CITY OF TAYLOR MILL, KENTUCKY

June 30, 2018

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

CITY OF TAYLOR MILL, KENTUCKY
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VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Commission
City of Taylor Mill, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Taylor Mill, Kentucky (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

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

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

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

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Honorable Mayor and
Members of the City Commission

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Taylor Mill, Kentucky, as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the notes to the financial statements, the previously issued financial statements for the year ended June 30, 2017 have been restated for the correction of a material misstatement as well as the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to those matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, the schedule of the City's pension contributions, schedule of the City's proportionate share of the net OPEB liability, and the schedule of the City's OPEB contributions on pages 1 – 7 and 34 – 40, respectively, 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 managements' responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 9, 2019, on our consideration of the City of Taylor Mill, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taylor Mill, Kentucky's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
January 9, 2019

CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Our discussion and analysis of the City of Taylor Mill, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's basic financial statements that begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities on pages 8 – 9, respectively, provide information about the activities of the City as a whole and present a fair view of the City's finances. Fund financial statements start on page 10. For government activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources by $2,748,889 (net position) at June 30, 2018. The City's total net position increased by $65,461.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of $4,328,264; an increase of $283,045.
- As of June 30, 2018, unassigned fund balance for the general fund was $671,839.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, parks and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 – 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Municipal Road Aid Fund, and Capital Improvements Fund.

The City adopts an annual budget for each of its funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10 – 13 of this report.

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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 – 33 of this report.

Government-Wide Financial Analysis

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities	
	2018	2017 (As Restated)
Assets		
Current and Other Assets	$ 4,906,729	$ 4,571,424
Capital Assets, Net	4,207,581	3,759,868
Total Assets	9,114,310	8,331,292
Deferred Outflows of Resources	3,027,759	1,310,971
Liabilities		
Current and Other Liabilities	272,000	249,466
Long-Term Liabilities	8,271,830	6,614,547
Total Liabilities	8,543,830	6,864,013
Deferred Inflows of Resources	849,350	94,822
Net Position		
Net Investment in Capital Assets	4,207,581	3,759,868
Restricted for Municipal Aid	187,300	176,559
Unrestricted	(1,645,992)	(1,252,999)
Total Net Position	$ 2,748,889	$ 2,683,428

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by approximately $2.7 million as of June 30, 2018.

A large portion of the City's net position (approximately $4.2 million) reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately $187,300) represents resources that are subject to restrictions on how they may be used. Restricted assets are composed of funds held for road aid purposes.

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following points explain the major changes impacting net position as shown on the previous page.

1. Cash and cash equivalents increased $346,591 from the previous year primarily due to receipts that exceeded disbursements.

2. Capital assets increased $447,713. The City completed the Honey Drive and Pride Parkway Traffic Signal project for approximately $253,000. Additionally, the City completed the Oxford Hills Project for approximately $245,000. The City purchased an ambulance for approximately $187,000. Other fixed assets additions were approximately $278,000. Total depreciation expense in the current year was approximately $515,000.

3. Deferred outflows of resources increased by $1,716,788 largely due to recognizing ending deferred outflows of resources related to other postemployment benefits of $875,290. Additionally, deferred outflows a resources related to pension saw an increase of $975,866 largely due to changes in assumptions.

4. Long-term liabilities increased $1,657,283 primarily due to an increase in the net pension liability coupled with an increase in OPEB liabilities due to the implementation of GASB Statement No. 75.

5. Deferred inflows of resources increased $754,528 primarily due to an increase in deferred inflows of resources related to pension of $616,971. This increase was largely due to the difference between projected and actual earnings on plan investments. Additionally, deferred inflows related to OPEB increased $137,557 due to the implementation of GASB Statement No. 75.

6. Net investment in capital assets increased $447,713 due to the capital asset activity noted above.

7. The City has $1,645,992 of unrestricted net deficit as of June 30, 2018.

Table 2 reflects the change in net position for fiscal years 2018 and 2017 (2017 does not reflect the prior period adjustments).

Table 2
Change in Net Position

	Governmental Activities Years Ended June 30, 2018	Governmental Activities Years Ended June 30, 2017
Revenues		
General Revenues		
Property Taxes	$ 2,088,265	$ 2,107,880
Payroll Taxes	998,355	954,024
Insurance Taxes	705,646	677,452
Utility Tax	189,440	183,537
Other Licenses and Permits	489,543	223,972
Fines and Forfeitures	16,674	16,793
Interest	36,177	13,934
Miscellaneous	242,968	79,318
Gain on Disposal of Capital Assets	(1,368)	-
Total General Revenues	4,765,700	4,256,910
Program Revenues		
Charges for Service	538,362	478,693
Operating Grants and Contributions	140,783	134,860
Capital Grants and Contributions	222,223	128,929
Total Program Revenues	901,368	742,482
Total Revenues	5,667,068	4,999,392
Program Expenses		
General Government	1,003,263	1,007,320
Police	1,208,661	1,230,175
Fire	1,127,803	1,194,692
Public Works	396,967	345,983
Streets	450,195	428,824
Recreation	233,861	206,890
Pension Expense	850,277	585,663
Other Postemployment Benefits Expense	330,580	-
Total Program Expenses	5,601,607	4,999,547
Change in Net Position	$ 65,461	$ (155)

Governmental Activities

Governmental activities increased the City's net position by $65,461. Key elements of this increase are as follows:

- Other licenses and permits increased $265,571 largely due to accretion with net profits tax.
- Miscellaneous revenue increased $163,650. This increase is largely due to the City recognizing approximately $117,000 as a result of the Oxford Hill Assessment. Additionally, the City received approximately $64,000 in reimbursement for Pride Parkway and Honey Drive from the state.
- The City recognized other postemployment benefit expense of $330,580.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $4,328,264, an increase of $283,045, in comparison to the prior year. This total consists of: General Fund, $1,999,664; Municipal Road Aid Fund, $187,300; and Capital Improvement Fund, $2,141,300.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $671,839. The total fund balance increased by $48,277. A large portion of this increase is the result of accretion with net profits tax.

The fund balance of the Municipal Road Aid Fund increased by $57,480. This increase was the result of an increase in state funding.

