CITY OF TAYLOR MILL, KENTUCKY

June 30, 2021

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
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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 auditors consider 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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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, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 - 8, budgetary comparison information on pages 41 - 42, the City's pension schedules on pages 43 - 44, and the OPEB schedules on pages 45 - 46 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 February 9, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Taylor Mill, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Taylor Mill, Kentucky's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 9, 2022

CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
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, 2021. Please read it in conjunction with the City's basic financial statements that begin on page 9.

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 9 and 10, 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 begin on page 11. 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 2021 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $2,921,711 (net position) at June 30, 2021. The City's total net position increased by $420,556.
- As of June 30, 2021, the City's governmental funds reported combined ending fund balances of $6,299,724; an increase of $1,203,465.
- As of June 30, 2021, unassigned fund balance for the General Fund was $5,734,445.
- The City's cash and cash equivalents increased by $2,166,477 from $3,773,668 at June 30, 2020 to $5,940,145 at June 30, 2021.
- The City's investments decreased by $1,291,071 from $1,339,886 at June 30, 2020 to $48,815 at June 30, 2021.
- The City's accounts receivable decreased by $362,303 from $1,212,903 at June 30, 2020 to $850,600 at June 30, 2021.
- The City's total debt increased by $5,455, including compensated absences but excluding net pension liability and net other postemployment benefit liability, during the current year.

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 9 and 10 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 and Municipal Road Aid 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 11 - 14 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 15 - 40 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 2021 compared to 2020.

Table 1
Net Position

	Governmental Activities	
	2021	**2020**
Assets		
Current and Other Assets	$ 6,913,847	$ 6,419,515
Capital Assets, Net	3,861,654	3,919,401
Total Assets	10,775,501	10,338,916
Deferred Outflows of Resources	1,648,238	1,763,614
Liabilities		
Current Liabilities	346,418	617,552
Long-Term Liabilities	8,315,371	7,631,672
Total Liabilities	8,661,789	8,249,224
Deferred Inflows of Resources	840,239	1,352,151
Net Position		
Net Investment in Capital Assets	3,656,872	3,708,577
Restricted for Municipal Aid	-	129,589
Unrestricted	(735,161)	(1,337,011)
Total Net Position	$ 2,921,711	$ 2,501,155

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 $2.9 million as of June 30, 2021.

A large portion of the City's net position (approximately $3.7 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.

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 by $2,166,477 from the previous year primarily due to the City having a certificate of deposit of approximately $1,290,000 in the previous year that was classified as an investment. This balance was transferred to bank deposits and included as a cash and cash equivalent for the year ended June 30, 2021.
2. Investments decreased by $1,291,071 from the previous year due to transfer of the City's certificate of deposit to bank balances as noted above.
3. Accounts receivable decreased by $362,303 from the previous year as the prior year balance included a receivable of $345,899 for Coronavirus Relief Funding which was received during fiscal year 2021.
4. Capital assets decreased by $57,747 due to current year depreciation expense exceeding capital asset acquisitions. Total capital asset acquisitions were approximately $407,000, total capital asset disposals were approximately $50,000, and total depreciation expense in the current year was approximately $461,000.
5. Deferred outflows of resources decreased by $115,376. Deferred outflows related to pension decreased approximately $193,000 primarily due to a change of assumptions in the calculation of the total pension liability. Deferred outflows related to OPEB increased approximately $78,000 primarily due to differences between expected and actual experience.
6. Long-term liabilities increased by $683,699. The increase is due to an increase in the net pension liability for approximately $329,000, and an increase in the net other postemployment benefits liability for approximately $378,000.
7. Deferred inflows of resources decreased by $511,912. Deferred inflows related to OPEB decreased by approximately $211,000 largely due to a decrease in the difference between expected and actual experience. Deferred inflows related to pension decreased by approximately $301,000 largely due to a decrease in the changes in proportion and differences between employer contributions and proportionate share of contributions.
8. Net investment in capital assets decreased by $51,705.
9. The City has $735,161 of unrestricted net deficit as of June 30, 2021.

Table 2 reflects the change in net position for fiscal years 2021 and 2020.

Table 2
Change in Net Position

	Governmental Activities Years Ended June 30, 2021	Governmental Activities Years Ended June 30, 2020
Revenues		
General Revenues		
Property Taxes	$ 2,431,445	$ 2,331,238
Payroll Taxes	1,132,683	1,098,642
Insurance Taxes	737,614	732,887
Utility Tax	200,504	192,646
Other Licenses and Permits	268,102	282,522
Fines and Forfeitures	11,069	20,817
Interest	12,741	60,723
Miscellaneous	14,339	11,781
Gain on Sale of Assets	21,796	4,642
Total General Revenues	4,830,293	4,735,898
Program Revenues		
Charges for Service	542,211	557,405
Operating Grants and Contributions	472,684	511,104
Capital Grants and Contributions	126,433	513,369
Total Program Revenues	1,141,328	1,581,878
Total Revenues	5,971,621	6,317,776
Program Expenses		
General Government	933,072	990,129
Police	1,178,540	1,183,976
Fire	1,213,708	1,238,107
Public Works	596,946	637,999
Streets	649,055	720,719
Parks and Recreation	121,638	119,516
Senior Services	2,288	5,303
Community Events	14,055	7,092
Interest Expense	4,216	-
Pension Expense	626,099	758,532
Other Postemployment Benefits Expense	211,448	147,238
Total Program Expenses	5,551,065	5,808,611
Change in Net Position	$ 420,556	$ 509,165

