VonLehman
CPA & ADVISORY FIRM

City of Taylor Mill, Kentucky

June 30, 2022

Financial Statements and Independent Auditors' Report
Including Supplementary Information

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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 Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2022, and the related notes to the financial statements, which collectively comprise the City of Taylor Mill, Kentucky's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Taylor Mill, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Taylor Mill, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Taylor Mill, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Taylor Mill, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 42 - 43, the pension schedules on pages 44 - 46, and the OPEB schedules on pages 47 - 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023, 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 City of Taylor Mill, Kentucky's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
January 11, 2023

CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
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, 2022. 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 2022 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $4,110,612 (net position) at June 30, 2022. The City's total net position increased by $1,188,901.
- As of June 30, 2022, the City's governmental funds reported combined ending fund balances of $6,703,192, an increase of $403,468.
- As of June 30, 2022, unassigned fund balance for the General Fund was $6,001,927.
- The City's cash and cash equivalents decreased by $356,077 from $5,940,145 at June 30, 2021 to $5,584,068 at June 30, 2022.
- The City's investments increased by $2,457,960 from $48,815 at June 30, 2021 to $2,506,775 at June 30, 2022.
- The City's accounts receivable increased by $114,646 from $850,600 at June 30, 2021 to $965,246 at June 30, 2022.
- The City's total debt decreased by $77,425, 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 - 41 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 2022 compared to 2021.

Table 1
Net Position

	Governmental Activities	
	2022	**2021**
Assets		
Current and Other Assets	$ 9,236,173	$ 6,913,847
Capital Assets, Net	4,363,125	3,861,654
Total Assets	13,599,298	10,775,501
Deferred Outflows of Resources	1,853,509	1,648,238
Liabilities		
Current Liabilities	2,128,925	346,418
Long-Term Liabilities	7,679,085	8,315,371
Total Liabilities	9,808,010	8,661,789
Deferred Inflows of Resources	1,534,185	840,239
Net Position		
Net Investment in Capital Assets	4,233,072	3,656,872
Unrestricted	(122,460)	(735,161)
Total Net Position	$ 4,110,612	$ 2,921,711

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 $4.1 million as of June 30, 2022.

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

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 decreased by $356,077 from the previous year primarily due to the results of current year operations while also considering the City transferred funds to an investment account.
2. Investments increased by $2,457,960 from the previous year due to the City opening a new investment account with an initial contribution of $2,494,615.
3. Accounts receivable increased by $114,646 from the previous year primarily due to the City having a grant receivable related to its sidewalk project of $103,276 outstanding at year end.
4. Capital assets increased by $501,471 due to current year capital asset acquisitions. Total capital asset acquisitions were approximately $1,020,000, total capital asset disposals were approximately $54,000, and total depreciation expense in the current year was approximately $520,000.
5. Unearned revenue increased by $1,792,221 as a result of receiving Coronavirus State and Local Fiscal Recovery Funds but not incurring qualifying expenditures in the fiscal year.
6. Long-term liabilities decreased by $636,286. The decrease is due to a decrease in the net pension liability for approximately $407,000, and a decrease in the net other postemployment benefits liability for approximately $157,000.
7. Deferred inflows of resources increased by $693,946. Deferred inflows related to pension increased by approximately $421,000 and deferred inflows related to OPEB increased by approximately $273,000 largely due to an increase in the net difference between projected and actual earnings on plan investments.
8. The City has $122,460 of unrestricted net deficit as of June 30, 2022.

Table 2 reflects the change in net position for fiscal years 2022 and 2021.

Table 2
Change in Net Position

	Governmental Activities Years Ended June 30, 2022	2021
Revenues		
General Revenues		
Property Taxes	$ 2,420,652	$ 2,431,445
Payroll Taxes	1,338,313	1,132,683
Insurance Taxes	788,264	737,614
Utility Tax	236,880	200,504
Other Taxes	452,203	268,102
Penalties and Interest on Taxes	20,012	11,069
Investment Income	(27,720)	12,741
Other Revenue	18,454	14,339
Donated Assets	510,520	-
Gain on Sale of Assets	6,307	21,796
Total General Revenues	5,763,885	4,830,293
Program Revenues		
Charges for Service	614,469	542,211
Operating Grants and Contributions	218,364	472,684
Capital Grants and Contributions	234,005	126,433
Total Program Revenues	1,066,838	1,141,328
Total Revenues	6,830,723	5,971,621
Program Expenses		
General Government	1,070,652	933,072
Police	1,339,533	1,178,540
Fire	1,405,126	1,213,708
Public Works	545,290	596,946
Streets	557,615	649,055
Parks and Recreation	117,010	121,638
Senior Services	1,258	2,288
Community Events	20,860	14,055
Interest Expense	3,193	4,216
Pension Expense	459,855	626,099
Other Postemployment Benefits Expense	121,430	211,448
Total Program Expenses	5,641,822	5,551,065
Change in Net Position	$ 1,188,901	$ 420,556

