City of Taylor Mill, Kentucky

June 30, 2023

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, 2023, 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, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 40 - 41, the pension schedules on pages 42 - 44, and the OPEB schedules on pages 45 - 47 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 December 27, 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
December 27, 2023

CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
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, 2023. 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 2023 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $4,770,200 (net position) at June 30, 2023. The City's total net position increased by $659,588.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of $7,432,977, an increase of $729,785.
- As of June 30, 2023, unassigned fund balance for the General Fund was $6,794,953.
- The City's cash and cash equivalents increased by $929,094 from $5,584,068 at June 30, 2022 to $6,513,162 at June 30, 2023.
- The City's investments decreased by $20,532 from $2,506,775 at June 30, 2022 to $2,486,243 at June 30, 2023.
- The City's accounts receivable increased by $228,980 from $965,246 at June 30, 2022 to $1,194,226 at June 30, 2023.
- The City's total debt decreased by $27,837, 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 - 39 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 2023 compared to 2022.

Table 1
Net Position

	Governmental Activities	
	2023	**2022**
Assets		
Current and Other Assets	$ 10,270,343	$ 9,236,173
Capital Assets, Net	4,163,621	4,363,125
Total Assets	14,433,964	13,599,298
Deferred Outflows of Resources	2,118,854	1,853,509
Liabilities		
Current Liabilities	2,248,126	2,128,925
Long-Term Liabilities	8,807,276	7,679,085
Total Liabilities	11,055,402	9,808,010
Deferred Inflows of Resources	727,216	1,534,185
Net Position		
Net Investment in Capital Assets	4,109,339	4,233,072
Restricted	230,429	-
Unrestricted	430,432	(122,460)
Total Net Position	$ 4,770,200	$ 4,110,612

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 $4.8 million as of June 30, 2023.

A large portion of the City's net position (approximately $4.1 million) reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

1. Cash and cash equivalents increased by $929,094 from the previous year primarily due to the results of current year operations regarding net profits and occupational licenses revenue.
2. Accounts receivable increased by $228,980 from the previous year primarily due to the City recognizing an additional grant receivable related to its sidewalk project at year end and the City receiving their allocations from the national opioid settlement.
3. Capital assets decreased by $199,504 due to current year capital asset disposals. Total capital asset acquisitions were approximately $334,000, total capital asset disposals were approximately $561,000, and total depreciation expense in the current year was approximately $531,000.
4. Deferred outflows of resources increased by $265,345. Deferred outflows related to pension increased by approximately $372,000 and deferred outflows related to OPEB decreased by approximately $107,000.
5. Long-term liabilities increased by $1,128,191. The increase is due to an increase in the net pension liability for approximately $998,000, and an increase in the net other postemployment benefits liability for approximately $131,000.
6. Deferred inflows of resources decreased by $806,969. Deferred inflows related to pension decreased by approximately $672,000 and deferred inflows related to OPEB decreased by approximately $135,000.
7. The City has $430,432 of unrestricted net assets as of June 30, 2023.

Table 2 reflects the change in net position for fiscal years 2023 and 2022.

Table 2
Change in Net Position

	Governmental Activities Years Ended June 30, 2023	2022
Revenues		
General Revenues		
Property Taxes	$ 2,420,311	$ 2,420,652
Payroll Taxes	1,655,168	1,338,313
Insurance Taxes	808,709	788,264
Utility Tax	253,377	236,880
Other Taxes	582,982	452,203
Penalties and Interest on Taxes	14,026	20,012
Investment Income (Loss)	38,809	(27,720)
Other Revenue	163,241	18,454
Donated Assets	-	510,520
(Loss) Gain on Sale of Assets	(2,842)	6,307
Total General Revenues	5,933,781	5,763,885
Program Revenues		
Charges for Service	867,683	614,469
Operating Grants and Contributions	242,330	218,364
Capital Grants and Contributions	209,166	234,005
Total Program Revenues	1,319,179	1,066,838
Total Revenues	7,252,960	6,830,723
Program Expenses		
General Government	996,960	1,070,652
Police	1,419,229	1,339,533
Fire	1,507,206	1,405,126
Public Works	702,117	545,290
Streets	997,527	557,615
Parks and Recreation	131,350	117,010
Senior Services	1,518	1,258
Community Events	15,181	20,860
Interest Expense	2,150	3,193
Pension Expense	613,956	459,855
Other Postemployment Benefits Expense	206,178	121,430
Total Program Expenses	6,593,372	5,641,822
Change in Net Position	$ 659,588	$ 1,188,901

