchange of such Replacement Bonds will be made as provided in the applicable Bond Ordinance.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC’S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

**APPENDIX F**

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

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**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

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**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$38,715,000\***

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

Notice is hereby given that electronic bids will be received by the City of Nicholasville, Kentucky (the “City”), until 12:00 p.m. (Noon), local time on October 27, 2020, (or at such later time and date announced at least forty-eight hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of approximately \$38,715,000\* of the City’s General Obligation Bonds, Series 2020A (the “Bonds”). Bids must be submitted through BiDCOMP™/PARITY™ as described herein and no other provider of bidding services will be accepted. Bids will be opened and acted upon later that same day.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to Sections 66.011 to 66.181, inclusive, of the Kentucky Revised Statutes and are being issued in accordance with a Bond Ordinance (the “Bond Ordinance”) adopted by the City on December 2, 2019. The Bonds are general obligation bonds and constitute a direct indebtedness of the City.

The Bonds are secured by the City’s ability to levy and its pledge to levy an ad valorem tax on all property within the City in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued for the purposes of (a) financing a portion of the costs of the acquisition, construction, equipping, and installation of a new municipal government building which will function as a police station and space for other civic purposes; (b) financing all or a portion of the costs of the acquisition, construction, equipping, and installation of the upgrade and expansion of the City’s municipal sewage treatment plant; (c) financing all or a portion of the costs of the acquisition of a fire truck and related equipment; (d) refinancing the City’s obligations under four Assistance Agreements by and between the City and the Kentucky Infrastructure Authority; (e) refunding all or a portion of the outstanding City of Nicholasville, General Obligation Bonds, Series 2011A dated April 19, 2011 in an original aggregate principal amount of \$1,735,000; (f) paying capitalized interest, if any, on the Bonds, (g) paying the costs of credit enhancement, if any, on the Bonds, and (h) paying all or a portion of the costs of issuance of the Bonds.

**BOND MATURITIES AND PAYING AGENT**

The Bonds will be dated their date of initial delivery, bearing interest from such date, payable on each on February 1<sup>st</sup> and August 1<sup>st</sup>, commencing with February 1, 2021.

The Bonds are scheduled to mature on February 1<sup>st</sup>, in each of the years as follows:

**MATURITY**

<b>Maturity</b>	<b>Amount*</b>	<b>Maturity</b>	<b>Amount*</b>
2021	\$1,380,000	2032	\$1,650,000
2022	1,610,000	2033	1,700,000
2023	1,785,000	2034	1,740,000
2024	1,830,000	2035	1,770,000
2025	1,885,000	2036	1,810,000
2026	1,950,000	2037	1,840,000
2027	2,005,000	2038	1,875,000
2028	1,920,000	2039	1,910,000
2029	1,980,000	2040	1,950,000
2030	2,035,000	2041	1,990,000
2031	2,100,000		

The Bonds maturing on and after February 1, 2028 shall be subject to optional redemption prior to their maturity on any date on or after August 1, 2027, in whole or in part, in such order of maturity as may be selected by the City and by lot within a maturity at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

U.S. Bank National Association, Louisville, Kentucky, has been appointed Paying Agent and Registrar for the Bonds.

### **BIDDING CONDITIONS AND RESTRICTIONS**

The terms and conditions of the sale of the Bonds are as follows:

(A) Bids for the Bonds must be submitted through BiDCOMP™/PARITY™ system and no other provider of bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders.

(B) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$37,940,700 (98% of par) (excluding original issue discount, if applicable), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) Interest rates for the Bonds must be in multiples of one-eighth of one percent (0.125%) and/or one-twentieth of one percent (0.05%), and all Bonds of the same maturity and all Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(D) The determination of the best bid will be made on the basis of the lowest true interest cost ("TIC") of all bids submitted for exactly \$38,715,000 of Bonds as offered for sale under the terms and conditions herein specified. The City will accept or reject such best bid, provided, however, the City reserves the right to increase or decrease the total amount of Bonds sold to such best bidder (in \$5,000 denominations). In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required. If two or more bidders offer bids at the same lowest true interest cost and the City wishes to award the Bonds, the City shall determine by lot which bidder will be awarded such Bonds.