Governmental Activities

Governmental activities increased the City's net position by $1,188,901. Key changes during the year are as follows:

- Payroll taxes revenue increased by $205,630 primarily due to economic activity increasing from the previous year due to closures from the coronavirus pandemic.
- Other taxes revenue increased $184,101 primarily due to an increase in net profit tax. This increase is similar to that of payroll taxes revenue above.
- Donated assets revenue increased $510,520 due to the State transferring ownership of property to the City during the fiscal year.
- Operating Grants and Contributions decreased by $254,320 primarily due to the City receiving reimbursement for expenses from the Coronavirus Relief Fund in the prior fiscal year.
- Capital grants and contributions increased by $107,572 due to recognizing revenue related to a sidewalk project for approximately $103,000.

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 $6,703,192, an increase of $403,468, in comparison to the prior year. This total consists of: General Fund, $6,282,079 and Municipal Road Aid Fund, $421,113.

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 $6,001,927. The total fund balance increased by $423,342.

The fund balance of the Municipal Road Aid Fund decreased by $19,874.

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 $5,858,737.

For the General Fund, actual revenues, in the amount of approximately $6.1 million were higher than budgeted revenues of approximately $5.8 million.

Expenditures were budgeted at approximately $6.2 million, while actual expenditures were approximately $5.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the City had approximately $4.4 million net investment in capital assets, all in governmental activities.

Table 3 reflects fiscal year 2022 balances compared to fiscal year 2021.

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

	Governmental Activities	
	2022	2021
Land	$ 924,751	$ 924,751
Construction in Progress	158,200	20,000
Buildings and Improvements	538,415	563,881
Infrastructure	2,128,163	1,873,900
Equipment	189,547	232,257
Vehicles	424,049	246,865
	$ 4,363,125	$ 3,861,654

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

- Additions of new capital assets totaling approximately $1,020,000 included four new police cruisers, a truck for public works, a vehicle for the fire department, engineering costs related to the sidewalk project and fire department, and donated assets from the State.
- Disposals of approximately $54,000 for vehicles and equipment sold and disposed of during the year.

Long-Term Debt

At June 30, 2022, the City had approximately $217,000 in outstanding long-term debt.

The following is a summary of the City's long-term debt transactions during 2022.

	June 30, 2021	Additions	Repayments	June 30, 2022
Compensated Absences	$ 90,032	$ -	$ 2,696	$ 87,336
Notes Payable	204,782	-	74,729	130,053
	$ 294,814	$ -	$ 77,425	$ 217,389

The City's long-term debt decreased $77,425 due to payments made on the long-term debt agreements.

Economic Factors and Next Year's Budget

Fortunately, 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, 2022

		Governmental Activities
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	$	5,584,068
Investments		2,506,775
Accounts Receivable		938,933
Prepaid Expenses		177,025
Inventory		3,059
Total Current Assets		9,209,860
Noncurrent Assets (Net of Current Portion)		
Accounts Receivable		26,313
Capital Assets		
Non-Depreciable		1,082,951
Depreciable, Net		3,280,174
Total Capital Assets		4,363,125
Total Noncurrent Assets		4,389,438
Total Assets		13,599,298
Deferred Outflows of Resources		
Deferred Outflows Related to Pension		1,052,719
Deferred Outflows Related to Other Postemployment Benefits		800,790
Total Deferred Outflows of Resources		1,853,509
Total Assets and Deferred Outflows of Resources		15,452,807
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Accounts Payable		197,778
Accrued Liabilities		43,310
Unearned Revenue		1,792,221
Notes Payable		75,771
Compensated Absences		19,845
Total Current Liabilities		2,128,925
Noncurrent Liabilities (Net of Current Portion)		
Notes Payable		54,282
Compensated Absences		67,491
Net Pension Liability		5,800,223
Net Other Postemployment Benefits Liability		1,757,089
Total Noncurrent Liabilities		7,679,085
Total Liabilities		9,808,010
Deferred Inflows of Resources		
Deferred Inflows Related to Pension		825,412
Deferred Inflows Related to Other Postemployment Benefits		708,773
Total Deferred Inflows of Resources		1,534,185
Total Liabilities and Deferred Inflows of Resources		11,342,195
Net Position		
Net Investment in Capital Assets		4,233,072
Unrestricted		(122,460)
Total Net Position	$	4,110,612