Governmental Activities

Governmental activities increased the City's net position by $420,556. Key changes during the year are as follows:

- Property taxes increased by $100,207 due to an increase in taxable real property assessments.
- Payroll tax revenue increased by $34,041 primarily due to economic activity increasing from the previous year because of shutdowns from the coronavirus pandemic.
- Interest income decreased by $47,982 due to a decline in interest rates on deposits and a slight decline in the fair market value of investments.
- Operating grants and contributions decreased by $38,420 primarily due to the City receiving reimbursement for expenses from the Coronavirus Relief Fund for approximately $346,000 in the previous fiscal year and only approximately $296,000 in the current fiscal year.
- Capital grants and contributions decreased by $386,936 primarily due to the City receiving funding for the sidewalk project for approximately $358,000 in the previous fiscal year.
- Pension expense decreased $132,433 primarily due to a decrease in the City's proportionate share of the net pension liability for the hazardous system.

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 $6,299,724, an increase of $1,203,465, in comparison to the prior year. This total consists of: General Fund, $5,858,737 and Municipal Road Aid Fund, $440,987.

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 $5,734,445. The total fund balance increased by $892,067. A large portion of this is due to the City receiving reimbursement for eligible expenditures as a result of the coronavirus pandemic for approximately $642,000.

The fund balance of the Municipal Road Aid Fund increased by $311,398. This increase was due to the City committing $700,581 of general fund resources for street projects.

The City's restricted portion of fund balance decreased in the Municipal Road Aid Fund in the current year due to the City committing funds to the Municipal Road Aid Fund. The City maintains a policy to use restricted funds first, thus the remainder of the fund balance was committed.

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's beginning fund balance for the beginning of the fiscal year was $4,966,670.

For the General Fund, actual revenues, in the amount of approximately $6.2 million were slightly higher than budgeted revenues of approximately $6.0 million.

Expenditures were budgeted at approximately $4.6 million, while actual expenditures were approximately $4.7 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the City had approximately $3.9 million net investment in capital assets, all in governmental activities.

Table 3 reflects fiscal year 2021 balances compared to fiscal year 2020.

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

	Governmental Activities	
	2021	**2020**
Land	$ 924,751	$ 924,751
Construction in Progress	20,000	-
Buildings and Improvements	563,881	561,650
Infrastructure	1,873,900	2,049,502
Equipment	232,257	176,367
Vehicles	246,865	207,131
	$ 3,861,654	$ 3,919,401

Major capital asset events during the current fiscal year included the following:

- Additions of new capital assets totaling approximately $407,000 including two new police cruisers, a truck for public works, improvements to the city administration building, equipment for the fire department, and infrastructure related to the reconstruction of Reidlin Road.
- Disposals of approximately $50,000 for vehicles and equipment sold and disposed of during the year.

Long-Term Debt

At June 30, 2021, the City had approximately $295,000 in outstanding long-term debt.

The following is a summary of the City's long-term debt transactions during 2021.

	June 30, 2020	Additions	Repayments	June 30, 2021
Compensated Absences	$ 78,535	$ 11,497	$ -	$ 90,032
Capital Lease Liability	-	67,664	22,555	45,109
Notes Payable	210,824	-	51,151	159,673
	$ 289,359	$ 79,161	$ 73,706	$ 294,814

The City's long-term debt increased $5,455 during the fiscal year due to entering into a capital lease agreement for $67,664 to finance equipment for the fire department.

Economic Factors and Next Year's Budget

The effects of the pandemic have had very little impact on the overall revenues of the City. The fact that the City is a bedroom community means that most of the revenue is generated from real estate taxes rather than business taxes. The three largest employers in the City have not had any significant reduction in payroll tax revenue. The City does not anticipate a significant loss in net profit tax, however, even that will not create any undue burden on the City's finances. The small businesses that continue to be affected will be the restaurants. The taxes generated from these types of business are insignificant compared to other revenue streams that the City relies upon.

The increased cost for the City's first responders has mostly been offset by other non-city funding sources or private donations. The few City employees that have contracted COVID-19 have fortunately been short term absences. So, while the pandemic itself has caused an overall feeling of gloom in the City, the overall fiscal health of the City is not expected to be adversely affected.

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, 2021

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	$ 5,940,145
Investments	48,815
Accounts Receivable	797,974
Prepaid Expenses	74,287
Total Current Assets	6,861,221
Noncurrent Assets (Net of Current Portion)	
Accounts Receivable	52,626
Capital Assets	
Non-Depreciable	944,751
Depreciable, Net	2,916,903
Total Capital Assets	3,861,654
Total Noncurrent Assets	3,914,280
Total Assets	10,775,501
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	994,205
Deferred Outflows Related to Other Postemployment Benefits	654,033
Total Deferred Outflows of Resources	1,648,238
Total Assets and Deferred Outflows of Resources	12,423,739
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable	88,216
Accrued Liabilities	157,015
Capital Lease Liability	22,555
Notes Payable	52,174
Compensated Absences	26,458
Total Current Liabilities	346,418
Noncurrent Liabilities (Net of Current Portion)	
Capital Lease Liability	22,554
Notes Payable	107,499
Compensated Absences	63,574
Net Pension Liability	6,207,442
Net Other Postemployment Benefits Liability	1,914,302
Total Noncurrent Liabilities	8,315,371
Total Liabilities	8,661,789
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	404,681
Deferred Inflows Related to Other Postemployment Benefits	435,558
Total Deferred Inflows of Resources	840,239
Total Liabilities and Deferred Inflows of Resources	9,502,028
Net Position	
Net Investment in Capital Assets	3,656,872
Unrestricted	(735,161)
Total Net Position	$ 2,921,711