The Bonds are subject to a permitted adjustment increasing the principal amount of the Bonds awarded to the purchaser thereof by up to \$3,870,000 or decreasing the principal amount of the Bonds awarded to the Purchaser thereof by any amount. The City also has the right to adjust individual principal maturity amounts of the par amounts designated herein, even if the total amount of the Bonds does not change, in order to promote desired annual debt service levels. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. "Underwriter's Discount" shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

(E) In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid on the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest costs for the Bonds, to be calculated by computing the total interest payable

on the Bonds from the expected date of delivery, through the final maturity date, plus discount or less premium. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Bonds. If two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor, the Director of Public Utilities and Finance, the Finance Officer, or the City Clerk, upon the advice of the City's Financial Advisor (as identified herein) shall determine (in his or her sole discretion) which of the bidders shall be awarded the Bonds.

The successful bidder for the Bonds will be notified by no later than 5:00 p.m. (Eastern Daylight Savings Time), on the sale date of the exact revisions and/or adjustment required, if any.

(F) Bidders have the option of specifying that Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.

(G) The CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid for by the successful bidder or bidders. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(H) The City will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(I) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the City an amount equal to 2.0% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within forty-five days from the date the bid is accepted.

(J) Unless the successful bidder elects to notify the Financial Advisor within twenty-four hours of the award that standard bond certificates be issued, the Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except if use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Financial Advisor within twenty-four hours of the award that standard bond certificates be issued. If certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

(K) The City reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest on the Bonds not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, all in accordance with the final approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, which opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(L) Bidders are advised that RSA Advisors, LLC has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. They may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

(M) The winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under these Official Terms and Conditions of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s financial advisor identified herein and any notice or report to be provided to the City shall be provided to the City’s Financial Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series Bonds) will apply to the initial sale of each of the Bonds (the “competitive sale requirements”) because:

- (1) the City shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted pursuant to this these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(N) If the competitive sale requirements are not satisfied, the City shall so advise the applicable winning bidder. The City will treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation if the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) substantially in the form attached hereto as Exhibit A-2, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel.

(O) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(P) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(Q) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale and the Official Bid Form, may be obtained from the City's Financial Advisor, RSA Advisors, LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, telephone: (859) 977-6600 (the "Financial Advisor"). Further information regarding BiDCOMP™/PARITY™ may be obtained from BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

(R) At the election and cost of the purchaser of the Bonds, one or more maturities of the Bonds may be insured under a municipal bond insurance policy. In such event, the City agrees to cooperate with the purchaser to qualify the Bonds for bond insurance; however the City will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Bonds.

#### CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the City (the "Obligated Person") will agree pursuant to a Continuing Disclosure Undertaking dated as of the date of issuance and delivery of the Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), for each fiscal year of the City, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix A" and "Appendix B" of the Official Statement (the "Financial Data"). The annual financial information shall be provided on or before March 1<sup>st</sup> following the end of the fiscal year ending June 30<sup>th</sup>, commencing with the fiscal year ending June 30, 2020; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person; and
- (ii) to the MSRB, notice of the occurrence of the following events, if material, with respect to the Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults;
  - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) Substitution of credit or liquidity providers, or their failure to perform;
  - (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
  - (g) Modifications to rights of security holders;
  - (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
  - (i) Defeasances;
  - (j) Release, substitution or sale of property securing repayment of the securities;
  - (k) Rating changes;
  - (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing



- governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
  - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - (o) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City or obligated person, any of which reflect financial difficulties; and
  - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City or obligated person, any of which reflect financial difficulties
- (iii) in a timely manner, to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to material events as defined under the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the Bonds.