Governmental Activities

Governmental activities increased the City's net position by $659,588. Key changes during the year are as follows:

- Payroll taxes revenue increased by $316,855 primarily due to the increase in individuals working from home.
- Other taxes revenue increased $130,779 primarily due to an increase in net profit tax. This increase is similar to that of payroll taxes revenue above.
- Other revenue increased $144,787 primarily due to insurance proceeds received from the water line break.
- Donated assets revenue decreased $510,520 due to the State transferring ownership of property to the City during the prior fiscal year.
- Charges for Services increased by $253,214. This increase is due to the City recognizing revenue for the allocations received from the national opioid settlement.
- Public works expenses increased by $156,827 primarily due to expenses incurred in repairing a water line break that occurred during the current fiscal year.
- Streets expenses increased by $439,912. This increase is due to part of the 2022 Street Program being realized in the current year along with the 2023 Street Program.

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 $7,432,977, an increase of $729,785, in comparison to the prior year. This total consists of: General Fund, $7,025,263 and Municipal Road Aid Fund, $407,714.

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 $6,794,953. The total fund balance increased by $743,184.

The fund balance of the Municipal Road Aid Fund decreased by $13,399.

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 $6,282,079.

For the General Fund, actual revenues, in the amount of approximately $7.0 million were higher than budgeted revenues of approximately $6.2 million.

Expenditures were budgeted at approximately $6.0 million, while actual expenditures were approximately $5.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the City had approximately $4.2 million net investment in capital assets, all in governmental activities.

Table 3 reflects fiscal year 2023 balances compared to fiscal year 2022.

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

	Governmental Activities	
	2023	**2022**
Land	$ 924,751	$ 924,751
Construction in Progress	232,686	158,200
Buildings and Improvements	512,949	538,415
Infrastructure	1,995,250	2,128,163
Equipment	200,139	189,547
Vehicles	297,846	424,049
	$ 4,163,621	$ 4,363,125

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

- Additions of new capital assets totaling approximately $334,000 included a new fire department vehicle, engineering costs associated with sidewalk construction projects and the fire department, and the reconstruction of Keavy Drive.
- Disposals of approximately $561,000 for buildings and improvements, equipment, and vehicles sold and disposed of during the year.

Long-Term Debt

At June 30, 2023, the City had approximately $190,000 in outstanding long-term debt.

The following is a summary of the City's long-term debt transactions during 2023.

	June 30, 2022	Additions	Repayments	June 30, 2023
Compensated Absences	$ 87,336	$ 47,934	$ -	$ 135,270
Notes Payable	130,053	-	75,771	54,282
	$ 217,389	$ 47,934	$ 75,771	$ 189,552

The City's long-term debt decreased $27,837 due to payments made on the long-term debt agreements.

Economic Factors and Next Year's Budget

Although the national economy has experienced turbulent markers, the northern Kentucky region as a whole historically weathers economic unrest much better than other areas of the state or country. The post-COVID economy is no different. The area's unemployment rate remains extremely low as many companies have returned to full staff while others have become creative and shifted their models to fit their new reality. The City and its residents benefit from all of this. The City has not experienced a decrease in any revenue streams over the last few years, and the City is experiencing modest growth. The City's challenge in the coming fiscal year and beyond will be the maintenance of quality employees.