The fund balance of the Capital Improvement Fund increased $177,288 as a result of receiving approximately $64,000 in reimbursement for Pride Parkway and Honey Drive from the state. Additionally, the Capital Improvement Fund received an increase in transfers in from the General Fund of approximately $249,000.

General Fund Budgeting Highlights

The City's budget is prepared according to City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The general fund beginning fund balance for the beginning of the fiscal year was $1,951,387.

For the general fund, actual revenues, in the amount of approximately $5.3 million were slightly higher than budgeted revenues of approximately $4.8 million.

Expenditures were budgeted at approximately $4.8 million while actual expenditures were approximately $4.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the City had approximately $4.2 million net investment in capital assets, all in governmental activities.

Table 3 reflects fiscal year 2018 balances compared to fiscal year 2017.

Table 3
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$ 924,751	$ 924,751
Construction in Progress	315,650	327,547
Buildings and Improvements	523,656	546,807
Infrastructure	1,841,518	1,437,991
Equipment	300,151	345,984
Vehicles	301,855	176,788
	$ 4,207,581	$ 3,759,868

Outstanding Debt

At June 30, 2018, the City had an obligation for unpaid sick time to employees totaling $90,054.

Economic Factors and Next Year's Budget

During fiscal year 2019 the city will continue its focus on growth potential in the Districts of Taylor Mill. After several years of effort, the UDF has almost received all the necessary approvals from all the parties to begin development. The Mayor continues to be extremely active in making all the necessary changes to ensure developers find what they are looking for within the Districts. He will continue working with the state to free up encumbrances and rights of way issues along Pride Parkway as well as encouraging the state to surplus its unused properties to allow for development within the Districts.

The City continues to be pro-active to encourage small businesses to move to Taylor Mill. The Commission has discussed how the potential growth in commercial development could offset the increased need of property and payroll tax revenues. The City wishes to become more competitive with our net profits tax and payroll tax rates so that businesses will have a greater incentive to come to the City. This has the potential to greatly change the revenue streams of the City. All of these ideas are however, easy to discuss but much more difficult to accomplish. So while this is a potential and a direction the City and Commission want to move toward, it will be a slow process.

The Commission has kept the real estate and personal property tax rates the same as 2017. This will make it more difficult for City departments to cope with the continued rising costs of doing business and providing services. Priorities will have to become better defined and we will focus on those things which are most important. All departments are aware of the importance of fiscal responsibility and will be working with the CAO to ensure a tight adherence to the budget.

Requests for Information

This financial report is designed to provide a general overview of the City's financial condition for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator's office, City of Taylor Mill, 5225 Taylor Mill Road, Taylor Mill, Kentucky 41015.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2018

		Governmental Activities
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	$	2,680,607
Short Term Investments		1,250,115
Accounts Receivable - Current Portion		772,343
Accrued Interest Receivable		1,792
Total Current Assets		4,704,857
Noncurrent Assets		
Accounts Receivable - Long-Term Portion		201,872
Capital Assets		
Land		924,751
Construction in Progress		315,650
Buildings and Improvements		1,344,899
Infrastructure		8,285,861
Equipment		2,477,726
Vehicles		1,926,075
Less Accumulated Depreciation		(11,067,381)
Total Capital Assets		4,207,581
Total Noncurrent Assets		4,409,453
Total Assets		9,114,310
Deferred Outflows of Resources		
Deferred Outflows Related to Pension		2,152,469
Deferred Outflows Related to Other Postemployment Benefits		875,290
Total Deferred Outflows of Resources		3,027,759
Total Assets and Deferred Outflows of Resources		12,142,069
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Accounts Payable		125,376
Accrued Liabilities		121,309
Compensated Absences		24,200
Unearned Revenue		1,115
Total Current Liabilities		272,000
Noncurrent Liabilities		
Compensated Absences		65,854
Net Pension Liability		6,015,253
Net Other Postemployment Benefits Liability		2,190,723
Total Noncurrent Liabilities		8,271,830
Total Liabilities		8,543,830
Deferred Inflows of Resources		
Deferred Inflows Related to Pension		711,793
Deferred Inflows Related to Other Postemployment Benefits		137,557
Total Deferred Inflows of Resources		849,350
Total Liabilities and Deferred Inflows of Resources		9,393,180
Net Position		
Net Investment in Capital Assets		4,207,581
Restricted for Municipal Aid		187,300
Unrestricted		(1,645,992)
Total Net Position	$	2,748,889

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Total Governmental Activities
Primary Government					
Governmental Activities					
General Government	$ 1,003,263	$ 384,819	$ 3,547	$ -	$ (614,897)
Police	1,208,661	-	127,346	-	(1,081,315)
Fire	1,127,803	109,045	9,890	11,000	(997,868)
Public Works	396,967	-	-	-	(396,967)
Streets	450,195	-	-	211,223	(238,972)
Recreation	233,861	44,498	-	-	(189,363)
Pension Expense	850,277	-	-	-	(850,277)
Other Postemployment Benefits Expense	330,580	-	-	-	(330,580)
Total Primary Government	$ 5,601,607	$ 538,362	$ 140,783	$ 222,223	$ (4,700,239)
General Revenues					
Property Taxes					$ 2,088,265
Payroll Taxes					998,355
Insurance Tax					705,646
Utility Tax					189,440
Other Licenses and Permits					489,543
Fines and Forfeitures					16,674
Interest					36,177
Loss on Sale of Capital Assets					(1,368)
Miscellaneous					242,968
Total General Revenues					4,765,700
Change in Net Position					65,461
Net Position as of July 1, 2017 (As Restated)					2,683,428
Net Position as of June 30, 2018					$ 2,748,889