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

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 Position – Primary Government: Total Governmental Activities
Primary Government					
Governmental Activities					
General Government	$ 933,072	$ 386,695	$ -	$ -	$ (546,377)
Police	1,178,540	4,120	339,225	-	(835,195)
Fire	1,213,708	118,628	133,459	-	(961,621)
Public Works	596,946	-	-	-	(596,946)
Streets	649,055	-	-	126,433	(522,622)
Parks and Recreation	121,638	32,768	-	-	(88,870)
Senior Services	2,288	-	-	-	(2,288)
Community Events	14,055	-	-	-	(14,055)
Interest Expense	4,216	-	-	-	(4,216)
Pension Expense	626,099	-	-	-	(626,099)
Other Postemployment Benefits Expense	211,448	-	-	-	(211,448)
Total Primary Government	$ 5,551,065	$ 542,211	$ 472,684	$ 126,433	(4,409,737)
General Revenues					
Property Taxes					2,431,445
Payroll Taxes					1,132,683
Insurance Premium Taxes					737,614
Utility Tax					200,504
Other Taxes					268,102
Penalties and Interest on Taxes					11,069
Investment Income					12,741
Other Revenue					14,339
Gain on Sale of Assets					21,796
Total General Revenues					4,830,293
Change in Net Position					420,556
Net Position July 1, 2020					2,501,155
Net Position June 30, 2021					$ 2,921,711

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Municipal Road Aid Fund	Total Governmental Fund
Assets			
Cash and Cash Equivalents	$ 5,512,159	$ 427,986	$ 5,940,145
Investments	48,815	-	48,815
Receivables			
Property Taxes	155,586	-	155,586
Waste Assessments	15,172	-	15,172
Accounts	641,256	-	641,256
Other Receivables	24,074	14,512	38,586
Prepaid Expenses	74,287	-	74,287
Total Assets	$ 6,471,349	$ 442,498	$ 6,913,847
Liabilities			
Accounts Payable	$ 86,705	$ 1,511	$ 88,216
Accrued Liabilities	157,015	-	157,015
Total Liabilities	243,720	1,511	245,231
Deferred Inflows of Resources			
Unavailable Revenue - Taxes	253,043	-	253,043
Unavailable Revenue - Assessments	102,374	-	102,374
Unavailable Revenue - Other	13,475	-	13,475
Total Deferred Inflows of Resources	368,892	-	368,892
Fund Balances			
Non-Spendable			
Prepaid Expenses	74,287	-	74,287
Committed			
Capital Projects	50,005	-	50,005
Streets	-	440,987	440,987
Unassigned	5,734,445	-	5,734,445
Total Fund Balances	5,858,737	440,987	6,299,724
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,471,349	$ 442,498	$ 6,913,847

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balance - Governmental Funds		$ 6,299,724
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	$ 14,734,423	
Accumulated Depreciation	(10,872,769)	
		3,861,654
Other assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		
Taxes Receivable	253,043	
Assessments Receivable	102,374	
Other Receivables	13,475	
		368,892
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	(90,032)	
Capital Lease Payable	(45,109)	
Notes Payable	(159,673)	
		(294,814)
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	994,205	
Deferred Outflows of Resources Related to Other Postemployment Benefits	654,033	
Deferred Inflows of Resources Related to Pension	(404,681)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	(435,558)	
		807,999
Long-term liabilities, including net pension obligations and net other postemployment benefit obligations, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Net Pension Liability	(6,207,442)	
Net Other Postemployment Benefits Liability	(1,914,302)	
		(8,121,744)
Net Position of Governmental Activities in the Statement of Net Position		$ 2,921,711

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Municipal Road Aid Fund	Total Governmental Fund
Revenues			
Taxes	$ 3,592,895	$ -	$ 3,592,895
Licenses and Permits	1,211,564	-	1,211,564
Intergovernmental	813,424	126,433	939,857
Charges for Services	571,751	-	571,751
Fines and Forfeitures	15,189	-	15,189
Investment Income	12,511	230	12,741
Miscellaneous	14,539	-	14,539
Total Revenues	6,231,873	126,663	6,358,536
Expenditures			
General Government	948,855	-	948,855
Police	1,256,919	-	1,256,919
Fire	1,441,745	-	1,441,745
Public Works	594,030	-	594,030
Streets	-	415,388	415,388
Parks and Recreation	89,731	-	89,731
Senior Services	2,288	-	2,288
Community Events	14,055	-	14,055
Debt Service			
Principal	73,706	-	73,706
Interest	4,216	-	4,216
Capital Outlay	306,321	100,458	406,779
Total Expenditures	4,731,866	515,846	5,247,712
Excess (Deficit) of Revenues Over Expenditures	1,500,007	(389,183)	1,110,824
Other Financing (Uses) Sources			
Proceeds From Capital Lease	67,664	-	67,664
Proceeds From Sale of Assets	24,977	-	24,977
Transfers In	-	700,581	700,581
Transfers Out	(700,581)	-	(700,581)
Total Other Financing (Uses) Sources	(607,940)	700,581	92,641
Net Change in Fund Balances	892,067	311,398	1,203,465
Fund Balance July 1, 2020	4,966,670	129,589	5,096,259
Fund Balance June 30, 2021	$ 5,858,737	$ 440,987	$ 6,299,724