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

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	$ 1,070,652	$ 409,402	$ 50,590	$ -	$ (610,660)
Police	1,339,533	2,848	159,249	-	(1,177,436)
Fire	1,405,126	163,685	8,525	-	(1,232,916)
Public Works	545,290	-	-	103,276	(442,014)
Streets	557,615	-	-	130,729	(426,886)
Parks and Recreation	117,010	37,654	-	-	(79,356)
Senior Services	1,258	880	-	-	(378)
Community Events	20,860	-	-	-	(20,860)
Interest Expense	3,193	-	-	-	(3,193)
Pension Expense	459,855	-	-	-	(459,855)
Other Postemployment Benefits Expense	121,430	-	-	-	(121,430)
Total Primary Government	$ 5,641,822	$ 614,469	$ 218,364	$ 234,005	(4,574,984)
General Revenues					
Property Taxes					2,420,652
Payroll Taxes					1,338,313
Insurance Premium Taxes					788,264
Utility Tax					236,880
Other Taxes					452,203
Penalties and Interest on Taxes					20,012
Investment Loss					(27,720)
Other Revenue					18,454
Donated Assets					510,520
Gain on Sale of Capital Assets					6,307
Total General Revenues					5,763,885
Change in Net Position					1,188,901
Net Position July 1, 2021					2,921,711
Net Position June 30, 2022					$ 4,110,612

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Municipal Road Aid Fund	Total Governmental Fund
Assets			
Cash and Cash Equivalents	$ 5,065,108	$ 518,960	$ 5,584,068
Investments	2,506,775	-	2,506,775
Receivables			
Property Taxes	67,367	-	67,367
Waste Assessments	14,217	-	14,217
Accounts	850,948	-	850,948
Other Receivables	19,080	13,634	32,714
Prepaid Expenses	177,025	-	177,025
Inventories	3,059	-	3,059
Total Assets	$ 8,703,579	$ 532,594	$ 9,236,173
Liabilities			
Accounts Payable	$ 86,297	$ 111,481	$ 197,778
Accrued Liabilities	43,310	-	43,310
Unearned Revenue	1,792,221	-	1,792,221
Total Liabilities	1,921,828	111,481	2,033,309
Deferred Inflows of Resources			
Unavailable Revenue - Taxes	332,769	-	332,769
Unavailable Revenue - Assessments	52,627	-	52,627
Unavailable Revenue - Other	114,276	-	114,276
Total Deferred Inflows of Resources	499,672	-	499,672
Fund Balances			
Non-Spendable			
Prepaid Expenses	177,025	-	177,025
Inventories	3,059	-	3,059
Committed			
Capital Projects	100,068	-	100,068
Streets	-	421,113	421,113
Unassigned	6,001,927	-	6,001,927
Total Fund Balances	6,282,079	421,113	6,703,192
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,703,579	$ 532,594	$ 9,236,173

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balance - Governmental Funds		$ 6,703,192
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds.		
Cost of Capital Assets	15,701,728	
Accumulated Depreciation	(11,338,603)	
		4,363,125
Other assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		
Taxes Receivable	332,769	
Assessments Receivable	52,627	
Other Receivables	114,276	
		499,672
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	(87,336)	
Notes Payable	(130,053)	
		(217,389)
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	1,052,719	
Deferred Outflows of Resources Related to Other Postemployment Benefits	800,790	
Deferred Inflows of Resources Related to Pension	(825,412)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	(708,773)	
		319,324
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	(5,800,223)	
Net Other Postemployment Benefits Liability	(1,757,089)	
		(7,557,312)
Net Position of Governmental Activities in the Statement of Net Position		$ 4,110,612

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Municipal Road Aid Fund	Total Governmental Fund
Revenues			
Taxes	$ 3,676,976	$ -	$ 3,676,976
Licenses and Permits	1,490,008	-	1,490,008
Intergovernmental	225,568	130,729	356,297
Charges for Services	640,524	-	640,524
Fines and Forfeitures	22,960	-	22,960
Investment (Loss) Income	(28,131)	411	(27,720)
Miscellaneous	24,071	-	24,071
Total Revenues	6,051,976	131,140	6,183,116
Expenditures			
General Government	1,091,429	-	1,091,429
Police	1,495,295	-	1,495,295
Fire	1,657,381	-	1,657,381
Public Works	572,324	-	572,324
Streets	-	276,014	276,014
Parks and Recreation	82,721	-	82,721
Senior Services	1,258	-	1,258
Community Events	20,860	-	20,860
Debt Service			
Principal	74,729	-	74,729
Interest	3,193	-	3,193
Capital Outlay	510,751	-	510,751
Total Expenditures	5,509,941	276,014	5,785,955
Excess (Deficit) of Revenues Over Expenditures	542,035	(144,874)	397,161
Other Financing (Uses) Sources			
Proceeds From Sale of Capital Assets	6,307	-	6,307
Transfers In	-	125,000	125,000
Transfers Out	(125,000)	-	(125,000)
Total Other Financing (Uses) Sources	(118,693)	125,000	6,307
Net Change in Fund Balances	423,342	(19,874)	403,468
Fund Balance July 1, 2021	5,858,737	440,987	6,299,724
Fund Balance June 30, 2022	$ 6,282,079	$ 421,113	$ 6,703,192