#### **TAX EXEMPTION**

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the “Code”) for purposes of the Federal minimum tax. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

/s/ Hon. Peter Sutherland  
Mayor, City of Nicholasville, Kentucky

**EXHIBIT A-1**

**FORM OF ISSUE PRICE CERTIFICATE**

[In case of receipt of at least three qualified bids for the Bonds]

\* \* \* \* \*

**ISSUE PRICE CERTIFICATE**

**\$38,715,000\* City of Nicholasville, Kentucky General Obligation Bonds, Series 2020A**

The undersigned, on behalf of [Name of Underwriter] (“[Short Name of Underwriter]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [Short Name of Underwriter] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [Short Name of Underwriter] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [Short Name of Underwriter] to purchase the Bonds.

(b) [Short Name of Underwriter] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [Short Name of Underwriter] constituted a firm offer to purchase the Bonds.

**2. CUSIP Number.** The CUSIP number assigned to the final maturity of the Bonds is [CUSIP Number].

**3. Yield on the Bonds.** It computed the yield on the Bonds, [Yield%], as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

**4. Weighted Average Maturity.** The “weighted average maturity” of the Bonds has been calculated to be \_\_\_\_\_ years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

**5. Defined Terms.**

(a) “City” means the City of Nicholasville, Kentucky.

(b) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 27, 2020.

(e) “Underwriter” means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and

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\* Preliminary, subject to change as set forth herein.

(ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the City from time to time relating to the Bonds.

[NAME OF UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: November 18, 2020

**SCHEDULE A  
TO  
ISSUE PRICE CERTIFICATE  
EXPECTED OFFERING PRICES**

(Attached)

**SCHEDULE B  
TO  
ISSUE PRICE CERTIFICATE**

**COPY OF BID**

(Attached)

**EXHIBIT A-2**

**FORM OF ISSUE PRICE CERTIFICATE**

[In case of receipt of less than three qualified bids for the Bonds]

\* \* \* \* \*

**ISSUE PRICE CERTIFICATE**

**\$38,715,000\* City of Nicholasville, Kentucky General Obligation Bonds, Series 2020A**

The undersigned, on behalf of [Name of Underwriter] ([“[Short Name of Underwriter]”]), on behalf of itself and [Names of other Underwriters] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

**1. Sale of the General Rule Maturities.** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

**2. Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) [Short Name of Underwriter][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Terms and Conditions of Bond Sale, [Short Name of Underwriter] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

**3. CUSIP Number.** The CUSIP number assigned to the final maturity of the Bonds is [CUSIP Number].

**4. Yield on the Bonds.** It computed the yield on the Bonds, [Yield%], as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds is the Initial Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

**5. Weighted Average Maturity.** The “weighted average maturity” of the Bonds has been calculated to be [ ] years. The weighted average maturity is the sum of the products of the respective Initial Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Initial Offering Prices of the Bonds as of the date hereof.

**6. Defined Terms.**

(a) “General Rule Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “Hold-the-Offering-Price” Maturities means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

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\* Preliminary, subject to change as set forth herein.

(c) “Holding Period” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (November 3, 2020), or (ii) the date on which [Short Name of Underwriter][the Underwriting Group] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “Issuer” means the City of Nicholasville, Kentucky.

(e) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 27, 2020.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER][as Representative of the Underwriter Group]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: November 18, 2020



**SCHEDULE A  
TO  
ISSUE PRICE CERTIFICATE**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND  
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

(Attached)

**SCHEDULE B  
TO  
ISSUE PRICE CERTIFICATE**

**PRICING WIRE OR EQUIVALENT COMMUNICATION**

(Attached)

**APPENDIX G**

**CITY OF NICHOLASVILLE, KENTUCKY  
GENERAL OBLIGATION BONDS, SERIES 2020A**

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**OFFICIAL BID FORM**

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**OFFICIAL BID FORM**

Subject to the terms and conditions set forth in the Ordinance adopted by the City of Nicholasville, Kentucky (the “City”) on October 12, 2020, providing for the sale of \$38,715,000\* of its General Obligation Bonds, Series 2020A (the “Bonds”), and in accordance with the Official Terms and Conditions of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$38,715,000\* principal amount of the Bonds maturing on February 1, 2021, and each February 1<sup>st</sup> thereafter of the years and in the amounts set forth below, the total sum of \$\_\_\_\_\_ (not less than \$37,940,700 plus accrued interest from November 18, 2020, at the following annual rate(s), payable semiannually, commencing February 1, 2021 (number of interest rates unlimited):