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, 2021

Change in Fund Balances - Total Governmental Funds		$ 1,203,465
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 depreciation expense exceed capital outlays in the period.		
Depreciation Expense	$ (461,345)	
Capital Outlays	406,779	
		(54,566)
The net effect of various transactions involving capital assets is to decrease net position as follows:		
Proceeds from Sale of Capital Assets	(24,977)	
Gain on Sale of Assets	21,796	
		(3,181)
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.		(11,497)
Governmental funds report City other postemployment benefit contributions as 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, 2020	(110,735)	
City Other Postemployment Benefit Contributions - June 30, 2021	121,303	
Change in Other Postemployment Benefit Liability	(100,713)	
		(90,145)
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, 2020	(370,767)	
City Pension Contributions - June 30, 2021	405,248	
Cost of Benefits Earned Net of Employee Contributions	(255,332)	
		(220,851)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of the differences in the treatment of long-term debt on the statement of activities, comprised of the following:		
Issuance of Capital Lease Liability	(67,664)	
Principal Repayment of Capital Lease Liability	22,555	
Principal Repayment of Note Payable	51,151	
		6,042
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		(408,711)
Change in Net Position - Governmental Activities		$ 420,556

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 and Municipal Road Aid Fund.

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 who 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 and Measurement Focus

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or *"current financial resources"* measurement focus. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets

The City has the following funds:

<u>Governmental Fund Types</u>

(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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

In accordance with GASB reporting standards, investments are reported at fair value.

Accounts Receivable

Accounts receivable are presented, when considered necessary, net of an allowance for doubtful accounts. There was no allowance as of June 30, 2021.

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 capital assets, donated works of art, and similar items, received in a service concession arrangement are reported at their acquisition value. The City maintains a capitalization threshold of $5,000. 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 City recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is therefore deferred until that time. The City recognizes deferred inflows of resources related to pensions and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue cannot be recognized until it has been earned as is available to finance expenditures of the current period. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

The government-wide financial statements utilize a net position presentation. Net Position is displayed as three components:

- Net Investment in Capital Assets – Represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of capital leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints places on their use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – Represents the net position available for future operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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, except for the net residual amounts due between governmental and business type activities, which are presented as interfund balances.

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.

Adoption of New Accounting Standards

Fiduciary Activities

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2019. The implementation of GASB Statement No. 84 had no impact on the financial statements of the City for the year ended June 30, 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Significant Accounting Standards

Lease Accounting Standard

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for reporting periods beginning after June 15, 2021. The City is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

Accounting for Interest Cost Incurred Before the End of a Construction Period

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* was issued to enhance the relevant and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for reporting periods beginning after December 15, 2020. The City is currently evaluating the impact GASB Statement No. 89 may have on its financial statements.

Conduit Debt Obligations

GASB Statement No. 91, *Conduit Debt Obligations*, was issued to provide a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. The requirements of GASB Statement No. 91 are effective for reporting periods beginning after December 15, 2021. The City is currently evaluating the impact GASB Statement No. 91 may have on its financial statements.

Omnibus 2020

GASB Statement No. 92, *Omnibus 2020,* was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 92 are effective for reporting periods beginning after June 15, 2021, other than the requirements related to the effective date of GASB Statement No. 87, which is effective upon issuance. The City is currently evaluating the impact GASB Statement No. 92 may have on its financial statements.

Replacement of Interbank Offered Rates

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of GASB Statement No. 93, except paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirements in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal year periods beginning after June 15, 2021. The City is currently evaluating the impact GASB Statement No. 93 may have on its financial statements.

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. The requirements of GASB Statement No. 94 are effective for reporting periods beginning after June 15, 2022. The City is currently evaluating the impact GASB Statement No. 94 may have on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB Statement No. 96 are effective for reporting periods beginning after June 15, 2022. The City is currently evaluating the impact GASB Statement No. 96 may have on its financial statements.

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued to (1) increase consistency and comparability related to the fiduciary reporting of component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans. Aspects of GASB Statement No. 97 are effective immediately, however there was no significant impact to the City's financial statements for the year ended June 30, 2020. Other requirements of GASB Statement No. 97 are effective for reporting periods beginning after June 15, 2021. The City is currently evaluating the impact GASB Statement No. 97 may have on its financial statements.

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.

The General Fund had excess expenditures over budget of $132,440 due to the City not budgeting for additional payables and accruals that occurred at the end of the fiscal year.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investment Policy

It is the policy of the City to invest public funds in a manner that will provide the maximum security and highest investment of principle while meeting the daily cash flow demands of the City and conforming to both KRS 91A.060 and KRS 66.480.

In accordance with KRS 66.480, the City is authorized to invest in the following:

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) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.

C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.

D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).

E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.

F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.

G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.

H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

I) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.

J) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).

K) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).

L) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

Overall investments in (E), (F), (G), (K), and (L) investment types are restricted to 20% of total local government investments.

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, 2021, 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.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2021.

Interest rate risk – investments. For an investment, interest rate risk is the risk that interest rates will change and cause a decrease in the value of an entity's investments. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate risk.