The City will continue to see modest growth in the residential sector, but to continue delivering quality services to the residents, the City must focus on its business growth. Working with staff from PDS, NKADD, and others, the City must focus on taking advantage of every potential asset within its borders.

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, 2023

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and Cash Equivalents	$ 6,513,162
Investments	2,486,243
Accounts Receivable	1,017,032
Prepaid Expenses	75,453
Inventory	1,259
Total Current Assets	10,093,149
Noncurrent Assets (Net of Current Portion)	
Accounts Receivable	177,194
Capital Assets	
Non-Depreciable	1,157,437
Depreciable, Net	3,006,184
Total Capital Assets	4,163,621
Total Noncurrent Assets	4,340,815
Total Assets	14,433,964
Deferred Outflows of Resources	
Deferred Outflows Related to Pension	1,424,977
Deferred Outflows Related to Other Postemployment Benefits	693,877
Total Deferred Outflows of Resources	2,118,854
Total Assets and Deferred Outflows of Resources	16,552,818
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts Payable	216,823
Accrued Liabilities	170,441
Unearned Revenue	1,792,221
Notes Payable	54,282
Compensated Absences	14,359
Total Current Liabilities	2,248,126
Noncurrent Liabilities (Net of Current Portion)	
Compensated Absences	120,911
Net Pension Liability	6,797,858
Net Other Postemployment Benefits Liability	1,888,507
Total Noncurrent Liabilities	8,807,276
Total Liabilities	11,055,402
Deferred Inflows of Resources	
Deferred Inflows Related to Pension	153,509
Deferred Inflows Related to Other Postemployment Benefits	573,707
Total Deferred Inflows of Resources	727,216
Total Liabilities and Deferred Inflows of Resources	11,782,618
Net Position	
Net Investment in Capital Assets	4,109,339
Restricted for Opioid Remediation	230,429
Unrestricted	430,432
Total Net Position	$ 4,770,200

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

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	$ 996,960	$ 650,885	$ 59,038	$ -	$ (287,037)
Police	1,419,229	997	174,255	3,960	(1,240,017)
Fire	1,507,206	170,517	-	-	(1,336,689)
Public Works	702,117	-	-	70,180	(631,937)
Streets	997,527	-	9,037	135,026	(853,464)
Parks and Recreation	131,350	44,480	-	-	(86,870)
Senior Services	1,518	804	-	-	(714)
Community Events	15,181	-	-	-	(15,181)
Interest Expense	2,150	-	-	-	(2,150)
Pension Expense	613,956	-	-	-	(613,956)
Other Postemployment Benefits Expense	206,178	-	-	-	(206,178)
Total Primary Government	$ 6,593,372	$ 867,683	$ 242,330	$ 209,166	(5,274,193)
	General Revenues				
	Property Taxes				2,420,311
	Payroll Taxes				1,655,168
	Insurance Premium Taxes				808,709
	Utility Tax				253,377
	Other Taxes				582,982
	Penalties and Interest on Taxes				14,026
	Investment Income				38,809
	Other Revenue				163,241
	Loss on Sale of Capital Assets				(2,842)
	Total General Revenues				5,933,781
	Change in Net Position				659,588
	Net Position July 1, 2022				4,110,612
	Net Position June 30, 2023				$ 4,770,200