<b>Maturity</b>	<b>Amount*</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Amount*</b>	<b>Interest Rate</b>
February 1, 2021	\$1,380,000	_____%	February 1, 2032	\$1,650,000	_____%
February 1, 2022	1,610,000	_____%	February 1, 2033	1,700,000	_____%
February 1, 2023	1,785,000	_____%	February 1, 2034	1,740,000	_____%
February 1, 2024	1,830,000	_____%	February 1, 2035	1,770,000	_____%
February 1, 2025	1,885,000	_____%	February 1, 2036	1,810,000	_____%
February 1, 2026	1,950,000	_____%	February 1, 2037	1,840,000	_____%
February 1, 2027	2,005,000	_____%	February 1, 2038	1,875,000	_____%
February 1, 2028	1,920,000	_____%	February 1, 2039	1,910,000	_____%
February 1, 2029	1,980,000	_____%	February 1, 2040	1,950,000	_____%
February 1, 2030	2,035,000	_____%	February 1, 2041	1,990,000	_____%
February 1, 2031	2,100,000	_____%			

**PURCHASER’S OPTION** - The Purchaser of the Bonds may specify to the City that any Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as such may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

The amounts indicated above maturing in the following years: \_\_\_\_\_ are sinking fund redemption amounts for term bonds due \_\_\_\_\_.

The amounts indicated above maturing in the following years: \_\_\_\_\_ are sinking fund redemption amounts for term bonds due \_\_\_\_\_.

Neither the City nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all telephonic transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received. Bids must be submitted electronically via PARITY® pursuant to this Notice until the appointed date and time, but no bid will be received after such time.

It is understood that the City will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Bond Counsel to the City. We understand that no certified or bank cashier’s check will be required to accompany the bid, but that if we are the successful bidder, we shall be required to wire transfer an amount equal to two percent (2.0%) of the amount of Bonds awarded by the close of business on the day following the award. The amount will be applied (without interest) to the purchase price when the Bonds are tendered to us for delivery.

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\* Preliminary, subject to change as set forth in the Official Terms and Conditions of Bond Sale.

If we are the successful bidder, we agree to accept and make payment for the Bonds in immediately available funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

\_\_\_\_\_  
Bidder

\_\_\_\_\_  
Address

By: \_\_\_\_\_  
Signature

Total interest cost from November 18, 2020, to final maturity \$ \_\_\_\_\_  
 Plus discount or less premium, if any \$ \_\_\_\_\_  
 True interest cost (i.e. TIC) \$ \_\_\_\_\_  
 True interest rate (%) \_\_\_\_\_ %

The above computation of true interest cost and of true interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted this October 27, 2020 by the City of Nicholasville, Kentucky, as follows:

<b>Maturity</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Amount</b>	<b>Interest Rate</b>
February 1, 2021	\$ _____	_____ %	February 1, 2032	\$ _____	_____ %
February 1, 2022	\$ _____	_____ %	February 1, 2033	\$ _____	_____ %
February 1, 2023	\$ _____	_____ %	February 1, 2034	\$ _____	_____ %
February 1, 2024	\$ _____	_____ %	February 1, 2035	\$ _____	_____ %
February 1, 2025	\$ _____	_____ %	February 1, 2036	\$ _____	_____ %
February 1, 2026	\$ _____	_____ %	February 1, 2037	\$ _____	_____ %
February 1, 2027	\$ _____	_____ %	February 1, 2038	\$ _____	_____ %
February 1, 2028	\$ _____	_____ %	February 1, 2039	\$ _____	_____ %
February 1, 2029	\$ _____	_____ %	February 1, 2040	\$ _____	_____ %
February 1, 2030	\$ _____	_____ %	February 1, 2041	\$ _____	_____ %
February 1, 2031	\$ _____	_____ %			

\_\_\_\_\_  
Mayor  
City of Nicholasville, Kentucky