Credit risk – investments. For an investment, credit risk is the risk that issuers of securities owned by an entity will default or that other parties that owe the entity money will not fulfill its obligations. At June 30, 2021 the City held investments in funds established by the Kentucky League of Cities Investment Pool. These funds are not rated.

Investments as of June 30, 2021, that are subject to rating for credit risk and interest rate risk are summarized by maturity below:

	Investment Maturities (in Years)		
	Fair Value	Less Than 1 Year	Credit Rating
Investments			
Kentucky League of Cities Investment Pool - Government Bond Fund	$ 48,815	$ 48,815	$ Not Rated

Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2021:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Investments				
Kentucky League of Cities Investment Pool - Government Bond Fund	$ -	$ 48,815	$ -	$ 48,815

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

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

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 924,751	$ -	$ -	$ 924,751
Construction in Progress	-	20,000	-	20,000
Total Capital Assets Not Being Depreciated	924,751	20,000	-	944,751
Depreciable Capital Assets				
Buildings and Improvements	1,434,086	27,500	-	1,461,586
Infrastructure	9,108,176	100,458	-	9,208,634
Equipment	1,412,747	116,277	50,084	1,478,940
Vehicles	1,497,968	142,544	-	1,640,512
Total Depreciable Capital Assets	13,452,977	386,779	50,084	13,789,672
Total Capital Assets at Historical Cost	14,377,728	406,779	50,084	14,734,423
Less Accumulated Depreciation				
Buildings and Improvements	872,436	25,269	-	897,705
Infrastructure	7,058,674	276,060	-	7,334,734
Equipment	1,236,380	57,206	46,903	1,246,683
Vehicles	1,290,837	102,810	-	1,393,647
Total Accumulated Depreciation	10,458,327	461,345	46,903	10,872,769
Depreciable Capital Assets, Net	2,994,650	(74,566)	3,181	2,916,903
Governmental Activities Capital Assets - Net	$ 3,919,401	$ (54,566)	$ 3,181	$ 3,861,654

Depreciation was charged to functions as follows for the year ended June 30, 2021:

General Government	$ 28,946
Police	51,753
Fire	57,020
Public Works	58,051
Streets	233,668
Parks and Recreation	31,907
Total	$ 461,345

NOTE 5 - LONG-TERM LIABILITIES

Notes Payable from Direct Borrowings

Company Note Payable

In March 2020, the City entered into a note with a company to finance an accounts payable balance due on a previous streetscape lighting improvement project. The note agreement was for $210,824 at an interest rate of 2.0%, maturing in August 2023.

The note is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2022	52,174	3,194	55,368
2023	53,217	2,151	55,368
2024	54,282	1,086	55,368
Total	$ 159,673	$ 6,431	$ 166,104

The note payable contains an event of default provision that changes the timing of repayment of outstanding amounts to become immediately due if the City is unable to make payment.

Capital Lease Liability

In May 2021, the City entered into a capital lease agreement for the purchase of equipment to be used by the fire department. The capital lease charges interest at 0.00% and expires in May 2023. At the conclusion of the capital lease, ownership passes to the City. Depreciation expense for the equipment held under the capital lease was $1,372 for the year ended June 30, 2021.

The following is a summary of the remaining future minimum payments under the capital lease liability:

Years Ending June 30,	
2022	$ 22,555
2023	22,554
Net Capital Lease Liability	45,109
Less Current Portion	22,555
Long-Term Portion	$ 22,554

The following is a summary of the equipment at cost less accumulated depreciation under the capital lease liability:

	June 30, 2021
Equipment	$ 67,664
Less Accumulated Depreciation	1,372
Net Capital Lease Liability Property	$ 66,292

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

The following is a summary of the City's long-term liability transactions (excluding the net pension and net OPEB liability) for the year ended June 30, 2021.

Governmental Activities	June 30, 2020	Additions	Retired	June 30, 2021	Amounts Expected to be Paid Within One Year
Notes from Direct Borrowings	$ 210,824	$ -	$ 51,151	$ 159,673	$ 52,174
Captial Lease Liability	-	67,664	22,555	45,109	22,555
Compensated Absences	78,535	11,497	-	90,032	26,458
	$ 289,359	$ 79,161	$ 73,706	$ 294,814	$ 101,187

NOTE 6 - 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) (Kentucky Public Pension Authority effective April 2021) 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 6 - 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	1 month	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

<table>
<tr><th>Final Compensation</th><th>X</th><th colspan="2">Benefit Factor</th><th>X</th><th>Years of Service</th></tr>
<tr><td rowspan="2">Average of the five highest years of compensation if participation began before 09/01/2008.</td><td rowspan="3"></td><td>2.20% if:</td><td>Member begins participating prior to 08/01/2004.</td><td rowspan="3"></td><td rowspan="3">Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).</td></tr>
<tr><td>2.00% if:</td><td>Member begins participating on or after 08/01/2004 and before 09/01/2008.</td></tr>
<tr><td>Average of the last complete five years of compensation if participating began on or after 09/01/2008 but before 01/01/2014.</td><td>Increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 if:</td><td>Member begins participating on or after 09/01/2008 but before 01/01/2014.</td></tr>
</table>

* ***Service*** *(and Benefit Factor):* ***10 years or less*** *(1.10%);* ***10 - 20 years*** *(1.30%);*
20 - 25 years *(1.50%)* ***; 26 - 30 years*** *(1.75%)*

NOTE 6 - PENSION PLAN (Continued)

Hazardous Plan:

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

Age	Years of Service	Allowance Reduction
55	1 month	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.