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, 2022

Change in Fund Balances - Total Governmental Funds		$ 403,468
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	(519,800)	
Capital Outlays	510,751	
		(9,049)
The net effect of various transactions involving capital assets is to decrease net position as follows:		
Proceeds from Sale of Capital Assets	(6,307)	
Gain on Sale of Capital Assets	6,307	
		-
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.		2,696
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, 2021	(121,303)	
City Other Postemployment Benefit Contributions - June 30, 2022	152,184	
Change in Other Postemployment Benefit Liability	(126)	
		30,755
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, 2021	(405,248)	
City Pension Contributions - June 30, 2022	504,858	
Cost of Benefits Earned Net of Employee Contributions	(54,608)	
		45,002
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:		
Principal Repayment of Note Payable		74,729
Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net position.		510,520
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		130,780
Change in Net Position - Governmental Activities		$ 1,188,901

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, 2022.

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.

Unearned Revenue

Unearned revenue represents the amount for which revenue recognition criteria has not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for the unearned revenue is removed and the revenue is recognized.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New 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 implementation of GASB Statement No. 87 resulted in the City reclassifying a previously identified capital lease as a financed purchase.

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 implementation of GASB Statement No. 92 had no material impact on the financial statement of the City for the year ended June 30, 2022.

Recently Issued Significant Accounting Standards

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Omnibus 2022

GASB Statement No. 99, *Omnibus 2022,* was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of GASB Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. Other aspects of GASB 99 are effective immediately. However, there was not a significant impact to the City’s financial statements for the year ended December 31, 2021. The City is currently evaluating the impact the remaining aspects of GASB Statement No. 99 may have on its financial statements.

Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of GASB Statement No. 100 are effective for reporting periods beginning after June 15, 2023. The City is currently evaluating the impact GASB Statement No. 100 may have on its financial statements.

Compensated Absences

GASB Statement No. 101, *Compensated Absences*, was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of GASB Statement No. 101 are effective for reporting periods beginning after December 15, 2023. The City is currently evaluating the impact GASB Statement No. 101 may have on its financial statements.

Subsequent Events

The City has evaluated subsequent events through January 11, 2023, which is the date the financial statements were available to be issued.

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.

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, 2022, the City's deposits exceeded FDIC insurance and collateral with securities held by the financial institutions on behalf of the City by $1,560,441.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments

Custodial credit risk - investments. For an investment, this is the risk that, in the event of 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, 2022.

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, 2022, the City held investments in U.S. Government securities and municipal bonds that were all rated AAA by Moody's. Funds held in the Kentucky League of Cities Investment Pool are not rated.

Investments as of June 30, 2022, that are subject to rating for credit risk and interest rate risk are summarized by maturity below:

	Investment Maturities (in Years)			
	Carrying Value	Less Than 1	1 - 5	Credit Rating
Certificates of Deposit	$ 1,002,894	$ 1,002,894	$ -	Not Rated
Money Market Funds	6,038	6,038	-	Not Rated
U.S. Government Obligations	1,292,934	-	1,292,934	Moody's - AAA
Municipal Bonds	159,426	-	159,426	Moody's - AAA
Kentucky League of Cities Investment Pool - Government Bond Fund	45,483	45,483	-	Not Rated
	$ 2,506,775	$ 1,054,415	$ 1,452,360	

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2022:

	Fair Value Measurements Using			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Certificates of Deposit	$ 1,002,894	$ -	$ -	$ 1,002,894
Money Market Funds	6,038	-	-	6,038
U.S. Government Obligations	1,292,934	-	-	1,292,934
Municipal Bonds	-	159,426	-	159,426
	$ 2,301,866	$ 159,426	$ -	2,461,292
Kentucky League of Cities Investment Pool - Government Bond Fund Measured at NAV				45,483
Total Investments				$ 2,506,775