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund								
	General	Recreation	Emergency	Community Events	Senior Services	Total General Fund	Municipal Road Aid Fund	Capital Improvement Fund	Total Governmental Fund
Assets									
Cash and Cash Equivalents	$ (1,284,706)	$ 926,946	$ 679,500	$ 85,330	$ 12,602	$ 419,672	$ 98,776	$ 2,162,159	$ 2,680,607
Short Term Investments	1,250,115	-	-	-	-	1,250,115	-	-	1,250,115
Receivables									
Property Taxes	65,520	-	-	-	-	65,520	-	-	65,520
Waste Assessments	13,525	-	-	-	-	13,525	-	-	13,525
Accounts	512,753	-	-	-	-	512,753	-	301,620	814,373
Other	396,593	(368,112)	-	-	-	28,481	99,055	(46,739)	80,797
Accrued Interest Receivable	1,792	-	-	-	-	1,792	-	-	1,792
Total Assets	$ 955,592	$ 558,834	$ 679,500	$ 85,330	$ 12,602	$ 2,291,858	$ 197,831	$ 2,417,040	$ 4,906,729
Liabilities and Fund Balances									
Liabilities									
Accounts Payable	$ 86,219	$ 3,530	$ -	$ 109	$ 867	$ 90,725	$ 10,531	$ 24,120	$ 125,376
Accrued Liabilities	118,489	2,820	-	-	-	121,309	-	-	121,309
Unearned Revenue	79,045	-	-	-	1,115	80,160	-	251,620	331,780
Total Liabilities	283,753	6,350	-	109	1,982	292,194	10,531	275,740	578,465
Fund Balances									
Restricted									
Municipal Aid	-	-	-	-	-	-	187,300	-	187,300
Committed									
Emergency	-	-	679,500	-	-	679,500	-	-	679,500
Capital Improvement	-	-	-	-	-	-	-	2,141,300	2,141,300
Assigned									
Recreation	-	552,484	-	-	-	552,484	-	-	552,484
Community Events	-	-	-	85,221	-	85,221	-	-	85,221
Senior Services	-	-	-	-	10,620	10,620	-	-	10,620
Unassigned									
General	671,839	-	-	-	-	671,839	-	-	671,839
Total Fund Balances	671,839	552,484	679,500	85,221	10,620	1,999,664	187,300	2,141,300	4,328,264
Total Liabilities and Fund Balances	$ 955,592	$ 558,834	$ 679,500	$ 85,330	$ 12,602	$ 2,291,858	$ 197,831	$ 2,417,040	$ 4,906,729

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balance - Governmental Funds		$ 4,328,264
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds.		
Cost of Capital Assets	$ 15,274,962	
Accumulated Depreciation	11,067,381	
		4,207,581
Other long-term assets are not available to pay for current period expenditures and therefore are unearned in the governmental funds.		
Assessment Receivable	251,620	
Property Tax Receivable	65,520	
Waste Assessments Receivable	13,525	
		330,665
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Compensated Absences		(90,054)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension	2,152,469	
Deferred Outflows of Resources Related to Other Postemployment Benefits	875,290	
Deferred Inflows of Resources Related to Pension	(711,793)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	(137,557)	
		2,178,409
Long-term liabilities, including net pension obligations and notes payable, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Net Pension Liability		(6,015,253)
Net Other Postemployment Benefits Liability		(2,190,723)
Net Position of Governmental Activities in the Statement of Net Position		$ 2,748,889

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General Fund								
	General	**Recreation**	**Emergency**	**Community Events**	**Senior Services**	**Total General Fund**	**Municipal Road Aid Fund**	**Capital Improvement Fund**	**Total Governmental Fund**
Revenues									
Taxes	$ 3,071,680	$ -	$ -	$ -	$ -	$ 3,071,680	$ -	$ -	$ 3,071,680
Licenses and Permits	1,384,629	-	-	-	-	1,384,629	-	-	1,384,629
Intergovernmental	154,907	-	-	-	-	154,907	257,962	-	412,869
Charges for Services	491,876	44,498	-	-	-	536,374	-	49,748	586,122
Fines and Forfeitures	18,887	-	-	-	-	18,887	-	-	18,887
Interest	34,049	-	-	-	-	34,049	2,128	-	36,177
Miscellaneous	43,750	35	-	8,815	4,648	57,248	-	63,763	121,011
Total Revenues	5,199,778	44,533	-	8,815	4,648	5,257,774	260,090	113,511	5,631,375
Expenditures									
Current									
General Government	1,072,366	-	-	-	-	1,072,366	-	-	1,072,366
Police	1,285,910	-	-	-	-	1,285,910	-	-	1,285,910
Fire	1,280,883	-	-	-	-	1,280,883	-	-	1,280,883
Public Works	389,570	-	-	-	-	389,570	-	200,814	590,384
Streets	-	-	-	-	-	-	71,469	-	71,469
Recreation	-	203,319	-	52,809	4,898	261,026	-	-	261,026
Capital Outlay	29,984	2,056	-	759	-	32,799	131,141	622,352	786,292
Total Expenditures	4,058,713	205,375	-	53,568	4,898	4,322,554	202,610	823,166	5,348,330
Excess (Deficit) of Revenues Over Expenditures	1,141,065	(160,842)	-	(44,753)	(250)	935,220	57,480	(709,655)	283,045
Other Financing (Uses) Sources									
Transfers In	-	-	45,000	-	-	45,000	-	886,943	931,943
Transfers Out	(931,943)	-	-	-	-	(931,943)	-	-	(931,943)
Total Other Financing (Uses) Sources	(931,943)	-	45,000	-	-	(886,943)	-	886,943	-
Net Change in Fund Balances	209,122	(160,842)	45,000	(44,753)	(250)	48,277	57,480	177,288	283,045
Fund Balance as of July 1, 2017 (As Restated)	462,717	713,326	634,500	129,974	10,870	1,951,387	129,820	1,964,012	4,045,219
Fund Balance as of June 30, 2018	$ 671,839	$ 552,484	$ 679,500	$ 85,221	$ 10,620	$ 1,999,664	$ 187,300	$ 2,141,300	$ 4,328,264