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 three highest years of compensation 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 service (if the member's employer participates in an approved sick leave program).
Average of the three highest complete years of compensation if participation 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%)*

Benefit Formula for Tier 3

Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity

Accumulate Account Balance				
Member Contributions	**Employer Contributions**	**Base Annual Interest**	**Upside Sharing Interest (FY 2020)**	**Actuarial Factor**
8.00%	7.50%	4.00%	1.15%	Various*

* See www.kyret.ky.gov for most recent Actuarial Factors

NOTE 6 - PENSION PLAN (Continued)

Non-Hazardous and Hazardous Plans:

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 (requirement is waived if line of duty disability) 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 hybrid 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 hypothetical 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.

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5.00% and hazardous employees contributed 8.00% of their annual creditable compensation. Employees hired on or after September 1, 2008 contribute an additional 1.00% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous or 9.00% for hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members’ accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

NOTE 6 - PENSION PLAN (Continued)

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous or 8.00% hazardous (of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous or 7.50% hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

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. SB 249 (passed during the 2020 legislative session) froze the contribution rates for one year so that the rates for fiscal year ended June 30, 2021 were equal to the rates for fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2021, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) for the non-hazardous system of each employee's creditable compensation and 39.58% (30.06% pension fund and 9.52% 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 were $405,248 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of $6,207,442 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, using generally accepted accounting 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, 2021, the City's proportion for the non-hazardous system was 0.019304% and for the hazardous system was 0.156776%, which was an increase of 0.000458% and a decrease of 0.008040% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2020.

NOTE 6 - PENSION PLAN (Continued)

For the year ended June 30, 2021, the City recognized pension expense of $626,099. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 183,519	$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	143,535	-
Changes of Assumptions	237,083	-
Changes In Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	24,820	404,681
Contributions After Measurement Date	405,248	-
Total	$ 994,205	$ 404,681

The $405,248 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, 2022. 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,	
2022	$ 20,515
2023	63,316
2024	49,733
2025	50,712
Total	$ 184,276

Actuarial assumptions: The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30 to 10.30%, varies by service for non-hazardous; 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25% Net of pension plan investment expense, including inflation

NOTE 6 - PENSION PLAN (Continued)

The Board of Trustees for the Kentucky Retirement Systems adopted new actuarial assumptions since June 30, 2018. The Total Pension liability as of June 30, 2020 was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases, This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The mortality table used for active members was a PUB-2010 General Mortality table with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected 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.

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 Real Rate of Return
Growth		
US Equity	18.75 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00 %	

Discount rate: The single 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.

NOTE 6 - PENSION PLAN (Continued)

The projections of cash flows used to determine the single discount rate includes an assumption regarding actual employer contributions made each future year. Except where noted, the future contributions are projected assuming that each participating employer in the system contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2020) which kept CERS contributions level for fiscal year ending 2021.

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	Current Discount Rate	1% Increase
Non-Hazardous	$ 1,825,903	$ 1,480,601	$ 1,194,677
Hazardous	$ 5,841,702	$ 4,726,841	$ 3,816,819

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2020 valuation date.

Payable to the Pension Plan: At June 30, 2021, the City reported a payable of $51,311 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021. The payable includes both the pension and insurance contribution allocation.

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.

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 7 - 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) (Kentucky Public Pension Authority effective April 2021) 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.

NOTE 7 - OPEB PLAN (Continued)

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 Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

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.

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%

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5.00% while hazardous duty members contribute 8.00% of their annual creditable compensation. Employees hired on or after September 1, 2008 contribute an additional 1.00% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous or 9.00% for hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

NOTE 7 - OPEB PLAN (Continued)

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous or 8.00% hazardous (of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous or 7.5% hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

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. SB 249 (passed during the 2020 legislative session) froze the contribution rates for one year so that the rates for fiscal year ended June 30, 2021 were equal to the rates for fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2021, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) for the non-hazardous system and 39.58% (30.06% pension fund and 9.52% 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 $121,303 for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of $1,914,302 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, 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, 2021, the City's proportion for the non-hazardous system was 0.019298% and for the hazardous system was 0.156726% which was an increase of 0.000457% and a decrease of 0.008057% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2020.

NOTE 7 - OPEB PLAN (Continued)

For the year ended June 30, 2021, the City recognized OPEB expense of $211,448. At June 30, 2021, 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	$ 127,557	$ 222,548
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	79,778	-
Changes of Assumptions	317,330	1,827
Changes In Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	8,065	211,183
Contributions After Measurement Date	121,303	-
Total	$ 654,033	$ 435,558

The $121,303 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, 2021. 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,	
2022	$ 2,389
2023	(10,312)
2024	44,464
2025	52,270
2026	8,361
Total	$ 97,172

NOTE 7 - OPEB PLAN (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent of Pay Amortization Method
Amortization Period	30 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	2.00%
Inflation	2.30%
Salary Increases	3.30 to 10.30%, varies by service for non-hazardous; 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.40% at January 1, 2022 and gradually Decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 2.90% at January 1, 2022 and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality Table, for the Non-Hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience from 2013-2018, Projected with the Ultimate Rates from MP-2014 Mortality Improvement Scale Using a Base Year of 2010
Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-year Set-forward for both Male and Female Rates, Projected With the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total OPEB liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan changes.