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 5,981,025	$ 532,137	$ 6,513,162
Investments	2,486,243	-	2,486,243
Receivables			
Property Taxes	80,657	-	80,657
Waste Assessments	17,008	-	17,008
Accounts	1,077,599	-	1,077,599
Other Receivables	4,389	14,573	18,962
Prepaid Expenses	75,453	-	75,453
Inventories	1,259	-	1,259
Total Assets	$ 9,723,633	$ 546,710	$ 10,270,343
Liabilities			
Accounts Payable	$ 77,827	$ 138,996	$ 216,823
Accrued Liabilities	170,441	-	170,441
Unearned Revenue	1,792,221	-	1,792,221
Total Liabilities	2,040,489	138,996	2,179,485
Deferred Inflows of Resources			
Unavailable Revenue - Taxes	280,918	-	280,918
Unavailable Revenue - Assessments	26,313	-	26,313
Unavailable Revenue - Other	350,650	-	350,650
Total Deferred Inflows of Resources	657,881	-	657,881
Fund Balances			
Non-Spendable			
Prepaid Expenses	75,453	-	75,453
Inventories	1,259	-	1,259
Restricted			
Opioid Remediation	53,235	-	53,235
Committed			
Capital Projects	100,363	-	100,363
Streets	-	407,714	407,714
Unassigned	6,794,953	-	6,794,953
Total Fund Balances	7,025,263	407,714	7,432,977
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 9,723,633	$ 546,710	$ 10,270,343

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balance - Governmental Funds		$ 7,432,977
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	15,474,895	
Accumulated Depreciation	(11,311,274)	
		4,163,621
Other assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		
Taxes Receivable	280,918	
Assessments Receivable	26,313	
Other Receivables	350,650	
		657,881
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	(135,270)	
Notes Payable	(54,282)	
		(189,552)
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	1,424,977	
Deferred Outflows of Resources Related to Other Postemployment Benefits	693,877	
Deferred Inflows of Resources Related to Pension	(153,509)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	(573,707)	
		1,391,638
Long-term liabilities, including net pension obligations and net other postemployment benefit obligations, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Net Pension Liability	(6,797,858)	
Net Other Postemployment Benefits Liability	(1,888,507)	
		(8,686,365)
Net Position of Governmental Activities in the Statement of Net Position		$ 4,770,200

See accompanying notes.

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Revenues			
Taxes	$ 4,136,783	$ -	$ 4,136,783
Licenses and Permits	1,647,471	-	1,647,471
Intergovernmental	309,247	135,026	444,273
Charges for Services	638,949	-	638,949
Fines and Forfeitures	15,123	-	15,123
Investment (Loss) Income	38,473	336	38,809
Miscellaneous	165,185	-	165,185
Total Revenues	6,951,231	135,362	7,086,593
Expenditures			
General Government	1,121,669	-	1,121,669
Police	1,575,300	-	1,575,300
Fire	1,804,136	-	1,804,136
Public Works	612,250	-	612,250
Streets	-	717,703	717,703
Parks and Recreation	96,776	-	96,776
Senior Services	1,518	-	1,518
Community Events	15,181	-	15,181
Debt Service			
Principal	75,772	-	75,772
Interest	2,150	-	2,150
Capital Outlay	183,295	151,058	334,353
Total Expenditures	5,488,047	868,761	6,356,808
Excess (Deficit) of Revenues Over Expenditures	1,463,184	(733,399)	729,785
Other Financing (Uses) Sources			
Transfers In	-	720,000	720,000
Transfers Out	(720,000)	-	(720,000)
Total Other Financing (Uses) Sources	(720,000)	720,000	-
Net Change in Fund Balances	743,184	(13,399)	729,785
Fund Balance July 1, 2022	6,282,079	421,113	6,703,192
Fund Balance June 30, 2023	$ 7,025,263	$ 407,714	$ 7,432,977

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, 2023

Change in Fund Balances - Total Governmental Funds		$ 729,785
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 exceeds capital outlays in the period.		
Depreciation Expense	(531,015)	
Capital Outlays	334,353	
		(196,662)
The net effect of the disposal of capital assets is to decrease net position.		(2,842)
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.		(47,934)
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, 2022	(152,184)	
City Other Postemployment Benefit Contributions - June 30, 2023	102,913	
Change in Other Postemployment Benefit Liability	(53,994)	
		(103,265)
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, 2022	(504,858)	
City Pension Contributions - June 30, 2023	660,482	
Cost of Benefits Earned Net of Employee Contributions	(109,098)	
		46,526
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		75,771
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		158,209
Change in Net Position - Governmental Activities		$ 659,588

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023.