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Change in Fund Balances - Total Governmental Funds		$ 283,045
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.		
Depreciation Expense	$ (515,519)	
Capital Outlays	964,600	
		449,081
In the statement of activities only the gain/loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.		(1,368)
Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources. Therefore, compensated absences are not reported as expenditures in governmental funds financial statements. This is the amount of the change in the compensated absences in the current period.		18,773
Governmental funds report City other postemployment benefit contributions as expenditures. However, other postemployment benefit expense is reported in the statement of activities. This is the amount by which other postemployment benefit expense exceeded contributions.		
City Other Postemployment Benefit Contributions - June 30, 2017	(134,368)	
City Other Postemployment Benefit Contributions - June 30, 2018	130,868	
Change in Other Postemployment Benefit Liability	(196,212)	
		(199,712)
Governmental funds report City pension contributions as expenditures However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
City Pension Contributions - June 30, 2017	(327,112)	
City Pension Contributions - June 30, 2018	328,302	
Cost of Benefits Earned Net of Employee Contributions	(523,165)	
		(521,975)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		110,669
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(73,052)
Change in Net Position - Governmental Activities		$ 65,461

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Kentucky Revised Statutes and Ordinances of the City Commission of the City of Taylor Mill, Kentucky (the City) designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General Fund (General, Recreation, Emergency, Community Event and Senior Services), Municipal Road Aid, and Capital Improvement Funds.

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Taylor Mill, Kentucky.

The City of Taylor Mill, Kentucky is a Charter City, in which citizens elect the mayor at large and four commissioners whom together form the City Commission. The accompanying financial statements present the City's primary government. Component units are those over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City has no component units.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports on the changes in net total position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

The City has the following funds:

(A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City and is comprised of the General, Recreation, Emergency, Community Events and Senior Services components.

(B) The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Municipal Road Aid Fund is a major special revenue fund of the City.

(C) The Capital Project Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for capital projects. The Capital Improvement Fund is a major capital project fund of the City.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

Description	Governmental Activities Estimated Lives
Buildings	40 Years
Building Improvements	10 – 20 Years
Public Domain Infrastructure	25 – 40 Years
Equipment	3 – 5 Years
Vehicles	5 – 10 Years

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. The District recognizes deferred inflows of resources related to pensions and other postemployment benefits.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay benefits. There is a liability for unpaid accumulated sick leave since the City does have a policy to pay specified amounts when employees separate from service with the City. All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Governmental Fund Balances

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

- Non-Spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Commission ordinance or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Commission.
- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, designated fund balances, revenues and expenditures. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results could differ from estimated amounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “receivables/payables”. These amounts are eliminated in the governmental activities column of the statement of net position.

Property Taxes

Property taxes include amounts levied on real property. Property values were assessed on January 1st and property taxes were due on December 31st.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

a) In accordance with City ordinance, by May 31, the Mayor submits to the City Commission, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

b) A public meeting is conducted to obtain citizen comment.

c) By July 1, the budget is legally enacted through passage of an ordinance.

d) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Commission explaining any variance from the approved budget.

e) Appropriations continue in effect until a new budget is adopted.

f) The Commission may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Commission.

NOTE 3 - DEPOSITS AND INVESTMENTS

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal, while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investments of public funds.

The City is authorized to invest in:

a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that, delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.

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 government agency.

c) Obligations of any corporation of the United States government.

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 the Kentucky Revised Statutes.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2018, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

Investments

Custodial credit risk - investments. For an investment, this 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 had no custodial credit risk at June 30, 2018.

Credit risk - investments. The City's investments are subject to minimal credit risk because they are invested in Federal Agency securities which are generally considered free of default risk due to the perceived stability of the U.S. Government.

At June 30, 2018, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity
Certificate of Deposit	$ 1,250,115	March 22, 2019

NOTE 4 - SALE OF UTILITY SYSTEM

The City entered into an agreement dated November 10, 2003 for the sale of the utility system to the Northern Kentucky Water District. The system officially transferred on March 31, 2004. Based on the terms of the agreement, the Northern Kentucky Water District will pay the City the sum of $3,000,000 according to an installment plan set out in the agreement. The City received $125,000 at the closing, and the remaining balance of the agreement as of June 30, 2018 is $50,000. This receivable is reflected in the capital improvement fund. The following schedule shows the remaining payments for the purchase.

Year Ending June 30,	
2019	$ 50,000

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 924,751	$ -	$ -	$ 924,751
Construction in Progress	327,547	44,499	56,396	315,650
Total Capital Assets Not Being Depreciated	1,252,298	44,499	56,396	1,240,401
Depreciable Capital Assets				
Buildings and Improvements	1,342,146	2,753	-	1,344,899
Infrastructure	7,573,027	712,834	-	8,285,861
Equipment	2,470,237	45,205	37,716	2,477,726
Vehicles	1,710,370	215,705	-	1,926,075
Total Depreciable Capital Assets	13,095,780	976,497	37,716	14,034,561
Total Capital Assets at Historical Cost	14,348,078	1,020,996	94,112	15,274,962
Less Accumulated Depreciation				
Buildings and Improvements	795,339	25,904	-	821,243
Infrastructure	6,135,036	309,307	-	6,444,343
Equipment	2,124,253	89,670	36,348	2,177,575
Vehicles	1,533,582	90,638	-	1,624,220
Total Accumulated Depreciation	10,588,210	515,519	36,348	11,067,381
Depreciable Capital Assets, Net	2,507,570	460,978	1,368	2,967,180
Governmental Activities Capital Assets - Net	$ 3,759,868	$ 505,477	$ 57,764	$ 4,207,581

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (Continued)

Depreciation was charged to functions as follows for the year ended June 30, 2018:

General Government	$ 13,979
Police	46,526
Fire	83,292
Public Works	41,806
Streets	306,131
Recreation	23,785
Total	$ 515,519

NOTE 6 - LONG-TERM DEBT

Compensated Absences

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2018.

	June 30, 2017	Additions	Retired	June 30, 2018	Amounts Expected to be Paid Within One Year
Compensated Absences	$ 108,827	$ -	$ (18,773)	$ 90,054	$ 24,200

NOTE 7 - PENSION PLAN

General Information about the Pension Plan

Plan description: County Employees Retirement System (CERS) consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

NOTE 7 - PENSION PLAN (Continued)

Non-hazardous Plan:

Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but Before 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor		X	Years of Service
Average of the five highest if participation began before 09/01/2008.		2.20% if:	Member begins participating prior to 08/01/2004.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.		
Average of the last complete five if participating began on or after 09/01/2008 but before 01/01/2014.		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.		