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 - 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
Growth		
US Equity	18.75 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00 %	

Discount rate: The single discount rate used to measure the total OPEB liability was 5.34% for non-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 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position an future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the system's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in system contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to the CERS Funds as well as the provisions from Senate Bill 249 (passed in 2020) which kept CERS contributions level from fiscal year ending 2021.

NOTE 7 - OPEB PLAN (Continued)

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 (4.34% for non-hazardous and 4.30% for hazardous) or 1-percentage-point higher (6.34% for non-hazardous and 6.30% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-Hazardous	$ 598,658	$ 465,988	$ 357,022
Hazardous	$ 1,966,048	$ 1,448,314	$ 1,031,125

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	$ 360,791	$ 465,988	$ 593,647
Hazardous	$ 1,035,008	$ 1,448,314	$ 1,956,438

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2020 valuation date.

Other postemployment benefits plan fiduciary net position: Detailed information about the other postemployment benefits 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 8 - OPERATING LEASES

The City leases a copier under an operating lease that expires in June 2024. Expenditures for equipment under operating leases totaled $3,294 for the year ended June 30, 2021. Future minimum rental payments under these leases are as follows:

Years Ending June 30,	
2022	3,294
2023	3,294
2024	3,294
Total	$ 9,882

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, 2021 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 - TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General	Municipal Road Aid	To fund road projects	$ 700,581

NOTE 12 - RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

Prior to year-end, the World Health Organization announced a global health emergency, later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the City.

NOTE 13 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 9, 2022, which is the date the financial statements were available to be issued.

In March 2021, the president signed into law the American Rescue Plan Act, which established the Coronavirus State and Local Fiscal Recovery Funds to cover lost revenues and pandemic-related expenditures. The City was awarded a total of $1,760,000 in these funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues	$ 4,950,593	$ 5,974,692	$ 6,231,873	$ 257,181
Expenditures				
General Government	993,681	890,473	948,855	(58,382)
Police	1,453,594	1,231,302	1,256,919	(25,617)
Fire	1,549,871	1,423,744	1,441,745	(18,001)
Public Works	482,560	587,506	594,030	(6,524)
Parks and Recreation	85,044	91,585	89,731	1,854
Senior Services	5,350	3,200	2,288	912
Community Events	14,300	12,870	14,055	(1,185)
Debt Service				
Principal	-	73,706	73,706	-
Interest	-	4,216	4,216	-
Capital Outlay	901,151	280,824	306,321	(25,497)
Total Expenditures	5,485,551	4,599,426	4,731,866	(132,440)
(Deficit) Excess of Revenues Over Expenditures	(534,958)	1,375,266	1,500,007	124,741
Other Financing Sources (Uses)				
Proceeds From Notes Payable	-	-	67,664	67,664
Proceeds From Sale of Assets	-	-	24,977	24,977
Operating Transfers Out	-	(700,581)	(700,581)	-
Total Other Financing (Uses) Sources	-	(700,581)	(607,940)	92,641
Net Change in Fund Balances	(534,958)	674,685	892,067	217,382
Fund Balance July 1, 2020	4,966,670	4,966,670	4,966,670	-
Fund Balance June 30, 2021	$ 4,431,712	$ 5,641,355	$ 5,858,737	$ 217,382

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
MUNICIPAL ROAD AID FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Favorable (Unfavorable)**
Revenues	$ 843,160	$ 112,071	$ 126,663	$ 14,592
Expenditures				
Streets	843,160	498,642	415,388	83,254
Capital Outlay	-	100,458	100,458	-
Total Expenditures	843,160	599,100	515,846	83,254
(Deficit) of Revenues Over Expenditures	-	(487,029)	(389,183)	(68,662)
Other Financing Sources				
Operating Transfers In	-	700,581	700,581	-
Net Change in Fund Balances	-	213,552	311,398	(68,662)
Fund Balance July 1, 2020	129,589	129,589	129,589	-
Fund Balance June 30, 2021	$ 129,589	$ 343,141	$ 440,987	$ (68,662)

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

County Employees Retirement System
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability							
Non-Hazardous	0.019304%	0.018846%	0.021346%	0.020929%	0.020230%	0.020110%	0.019727%
Hazardous	0.156776%	0.164816%	0.182247%	0.214109%	0.241189%	0.251290%	0.245706%
City's Proportionate Share of the Net Pension Liability							
Non-Hazardous	$ 1,480,601	$ 1,325,447	$ 1,300,037	$ 1,225,039	$ 995,726	$ 864,635	$ 640,018
Hazardous	4,726,841	4,552,705	4,407,565	4,790,214	4,138,657	3,857,568	2,952,956
Total City's Proportionate Share of the Net Pension Liability	$ 6,207,442	$ 5,878,152	$ 5,707,602	$ 6,015,253	$ 5,134,383	$ 4,722,203	$ 3,592,974
City's Covered Payroll	$ 1,410,421	$ 1,416,335	$ 1,662,183	$ 1,688,874	$ 1,746,950	$ 1,754,629	$ 1,698,952
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	440.11%	415.03%	343.38%	356.17%	293.91%	269.13%	211.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