Investments held in the Kentucky League of Cities Investment Pool (KLCIP) are measured at net asset value per share (NAV), determined by the pool. The KLCIP is administered by the Kentucky League of Cities, which is a nonprofit membership association established to serve Kentucky cities and municipal agencies. The KLCIP is governed by a board of trustees and managed by an outside asset management company.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 924,751	$ -	$ -	$ 924,751
Construction in Progress	20,000	178,200	40,000	158,200
Total Capital Assets Not Being Depreciated	944,751	178,200	40,000	1,082,951
Depreciable Capital Assets				
Buildings and Improvements	1,461,586	-	-	1,461,586
Infrastructure	9,208,634	550,520	-	9,759,154
Equipment	1,478,940	29,186	5,683	1,502,443
Vehicles	1,640,512	303,365	48,283	1,895,594
Total Depreciable Capital Assets	13,789,672	883,071	53,966	14,618,777
Total Capital Assets at Historical Cost	14,734,423	1,061,271	93,966	15,701,728
Less Accumulated Depreciation				
Buildings and Improvements	897,705	25,466	-	923,171
Infrastructure	7,334,734	296,257	-	7,630,991
Equipment	1,246,683	71,896	5,683	1,312,896
Vehicles	1,393,647	126,181	48,283	1,471,545
Total Accumulated Depreciation	10,872,769	519,800	53,966	11,338,603
Depreciable Capital Assets, Net	2,916,903	363,271	-	3,280,174
Governmental Activities Capital Assets - Net	$ 3,861,654	$ 541,471	$ 40,000	$ 4,363,125

Depreciation was charged to functions as follows for the year ended June 30, 2022:

General Government	$ 31,865
Police	66,218
Fire	70,836
Public Works	34,991
Streets	281,601
Parks and Recreation	34,289
Total	$ 519,800

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 Ending June 30,	Principal Amount	Interest Amount	Total Debt Service
2023	$ 53,217	$ 2,151	$ 55,368
2024	54,282	1,086	55,368
Total	$ 107,499	$ 3,237	$ 110,736

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.

Equipment Financing

In May 2021, the City entered into a financed purchase agreement for the purchase of equipment to be used by the fire department. The agreement charges interest at 0.00% and expires in May 2023. At the conclusion of the agreement, ownership passes to the City.

The following is a summary of the remaining future minimum payments under the agreement:

Year Ending June 30,	
2023	$ 22,554

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, 2022.

Governmental Activities	June 30, 2021	Additions	Retired	June 30, 2022	Amounts Expected to be Paid Within One Year
Notes from Direct Borrowings	$ 204,782	$ -	$ 74,729	$ 130,053	$ 75,771
Compensated Absences	90,032	-	2,696	87,336	19,845
	$ 294,814	$ -	$ 77,425	$ 217,389	$ 95,616

NOTE 6 - PENSION PLAN

General Information about the Pension 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 pension plan administered by the Kentucky Public Pensions Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782 and 61.645. The plan was formerly administered by the Kentucky Retirement System (KRS). However, during the 2020 Legislative Session, House Bill 484 was passed establishing a new governance structure for the agency that operates the system. Effective April 1, 2021, KRS as an agency of the Commonwealth became known as the KPPA. 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

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

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

NOTE 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		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		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 2021)**	**Actuarial Factor**
8.00%	7.50%	4.00%	6.53%	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.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

Contributions: The employee contribution rate is set by state statute. Plan members who began participating prior to September 1, 2008 are required to contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30th 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.

NOTE 6 - PENSION PLAN (Continued)

Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014 are required to contribute 6.00% (non-hazardous) or 9.00% (hazardous) of their annual creditable compensation. Further, 1.00% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Insurance Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30th 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.

Tier 3 plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4.00% (non-hazardous) or 7.50% (hazardous) of the members monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

Interest is paid into the Tier 3 member's account. The account currently earns 4.00% interest credit on the member's accumulated account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the fund's five-year Geometric Average Net Investment Return (GANIR) exceeded 4.00%. If the member was actively employed and participating in the fiscal year, and if KPPA's GANIR for the previous five years exceeds 4.00%, then the member's account will be credited with 75.00% of the amount of returns over 4.00% on the account balance as of June 30th of the previous year (Upside Sharing Interest). It is possible that one fund in KPPA may get an Upside Sharing Interest, while another may not.

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. House Bill 362 passed during the 2018 legislative session, which caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

For the fiscal years ended June 30, 2022, participating employers contributed 26.95% (21.17% pension fund and 5.78% insurance fund) for the non-hazardous system of each employee's creditable compensation and 44.33% (33.86% pension fund and 10.47% 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 pension fund (excluding the insurance portion) from the City were $504,858 for the year ended June 30, 2022.

NOTE 6 - PENSION PLAN (Continued)

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

At June 30, 2022, the City reported a liability of $5,800,223 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, 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, 2022, the City's proportion for the non-hazardous system was 0.020378% and for the hazardous system was 0.169072%, which was an increase of 0.001074% and 0.012296% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2021.