* ***Service*** *(and Benefit Factor):* ***10 years or less*** *(1.10%);* ***10 - 20 years*** *(1.30%);*
20 - 26 years (1.50%); 26 - 30 years *(1.75%)*

NOTE 7 - PENSION PLAN (Continued)

Benefit Formula for Tier 3

(A-B) = C X 75% = D then B+D = Interest

A 5 Year Geometric Average Return	B Less Guarantee Rate	C Upside Sharing Interest	D Interest Rate Earned	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
7.85%	4.00%	3.85%	2.89%	6.89%	$ 2,565,000

Hazardous Pan:

Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but before 01/01/2014

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor		X	Years of Service
Average of the five highest if participation began before 09/01/2008.		2.50% if:	Member begins participating prior to 09/01/2008.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
Average of the last complete five if participating began on or after 09/01/2008.		Increasing percent based on service at retirement* if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.		

* ***Service*** *(and Benefit Factor):* ***10 years or less*** *(1.30%);* ***10 - 20 years*** *(1.50%);*
20 - 25 years (2.25%); 25 + years *(2.50%)*

NOTE 7 - PENSION PLAN (Continued)

Benefit Formula for Tier 3

(A-B) = C X 75% = D then B+D = Interest

A	B	C	D		
5 Year Geometric Average Return	**Less Guarantee Rate**	**Upside Sharing Interest**	**Interest Rate Earned**	**Interest Rate Earned (4% + Upside)**	**Total Interest Credited to Members' Accounts**
8.07%	4.00%	4.07%	3.05%	7.05%	$ 616,000

Non-hazardous and Hazardous Plans:

For Tier 3 member begins participating on or after January 1, 2014; each year that a member is an active contributing member to the System, the member and the member's employer will contribute 5.00% and 8.00% of creditable compensation respectively into a current account. This current account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the System's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75.00% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the current account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a $5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed at the higher of 20% for non-hazardous and 25% for hazardous of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous and 25% for hazardous of the member's monthly final rate of pay or the annuitized account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

NOTE 7 - PENSION PLAN (Continued)

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5% while hazardous duty members contributed 8%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2018, participating employers contributed 19.18% (14.48% pension fund and 4.70% insurance fund) for the non-hazardous system of each employee's creditable compensation and 31.55% (22.2% pension fund and 9.35% insurance fund) for the hazardous system. The actuarially determined rates set by the Board for the fiscal years were a percentage of each employee's creditable compensation. Contributions to the pension fund from the City $328,302 for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of $6,015,253 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2018, the City's proportion for the non-hazardous system was 0.020929% and for the hazardous system was 0.214109% an increase of 0.000706% and a decrease of 0.027079%, respectively.

For the year ended June 30, 2018, the City recognized pension expense of $850,277. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 177,219	$ 31,097
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	411,221	354,209
Changes of Assumptions	1,181,591	-
Changes In Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	54,136	326,487
Contributions After Measurement Date	328,302	-
Total	$ 2,152,469	$ 711,793

NOTE 7 - PENSION PLAN (Continued)

The $328,302 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,		
2019	$	453,864
2020		533,312
2021		193,192
2022		(67,994)
Total	$	1,112,374

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, Average, including inflation
Investment Rate of Return	7.50% Net of pension plan investment expense, including inflation

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (make mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real 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.

NOTE 7 - PENSION PLAN (Continued)

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
US Equity	17.50 %	5.97 %
International Equity	17.50	7.85
Global Bonds	4.00	2.63
Global Credit	2.00	3.63
High Yield	7.00	5.75
Emerging Market Debt	5.00	5.50
Private Equity	10.00	8.75
Real Estate	5.00	7.63
Absolute Return	10.00	5.63
Real Return	10.00	6.13
Private Equity	10.00	8.25
Cash	2.00	1.88
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability 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-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	**Current Discount Rate (6.25%)**	**1% Increase (7.25%)**
Non-Hazardous	$ 1,545,039	$ 1,225,039	$ 957,361
Hazardous	$ 6,022,827	$ 4,790,214	$ 3,772,257

Changes of assumptions: Subsequent to the actuarial valuation date, but prior to the measurement dates, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, total pension liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the systems, and the assumed rate of return is 6.25%.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 7 - PENSION PLAN (Continued)

Deferred Compensation Plan

The City also participates in a 401(k) plan administered by the Kentucky Employees Deferred Compensation Authority. All payments to the Authority are payroll withheld. The City does not contribute to the plan for any employee.

NOTE 8 - OPEB PLAN

General Information About the OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

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 Fund

Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
Less Than 4 Years	0.00%

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 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 upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 8 - OPEB PLAN (Continued)

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5% while hazardous duty members contribute 8%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2018, participating employers contributed 19.18% (14.48% pension fund and 4.70% insurance fund) for the non-hazardous system and 31.55% (22.20% pension fund and 9.35% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from the City were $130,868 for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability of $2,190,723 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2018, the City's proportion for the non-hazardous system was 0.020929% and for the hazardous system was 0.214109%.

For the year ended June 30, 2018, the City recognized OPEB expense of $330,580. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ -	$ 5,293
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	130,936
Changes of Assumptions	744,422	-
Changes In Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	1,328
Contributions After Measurement Date	130,868	-
Total	$ 875,290	$ 137,557

NOTE 8 - OPEB PLAN (Continued)

$130,868 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,		
2019	$	167,362
2020		167,362
2021		167,362
2022		83,106
2023		16,933
Thereafter		4,740
Total	$	606,865

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

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.00%, Average
Investment Rate of Return	7.50%
Healthcare Cost 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.
Healthcare Cost 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.

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (make mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real 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.