**Only seven years of information available. Additional years' information will be displayed as it becomes available.*

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
JUNE 30, 2021

County Employees Retirement System
Last 10 Fiscal Years*

Non-Hazardous	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 100,460	$ 95,433	$ 77,414	$ 76,645	$ 71,084	$ 59,918	$ 60,048	$ 62,302
Contributions in Relation to the Contractually Required Contribution	(100,460)	(95,433)	(77,414)	(76,645)	(71,084)	(59,918)	(60,048)	(62,302)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 520,516	$ 494,470	$ 477,685	$ 529,054	$ 509,565	$ 482,433	$ 469,244	453,673
Contributions as a Percentage of Covered Payroll	19.30%	19.30%	16.21%	14.49%	13.95%	12.42%	12.80%	13.73%

Hazardous	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 304,788	$ 275,334	$ 233,348	$ 251,657	$ 256,028	$ 256,191	$ 271,572	$ 270,957
Contributions in Relation to the Contractually Required Contribution	(304,788)	(275,334)	(233,348)	(251,657)	(256,028)	(256,191)	(271,572)	(270,957)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,013,932	$ 915,951	$ 938,650	$ 1,133,129	$ 1,179,309	$ 1,264,517	$ 1,285,385	$ 1,245,279
Contributions as a Percentage of Covered Payroll	30.06%	30.06%	24.86%	22.21%	21.71%	20.26%	21.13%	21.76%

**Only eight years of information available. Additional years' information will be displayed as it becomes available.*

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2021

County Employees Retirement System
Last 10 Fiscal Years*

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability				
Non-Hazardous	0.019298%	0.018841%	0.021345%	0.020929%
Hazardous	0.156726%	0.164783%	0.182259%	0.214109%
City's Proportionate Share of the Net Pension Liability				
Non-Hazardous	$ 465,988	$ 316,897	$ 378,976	$ 420,744
Hazardous	1,448,314	1,219,163	1,299,433	1,769,979
Total City's Proportionate Share of the Net Pension Liability	$ 1,914,302	$ 1,536,060	$ 1,678,409	$ 2,190,723
City's Covered Payroll	$ 1,410,421	$ 1,416,335	$ 1,662,183	$ 1,688,874
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	135.73%	108.45%	100.98%	129.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	51.67%	60.44%	57.62%	52.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	58.84%	64.44%	64.24%	58.99%

**Only four years of information available. Additional years' information will be displayed as it becomes available.*

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
JUNE 30, 2021

County Employees Retirement System
Last 10 Fiscal Years*

Non-Hazardous	2021	2020	2019	2018
Contractually Required Contribution	$ 24,777	$ 23,537	$ 25,105	$ 24,878
Contributions in Relation to the Contractually Required Contribution	(24,777)	(23,537)	(25,105)	(24,878)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 520,516	$ 494,470	$ 477,685	$ 529,054
Contributions as a Percentage of Covered Payroll	4.76%	4.76%	5.26%	4.70%

Hazardous	2021	2020	2019	2018
Contractually Required Contribution	$ 96,526	$ 87,198	$ 98,371	$ 105,990
Contributions in Relation to the Contractually Required Contribution	(96,526)	(87,198)	(98,371)	(105,990)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,013,932	$ 915,951	$ 938,650	$ 1,133,129
Contributions as a Percentage of Covered Payroll	9.52%	9.52%	10.48%	9.35%

**Only four years of information available. Additional years' information will be displayed as it becomes available.*

REQUIRED REGULATORY INFORMATION

VonLehman
CPA & ADVISORY FIRM

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
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, 2021, 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 February 9, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

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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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-002.

We did note certain matters that we reported to management of the City of Taylor Mill, Kentucky, in a separate letter dated February 9, 2022.

City of Taylor Mill, Kentucky's Response to Findings

City of Taylor Mill, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Taylor Mill, Kentucky's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance 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
February 9, 2022

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

Finding 2021-001 Material Audit Adjustments

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

Condition: As a result of current year auditing procedures, misstatements were identified that were not previously identified by the City's internal controls over financial reporting.

Cause: The City failed to provide proper oversight over period-end financial reporting, which resulted in misstated accounting records.

Effect: The City's books required audit adjustments to ensure their financial records were fairly stated in accordance with generally accepted accounting principles.

Repeat Finding: This is a repeat finding.

Recommendation: The City should implement procedures to their period-end financial reporting process to analytically review year-end financial data in order to detect and correct errors prior to the audit beginning.

Views of Responsible Officials and Planned Corrective Actions: The City will implement procedures to our period-end financial reporting process to analytically review year-end financial data in order to detect and correct errors prior to the audit beginning.

Finding 2021-002 Budgetary Noncompliance

Criteria: Kentucky Revised Statute (KRS) 91A.030 prohibits the expenditure of moneys except in accordance with a budget ordinance.

Condition: The City's actual expenditures from the general fund were in excess of budgeted amounts.

Cause: The City amended its budget at year end to be in line with actual amounts, however year end accruals were not taken into consideration. These entries caused the City to have actual expenditures in excess of budgeted amounts.

Effect: The City was not in compliance with Kentucky statutes.

Repeat Finding: This is not a repeat finding from the prior year.

Recommendation: The City should monitor budgeted expenditures and amend its budget when the City expects to incur expenditures in excess of appropriations.

Views of Responsible Officials and Planned Corrective Actions: The City will analyze the impact of anticipated accrued expenses on the budget prior to any year end budget amendments.

PRIOR YEAR - FINANCIAL STATEMENT FINDINGS

Finding 2020-001 Material Audit Adjustments

The City failed to provide proper oversight over period-end financial reporting, which resulted in misstated accounting records.

Status: This is a repeat finding in the current year.