For the year ended June 30, 2022, the City recognized pension expense of $459,855. At June 30, 2022, 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	$ 139,041	$ 12,610
Net Difference Between Projected and Actual Earnings on Plan Investments	-	656,358
Changes of Assumptions	73,654	-
Changes In Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	335,166	156,444
Contributions After Measurement Date	504,858	-
Total	$ 1,052,719	$ 825,412

The $504,858 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, 2023. 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,	
2023	$ (17,718)
2024	(35,638)
2025	(54,745)
2026	(169,450)
Total	$ (277,551)

NOTE 6 - PENSION PLAN (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay Amortization Method
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

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

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 (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 6 - PENSION PLAN (Continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Growth		
US Equity	21.75 %	5.70 %
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Liquidity		
Core Bonds	10.00	0.00
Cash	1.50	(0.60)
Diversifying Strategies		
Real Estate	10.00	5.40
Real Return	10.00	4.55
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.

The projections of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in CERS contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 Legislative Session. The assumed future employer contributions for CERS reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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	$ 1,666,359	$ 1,299,257	$ 995,489
Hazardous	$ 5,737,106	$ 4,500,966	$ 3,493,517

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2021 valuation date.

NOTE 6 - PENSION PLAN (Continued)

Other Information about the Pension Plan

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA 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 Public Pensions Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782 and 61.645. The plan was formerly administered by the Kentucky Retirement System (KRS). However, during the 2020 Legislative Session, House Bill 484 was passed establishing a new governance structure for the agency that operates the system. Effective April 1, 2021, KRS as an agency of the Commonwealth became known as the KPPA. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

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

The amount of contribution paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service. Since the passage 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. House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The Insurance Plan pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of retired hazardous members who dies as a direct result of an act in the line of duty or from a duty-related injury.

NOTE 7 - OPEB PLAN (Continued)

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. Plan members who began participating prior to September 1, 2008 are required to contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30th 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.

Tier 2 plan members, who began participating on or after September 1, 2008, and before January 1, 2014 are required to contribute 6.00% (non-hazardous) or 9.00% (hazardous) of their annual creditable compensation. Further, 1.00% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Insurance Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30th 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.

Tier 3 plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5.00% (non-hazardous) or 8.00% (hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1.00% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund, which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4.00% (non-hazardous) or 7.50% (hazardous) of the members monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

Interest is paid into the Tier 3 member's account. The account currently earns 4.00% interest credit on the member's accumulated account balance as of June 30th of the previous year. The member's account may be credited with additional interest if the fund's five-year Geometric Average Net Investment Return (GANIR) exceeded 4.00%. If the member was actively employed and participating in the fiscal year, and if KPPA's GANIR for the previous five years exceeds 4.00%, then the member's account will be credited with 75.00% of the amount of returns over 4.00% on the account balance as of June 30th of the previous year (Upside Sharing Interest). It is possible that one fund in KPPA may get an Upside Sharing Interest, while another may not.

NOTE 7 - OPEB PLAN (Continued)

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. House Bill 362 passed during the 2018 legislative session, which caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

For the fiscal years ended June 30, 2022, participating employers contributed 26.95% (21.17% pension fund and 5.78% insurance fund) for the non-hazardous system of each employee's creditable compensation and 44.33% (33.86% pension fund and 10.47% 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 (excluding the pension portion) from the City were $152,184 for the year ended June 30, 2022.

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

At June 30, 2022, the City reported a liability of $1,757,089 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, 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, 2022, the City's proportion for the non-hazardous system was 0.020374% and for the hazardous system was 0.169071% which was an increase of 0.001076% and 0.012345% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2021.

For the year ended June 30, 2022, the City recognized OPEB expense of $121,430. At June 30, 2022, 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	$ 104,053	$ 263,527
Net Difference Between Projected and Actual Earnings on Plan Investments	-	318,325
Changes of Assumptions	446,233	874
Changes In Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	98,320	126,047
Contributions After Measurement Date	152,184	-
Total	$ 800,790	$ 708,773

NOTE 7 - OPEB PLAN (Continued)

The $152,184 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, 2023. 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,	
2023	$ (60,026)
2024	(3,488)
2025	3,910
2026	(43,441)
2027	42,878
Total	$ (60,167)

Actuarial assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll 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
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Services for Non-Hazardous; 3.05% to 19.05%, Varies by Service for Hazardous
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial Trend Starting at 6.25% at January 1, 2021 and Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a Period of 13 Years. The 2020 Premiums were Known at the Time of the Valuation and were Incorporated into the Liability Measurement.
Healthcare Cost Trend Rates (Post-65)	Initial Trend Starting at 5.50% at January 1, 2021 and Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a Period of 14 Years. The 2020 Premiums were Known at the Time of the Valuation and were Incorporated into the Liability Measurement.
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 2019.