NOTE 8 - OPEB PLAN (Continued)

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

Asset Class	Target Allocation		Long Term Expected Nominal Return	
US Equity	17.50	%	5.97	%
International Equity	17.50		7.85	
Global Bonds	4.00		2.63	
Global Credit	2.00		3.63	
High Yield	7.00		5.75	
Emerging Market Debt	5.00		5.50	
Private Equity	10.00		8.75	
Real Estate	5.00		7.63	
Absolute Return	10.00		5.63	
Real Return	10.00		6.13	
Private Equity	10.00		8.25	
Cash	2.00		1.88	
Total	100.00	%		

Discount rate: The discount rate used to measure the total OPEB liability was 5.84% for non-hazardous and 5.96% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) 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 System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate: The following present's the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84% for non-hazardous and 4.96% for hazardous) or 1-percentage-point higher (6.84% for non-hazardous and 6.96% for hazardous) than the current rate:

	1% Decrease	**Current Discount Rate**	**1% Increase**
Non-Hazardous	$ 535,374	$ 420,744	$ 325,355
Hazardous	$ 2,372,013	$ 1,769,979	$ 1,277,415

NOTE 8 - OPEB PLAN (Continued)

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-Hazardous	$ 322,733	$ 420,744	$ 548,154
Hazardous	$ 1,252,940	$ 1,769,979	$ 2,409,891

Changes of assumptions: Subsequent to the actuarial valuation date, but prior to the measurement dates, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, total OPEB liability as of June 30, 2017 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2018 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 10 - CLAIMS AND JUDGEMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For the year ended June 30, 2018, the City submitted a request to the state to de-obligate the Taylor Mill Sidewalk Project Phase II funds in order to send the project back out to bid for a lower cost. As a result, the City de-recognized the receivable related to the expenses incurred on the project as of June 30, 2017 as no reimbursement will be received on these funds.

In addition, for the years ended June 30, 2017 and 2016, the City did not capitalize the costs incurred on the Taylor Mill Sidewalk Project Phase II and instead, recorded them as an expense. However, these costs will be included in the total cost of the project once completed and therefore should have been recognized as construction in progress.

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows for resources, deferred inflows of resources, and expenses/expenditures. For defined benefit other postemployment benefit plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. This Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the plans that are within its scope.

The items above had the following effects:

General Fund Balance, June 30, 2017	$	2,026,848
Removal of Grant Receivable		(75,461)
Restated General Fund Balance, June 30, 2017	$	1,951,387
Net Position, June 30, 2017	$	3,936,706
Removal of Grant Receivable		(75,461)
Capitalization of Construction in Progress		75,461
Recognition of Contributions after Measurement Date		134,368
Recognition of Net OPEB Liability		(1,387,646)
Restated Net Position, June 30, 2017	$	2,683,428

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Favorable (Unfavorable)**
Revenues				
Taxes				
Property	$ 3,008,000	$ 2,029,600	$ 2,055,264	$ 25,664
Bank Deposit	14,500	18,025	18,061	36
Payroll	875,000	775,000	998,355	223,355
Licenses and Permits	1,118,380	1,275,230	1,384,629	109,399
Intergovernmental	132,075	134,425	154,907	20,482
Charges for Services	541,225	524,500	536,374	11,874
Fines and Forfeitures	14,950	14,550	18,887	4,337
Interest	5,000	15,200	34,049	18,849
Miscellaneous	33,945	32,750	57,248	24,498
Total Revenues	5,743,075	4,819,280	5,257,774	438,494
Expenditures				
Current				
General Government	1,148,810	1,137,735	1,072,366	65,369
Police	1,386,323	1,309,723	1,285,910	23,813
Fire	1,389,017	1,378,417	1,280,883	97,534
Public Works	439,940	435,715	389,570	46,145
Recreation	407894.79	441,675	261,026	180,649
Capital Outlay	110,000	146,250	32,799	113,451
Total Expenditures	4,881,985	4,849,515	4,322,554	526,961
Excess of Revenues Over Expenditures	861,090	(30,235)	935,220	965,455
Other Financing Sources (Uses)				
Operating Transfers In	-	-	45,000	45,000
Operating Transfers Out	-	-	(931,943)	(931,943)
Total Other Financing Sources	-	-	(886,943)	(886,943)
Net Change in Fund Balances	861,090	(30,235)	48,277	78,512
Fund Balance July 1, 2017 (As Restated)	1,951,387	1,951,387	1,951,387	-
Fund Balance June 30, 2018	$ 2,812,477	$ 1,921,152	$ 1,999,664	$ 78,512

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
MUNICIPAL AID FUND
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues				
Intergovernmental	$ 124,500	$ 165,000	$ 257,962	$ 92,962
Interest	70	275	2,128	1,853
Total Revenues	124,570	165,275	260,090	94,815
Expenditures				
Current				
Streets	81,750	47,750	71,469	(23,719)
Capital Outlay	250,000	200,000	131,141	68,859
Total Expenditures	331,750	247,750	202,610	45,140
Net Change in Fund Balances	(207,180)	(82,475)	57,480	139,955
Fund Balance July 1, 2017	129,820	129,820	129,820	-
Fund Balance June 30, 2018	$ (77,360)	$ 47,345	$ 187,300	$ 139,955

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
CAPITAL IMPROVEMENT FUND
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	**Final**	**Actual**	**(Unfavorable)**
Revenues				
Charges for Services	$ -	$ -	$ 49,748	$ 49,748
Miscellaneous	261,313	201,313	63,763	(137,550)
Total Revenues	261,313	201,313	113,511	(87,802)
Expenditures				
Current				
General	5,000	750	-	750
Public Works	1,125,000	370,000	200,814	169,186
Capital Outlay	1,340,000	851,500	622,352	229,148
Total Expenditures	2,470,000	1,222,250	823,166	399,084
Deficit of Revenues Over Expenditures	(2,208,687)	(1,020,937)	(709,655)	311,282
Other Financing Sources				
Transfers In	-	-	886,943	886,943
Net Change in Fund Balance	(2,208,687)	(1,020,937)	177,288	1,198,225
Fund Balance July 1, 2017	1,964,012	1,964,012	1,964,012	-
Fund Balance June 30, 2018	$ (244,675)	$ 943,075	$ 2,141,300	$ 1,198,225

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2018

County Employees Retirement System
Last 4 Fiscal Years

	2018	2017	2016	2015
City's Proportion of the Net Pension Liability (Asset) - Non-hazardous				
Non-hazardous	0.02%	0.02%	0.02%	0.02%
Hazardous	0.21%	0.24%	0.25%	0.25%
City's Proportionate Share of the Net Pension Liability (Asset)				
Non-hazardous	$ 1,225,039	$ 995,726	$ 864,635	$ 640,018
Hazardous	4,790,214	4,138,657	3,857,568	2,952,956
Total City's Proportionate Share of the Net Pension Liability (Asset)	$ 6,015,253	$ 5,134,383	$ 4,722,203	$ 3,592,974
City's Covered - Employee Payroll	$ 1,688,874	$ 1,746,950	$ 1,754,629	$ 1,698,952
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	356.17%	293.91%	269.13%	211.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-hazardous	53.32%	59.97%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	49.78%	57.52%	57.52%	63.46%

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
June 30, 2018

County Employees Retirement System
Last 5 Fiscal Years

Non-hazardous	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 76,645	$ 71,084	$ 59,918	$ 60,048	$ 62,302
Contributions in Relation to the Contractually Required Contribution	(76,645)	(71,084)	(59,918)	(60,048)	(62,302)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 529,054	$ 509,565	$ 482,433	$ 469,244	453,673
Contributions as a Percentage of Covered-Employee Payroll	14.49%	13.95%	12.42%	12.80%	13.73%

Hazardous	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 251,657	$ 256,028	$ 256,191	$ 271,572	$ 270,957
Contributions in Relation to the Contractually Required Contribution	(251,657)	(256,028)	(256,191)	(271,572)	(270,957)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered-Employee Payroll	$ 1,133,129	$ 1,179,309	$ 1,264,517	$ 1,285,385	$ 1,245,279
Contributions as a Percentage of Covered-Employee Payroll	22.21%	21.71%	20.26%	21.13%	21.76%

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
June 30, 2018

County Employees Retirement System
Last Fiscal Year

	2018
City's Proportion of the Net Pension Liability (Asset)	
Non-hazardous	0.02%
Hazardous	0.21%
City's Proportionate Share of the Net Pension Liability (Asset)	
Non-hazardous	$ 420,744
Hazardous	1,769,979
Total City's Proportionate Share of the Net Pension Liability (Asset)	$ 2,190,723
City's Covered - Employee Payroll	$ 1,688,874
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	129.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-hazardous	52.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	58.99%

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
June 30, 2018

County Employees Retirement System
Last Fiscal Year

Non-hazardous	**2018**
Contractually Required Contribution	$ 24,878
Contributions in Relation to the Contractually Required Contribution	(24,878)
Contribution Deficiency (Excess)	$ -
City's Covered-Employee Payroll	$ 529,054
Contributions as a Percentage of Covered-Employee Payroll	4.70%

Hazardous	**2018**
Contractually Required Contribution	$ 105,990
Contributions in Relation to the Contractually Required Contribution	(105,990)
Contribution Deficiency (Excess)	$ -
City's Covered-Employee Payroll	$ 1,133,129
Contributions as a Percentage of Covered-Employee Payroll	9.35%

See accompanying notes.

OTHER SUPPLEMENTARY INFORMATION

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

Honorable Mayor and
Members of City Commission
City of Taylor Mill, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Taylor Mill, Kentucky as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Taylor Mill, Kentucky's basic financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

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

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

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

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Honorable Mayor and
Members of City Commission
City of Taylor Mill, Kentucky

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Taylor Mill, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We did note certain matters that we reported to management of the City of Taylor Mill, Kentucky, in a separate letter dated January 9, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance on the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
January 9, 2019

VonLehman CPA & ADVISORY FIRM

January 9, 2019

Members of the Board of Commission
c/o Mr. Brian Haney, City Administrator
City of Taylor Mill, Kentucky
Taylor Mill, Kentucky

We have audited the financial statements of the governmental activities and each major fund of City of Taylor Mill, Kentucky for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Taylor Mill, Kentucky are described in the Summary of Significant Accounting Policies note to the financial statements. As described in the notes to the financial statements, the City of Taylor Mill changed accounting policies related to the Net Other Postemployment Benefit Liability by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions in the current year. Accordingly, the cumulative effect of the accounting changes as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by City of Taylor Mill, Kentucky during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Taylor Mill, Kentucky's financial statements were:

> Management's estimate of the delinquent property tax receivable is based on management's current and historical knowledge of the collectability of all delinquent accounts. We evaluated the key factors and assumptions used to develop the delinquent property tax receivable in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the depreciation expense of capital assets is based on the useful lives of the assets using the straight line method. We evaluated the key factors and assumptions used to develop the depreciation expense of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Net Pension and OPEB Liability, Deferred Inflows and Outflows and Pension and OPEB Expense is based on an actuarial valuation as of the measurement date. We evaluated the key factors and assumptions used to develop the Net Pension and OPEB Liability, Deferred Inflows and Outflows, and Pension and OPEB Expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Net Other Postemployment Benefit (OPEB) Liability, Deferred Inflows and Outflows Related to OPEB, and OPEB Expense is based on an actuarial valuation as of the measurement date. We evaluated the key factors and assumptions used to develop the Net OPEB Liability, Deferred Inflows and Outflows Related to OPEB, and OPEB Expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements detected during the audit. The attached Adjusting Journal Entries Report summarizes misstatements detected as a result of audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 9, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Taylor Mill, Kentucky's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Taylor Mill, Kentucky's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules, and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America and *Government Auditing Standards*, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of Members of City Commission and management of the City of Taylor Mill, Kentucky and is not intended to be, and should not be, used by anyone other than these specified parties.

VonLehman & Company Inc.