NOTE 7 - OPEB PLAN (Continued)

Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-yeat 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 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 were payable starting July 1, 2020.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

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 Nominal Return
Growth		
US Equity	21.75 %	5.70 %
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Liquidity		
Core Bonds	10.00	-
Cash	1.50	(0.60)
Diversifying Strategies		
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	100.00 %	

NOTE 7 - OPEB PLAN (Continued)

Discount rate: The single discount rate used to measure the total OPEB liability was 5.20% for nonhazardous and 5.05% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and 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 must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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 (4.20% for non-hazardous and 4.05% for hazardous) or 1-percentage-point higher (6.20% for non-hazardous and 6.05% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-Hazardous	$ 535,536	$ 390,050	$ 270,655
Hazardous	$ 1,981,948	$ 1,367,039	$ 872,996

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	$ 280,790	$ 390,050	$ 521,929
Hazardous	$ 895,759	$ 1,367,039	$ 1,944,246

NOTE 7 - OPEB PLAN (Continued)

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2021 valuation date.

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA website at www.kyret.ky.gov.

NOTE 8 - 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, 2022 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 9 - 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 10 - 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	$ 125,000

NOTE 11 - RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

In 2020, 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.

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, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Favorable (Unfavorable)
Revenues	$ 5,812,842	$ 5,812,842	$ 6,051,976	$ 239,134
Expenditures				
General Government	1,073,219	1,125,178	1,091,429	33,749
Police	1,515,866	1,726,910	1,495,295	231,615
Fire	1,426,739	1,771,809	1,657,381	114,428
Public Works	560,086	593,326	572,324	21,002
Parks and Recreation	111,285	123,450	82,721	40,729
Senior Services	5,150	5,150	1,258	3,892
Community Events	25,050	26,475	20,860	5,615
Debt Service				
Principal	74,729	74,729	74,729	-
Interest	3,193	3,193	3,193	-
Capital Outlay	887,820	767,500	510,751	256,749
Total Expenditures	5,683,137	6,217,720	5,509,941	707,779
Excess (Deficit) of Revenues Over Expenditures	129,705	(404,878)	542,035	946,913
Other Financing Sources (Uses)				
Proceeds From Sale of Assets	-	-	6,307	6,307
Transfers Out	(125,000)	(125,000)	(125,000)	-
Total Other Financing (Uses) Sources	(125,000)	(125,000)	(118,693)	6,307
Net Change in Fund Balances	4,705	(529,878)	423,342	953,220
Fund Balance July 1, 2021	5,858,737	5,858,737	5,858,737	-
Fund Balance June 30, 2022	$ 5,863,442	$ 5,328,859	$ 6,282,079	$ 953,220

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, 2022

	Budgeted Amounts			Variance with Final Budget (Unfavorable)
	Original	**Final**	**Actual**	**Favorable**
Revenues	$ 684,380	$ 667,250	$ 131,140	$ (536,110)
Expenditures				
Streets	798,220	500,000	276,014	223,986
Excess (Deficit) of Revenues Over Expenditures	(113,840)	167,250	(144,874)	(760,096)
Other Financing Sources				
Operating Transfers In	125,000	125,000	125,000	-
Net Change in Fund Balances	11,160	292,250	(19,874)	(760,096)
Fund Balance July 1, 2021	440,987	440,987	440,987	-
Fund Balance June 30, 2022	$ 452,147	$ 733,237	$ 421,113	$ (760,096)

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2022

County Employees Retirement System
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability								
Non-Hazardous	0.020378%	0.019304%	0.018846%	0.021346%	0.020929%	0.020230%	0.020110%	0.019727%
Hazardous	0.169072%	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	$ 1,299,257	$ 1,480,601	$ 1,325,447	$ 1,300,037	$ 1,225,039	$ 995,726	$ 864,635	$ 640,018
Hazardous	4,500,966	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	$ 5,800,223	$ 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	$ 1,534,448	$ 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	378.00%	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	57.33%	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	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

**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 PENSION CONTRIBUTIONS
JUNE 30, 2022

County Employees Retirement System
Last 10 Fiscal Years*

Non-Hazardous	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 108,459	$ 100,460	$ 95,433	$ 77,414	$ 76,645	$ 71,084	$ 59,918	$ 60,048	$ 62,302
Contributions in Relation to the Contractually Required Contribution	(108,459)	(100,460)	(95,433)	(77,414)	(76,645)	(71,084)	(59,918)	(60,048)	(62,302)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 512,321	$ 520,516	$ 494,470	$ 477,685	$ 529,054	$ 509,565	$ 482,433	$ 469,244	453,673
Contributions as a Percentage of Covered Payroll	21.17%	19.30%	19.30%	16.21%	14.49%	13.95%	12.42%	12.80%	13.73%

Hazardous	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 396,399	$ 304,788	$ 275,334	$ 233,348	$ 251,657	$ 256,028	$ 256,191	$ 271,572	$ 270,957
Contributions in Relation to the Contractually Required Contribution	(396,399)	(304,788)	(275,334)	(233,348)	(251,657)	(256,028)	(256,191)	(271,572)	(270,957)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,170,698	$ 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	33.86%	30.06%	30.06%	24.86%	22.21%	21.71%	20.26%	21.13%	21.76%

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

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
JUNE 30, 2022

NOTE 1 - ACTUARIAL ASSUMPTIONS

The actuarially determined contribution effective for fiscal year ended 2021 that are documented in the schedule of the City's pension contributions, were calculated as of June 30, 2019. Separate contribution rates are determined for the non-hazardous fund and the hazardous fund based on the liabilities associated with the current active members, former inactive members, and members receiving benefits from each respective fund, as well as the separately maintained asset balance for each fund.

Based on the June 30, 2019 actuarial valuation report (as amended by Senate Bill 249, passed during the 2020 legislative session), the actuarial methods and assumptions used to calculate the required contributions are below:

Determined by the Actuarial Valuation as of:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year, closed period at June 30, 2019, gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
Payroll Growth:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, for non-hazardous members, varies by service.
	3.55% to 19.05% for hazardous members, varies by service.
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2022

County Employees Retirement System
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability					
Non-Hazardous	0.020374%	0.019298%	0.018841%	0.021345%	0.020929%
Hazardous	0.169071%	0.156726%	0.164783%	0.182259%	0.214109%
City's Proportionate Share of the Net OPEB Liability					
Non-Hazardous	$ 390,050	$ 465,988	$ 316,897	$ 378,976	$ 420,744
Hazardous	1,367,039	1,448,314	1,219,163	1,299,433	1,769,979
Total City's Proportionate Share of the Net OPEB Liability	$ 1,757,089	$ 1,914,302	$ 1,536,060	$ 1,678,409	$ 2,190,723
City's Covered Payroll	$ 1,534,448	$ 1,410,421	$ 1,416,335	$ 1,662,183	$ 1,688,874
City's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	114.51%	135.73%	108.45%	100.98%	129.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-Hazardous	62.91%	51.67%	60.44%	57.62%	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	66.81%	58.84%	64.44%	64.24%	58.99%

**Only five 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, 2022

County Employees Retirement System
Last 10 Fiscal Years*

Non-Hazardous	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 29,612	$ 24,777	$ 23,537	$ 25,105	$ 24,878
Contributions in Relation to the Contractually Required Contribution	(29,612)	(24,777)	(23,537)	(25,105)	(24,878)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 512,321	$ 520,516	$ 494,470	$ 477,685	$ 529,054
Contributions as a Percentage of Covered Payroll	5.78%	4.76%	4.76%	5.26%	4.70%

Hazardous	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 122,572	$ 96,526	$ 87,198	$ 98,371	$ 105,990
Contributions in Relation to the Contractually Required Contribution	(122,572)	(96,526)	(87,198)	(98,371)	(105,990)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,170,698	$ 1,013,932	$ 915,951	$ 938,650	$ 1,133,129
Contributions as a Percentage of Covered Payroll	10.47%	9.52%	9.52%	10.48%	9.35%

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

NOTE 1 – ACTUARIAL ASSUMPTIONS

The actuarially determined contribution effective for fiscal year ended 2021 that are documented in the schedule of the City's OPEB contributions, were calculated as of June 30, 2019. Separate contribution rates are determined for the non-hazardous fund and the hazardous fund based on the liabilities associated with the current active members, former inactive members, and members receiving benefits from each respective fund, as well as the separately maintained asset balance for each fund.

Based on the June 30, 2019 actuarial valuation report (as amended by Senate Bill 249, passed during the 2020 legislative session), the actuarial methods and assumptions used to calculate the required contributions are below:

Determined by the Actuarial Valuation as of:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year, closed period at June 30, 2019, gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases.
Payroll Growth:	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increase:	3.30% to 10.30%, for non-hazardous members, varies by service.
	3.55% to 19.05% for hazardous members, varies by service.
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates:	
Pre-65:	Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65:	Initial trend starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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 (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Taylor Mill, Kentucky's basic financial statements, and have issued our report thereon dated January 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

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9987 Carver Road, Suite 120, Blue Ash, OH 45242 513.891.5911
5975 Castle Creek Parkway North Drive, Suite 400, Indianapolis, IN 46250 317.469.0169

Purpose of this Report

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

VonLehman & Company Inc.

Fort Wright, Kentucky
January 11, 2023