Client: City of Taylor Mill, Kentucky
Period Ending: June 30, 2018
Workpaper: Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 8		**5204.00**		
To adjust Fund Balance per the TB to PY audited F/S.				
101.000.8888	RETAINED EARNINGS		1,541	
101.300.5413	MISCELLANEOUS			1,541
Total			**1,541**	**1,541**
Adjusting Journal Entries JE # 10		**4110.00**		
To record SD1 reimbursement for work done on Bluelake and Rosewood Reconstruction Project				
101.000.1035	OTHER RECEIVABLES		21,553	
101.000.4610	MISCELLANEOUS			21,553
Total			**21,553**	**21,553**
Adjusting Journal Entries JE # 11		**4107.00**		
To record current portion of note receivable				
325.000.1500VL	Current Portion of Notes Receivable		50,000	
325.000.1501VL	Non-Current Portion of Notes Receivable - CONTRA			50,000
Total			**50,000**	**50,000**
Adjusting Journal Entries JE # 12		**5202.00**		
To remove FY 19 invoice from ap and data processing expense				
101.000.2011	ACCOUNTS PAYABLE -PRIOR		21,751	
101.121.5207	DATA PROCESSING			21,751
Total			**21,751**	**21,751**
Adjusting Journal Entries JE # 13		**4101.00**		
To adjust delinquent taxes to actual				
101.000.1030	TAX & WASTE REC		14,940	
101.000.1031	WASTE COLLECTION REC		1,988	
101.000.2071	DEFERRED REVENUE			16,928
Total			**16,928**	**16,928**
Adjusting Journal Entries JE # 15		**4302.00**		
To reclass Reimbursement for for Pride Parkway and Honey Rd Projectj to proper revenue account				
325.000.4610	MISCELLANEOUS REVENUE		63,763	
325.000.4623VL	Pride Park & Honey Dr. Reimbursment			63,763
Total			**63,763**	**63,763**
Adjusting Journal Entries JE # 16		**4105.00**		
PPA to remove 16 sidewalk AR from the books for Deobligtion of project				
101.000.8888	RETAINED EARNINGS		75,461	
101.000.1035	OTHER RECEIVABLES			75,461
Total			**75,461**	**75,461**

Client: City of Taylor Mill, Kentucky
Period Ending: June 30, 2018
Workpaper: Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 17		**4106.00**		
To record Old Taylor Mill Road Emergency Funds Received after year end and to be received for complted Mason Rd project				
222.000.1035	OTHER RECEIVABLES		20,685	
222.000.1035	OTHER RECEIVABLES		16,058	
222.000.4302	STATE ASSISTANCE MUNICIPAL AID			20,685
222.000.4302	STATE ASSISTANCE MUNICIPAL AID			16,058
Total			**36,743**	**36,743**
Adjusting Journal Entries JE # 19		**5204.00**		
To adjust Fund balance to match PY F/S				
705.000.3999	CURRENT EARNINGS/LOSS		1	
705.500.5413	MISCELLANEOUS			1
Total			**1**	**1**
Adjusting Journal Entries JE # 20		**4201.02**		
To reclass net profit and occupational license revenue to proper accounts for FS appearance				
101.000.4200	OCCUPATIONAL LICENSE		28,902	
101.000.4202	NET PROFITS			28,902
Total			**28,902**	**28,902**
	Total Adjusting Journal Entries		**316,643**	**316,643**

VonLehman
CPA & ADVISORY FIRM

January 9, 2019

Honorable Mayor and Management of
City of Taylor Mill, Kentucky
Taylor Mill, Kentucky

In planning and performing our audit of the financial statements of the City of Taylor Mill, Kentucky (the City) for the year ended June 30, 2018, we considered the City's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. We previously reported on the City's internal controls in our report dated January 9, 2019. This letter does not affect our report dated January 9, 2019 on the financial statements of the City of Taylor Mill, Kentucky.

- During our review of the internal controls surrounding financial reporting, we noted the City uses a third party accountant to perform various functions regarding bank reconciliations, account reconciliations, financial statement preparation and review of items. This information is then submitted, saved and reviewed by a partner of that firm. We recommend the same packet of information be sent to the CAO for a physical review and sign off and storage. We recommend the packet itself include but is not limited to the following items
    - Bank Statements and Reconciliations
    - Complete Set of Financial Statements
    - Budget vs Actual Statements
    - Listing of All Cash Receipts and Cash Disbursements for the Month
- During our review of the internal controls surrounding payroll, it was noted that there may not be proper monitoring in place for submitted payroll. We recommend to have the CAO review a submitted payroll journal each pay period to verify employee pay and personnel. In addition we recommend the CAO not have access to payroll as the CAO will be reviewing the payroll journals. These additional controls will create a better control environment and ensure accuracy of payroll reporting. At the end of the calendar year, the CAO should also be responsible for reviewing all W-2s.
- During our review of the internal controls surrounding cash receipts and write-offs, we noted that the City Clerk, Treasurer and CAO all have the ability to write off accounts in the GovCollect Software. We recommend that only the CAO have access to do so and all write offs should be reviewed and discussed with the CAO. No individual who is able to receive deposits should be able to write off accounts.

- Each year the City receives a text file from the County for the property assessment. That file is received by the same individual who performs the majority of the processing of receipts and functions in the accounting software. We recommend the text file be received by someone other than the above person in order to send the file to Capital Software. The person processing the invoices and receipts and accounting functions should not have access to the raw data input. As this person is also the same person responsible for signing off on the final approval for the software agency, we recommend that reconciliation and approval also come from someone else.

- Internal control over cash disbursements, accounts payable, and payments is most effective when there is clear segregation of duties between the person receiving invoices, maintaining purchases orders, and processing checks. The District's existing procedures place the Treasurer in the position of *all duties* including receiving invoices, processing invoices and mailing checks. We recommend that once checks are signed by one of the three authorized signors, they are not returned to any individual who has access to the accounting software.

- As there are limited individuals working in the finance/administrative area of the City, we recommend that periodic reconciliations of revenue accounts be performed by the third party accountant. Such recommendations for reconciliations would include (although not limited to) the following:

    - Reconciliation of municipal road aid revenue based on information on the State's website.
    - Reconciliation of occupational and net profits revenue from information provided by the County.
    - Reconciliation of insurance tax based on information on the State's website.
    - Reconciliation of franchise taxes to the City Certification.
    - Reconciliation of utility tax from information provided by Duke Energy
    - Reconciliation and predictive test of property taxes on a periodic basis based on the PVA tax roll and approved tax rates.

We have already discussed this matter with City management. We will be pleased to discuss this matter in further detail at your convenience, to perform any additional study of this matter or to assist you in implementing the recommendation.

VonLehman & Company Inc.