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 are recorded at their acquisition value at the time of donation. 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
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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Net Position

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

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

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

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

Use of Estimates

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “receivables/payables”. These amounts are eliminated in the governmental activities column of the statement of net position, except for the net residual amounts due between governmental and business type activities, which are presented as interfund balances.

Property Taxes

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

Adoption of New Accounting Standards

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 parentship arrangements (PPPs) and provides accounting and financial reporting guidance for availability payment arrangements (APAs). The requirements of GASB Statement No. 94 are effective for fiscal years beginning after June 15, 2022. The City determined the adoption of this statement has no material impact on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022. The City determined the adoption of this statement has no material impact on its financial statements.

Subsequent Events

The City has evaluated subsequent events through December 27, 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 the proposed expenditures and the means of financing them for the upcoming year.

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

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

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

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

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

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures must be approved by the commission. All appropriations lapse at fiscal year-end.

The General Fund had excess general government expenditures over budget of $75,219 due to the City not budgeting for $97,353 in water line breakage expenses because they were reimbursed by insurance.

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.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2023, $250,000 of the City's deposits were covered by FDIC insurance and the remaining balance was collateralized with securities held by the financial institutions on the City's behalf.

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, 2023.

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.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2023, 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, 2023, 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
Cash	$ 3,750	$ 3,750	$ -	Not Rated
Money Market Funds	22,453	22,453	-	Not Rated
U.S. Government Obligations	2,259,985	1,242,302	1,017,683	Moody's - AAA
Municipal Bonds	155,149	-	155,149	Moody's - AAA
Kentucky League of Cities Investment Pool - Government Bond Fund	44,906	44,906	-	Not Rated
	$ 2,486,243	$ 1,313,411	$ 1,172,832	

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, 2023:

	Fair Value Measurements Using			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Cash	$ 3,750	$ -	$ -	$ 3,750
Money Market Funds	22,453	-	-	22,453
U.S. Government Obligations	2,259,985	-	-	2,259,985
Municipal Bonds	-	155,149	-	155,149
	$ 2,286,188	$ 155,149	$ -	2,441,337
Kentucky League of Cities Investment Pool - Government Bond Fund Measured at NAV				44,906
Total Investments				$ 2,486,243

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, 2023 was as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 924,751	$ -	$ -	$ 924,751
Construction in Progress	158,200	236,338	161,852	232,686
Total Capital Assets Not Being Depreciated	1,082,951	236,338	161,852	1,157,437
Depreciable Capital Assets				
Buildings and Improvements	1,461,586	-	80,000	1,381,586
Infrastructure	9,759,154	161,852	-	9,921,006
Equipment	1,502,443	98,015	291,963	1,308,495
Vehicles	1,895,594	-	189,223	1,706,371
Total Depreciable Capital Assets	14,618,777	259,867	561,186	14,317,458
Total Capital Assets at Historical Cost	15,701,728	496,205	723,038	15,474,895
Less Accumulated Depreciation				
Buildings and Improvements	923,171	25,466	80,000	868,637
Infrastructure	7,630,991	294,765	-	7,925,756
Equipment	1,312,896	84,581	289,121	1,108,356
Vehicles	1,471,545	126,203	189,223	1,408,525
Total Accumulated Depreciation	11,338,603	531,015	558,344	11,311,274
Depreciable Capital Assets, Net	3,280,174	(271,148)	2,842	3,006,184
Governmental Activities Capital Assets - Net	$ 4,363,125	$ (34,810)	$ 164,694	$ 4,163,621

Depreciation was charged to functions as follows for the year ended June 30, 2023:

General Government	$ 31,864
Police	86,586
Fire	56,698
Public Works	41,469
Streets	279,824
Parks and Recreation	34,574
Total	$ 531,015

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:

Year Ending June 30,	Principal Amount	Interest Amount	Total Debt Service
2024	$ 54,282	$ 1,086	$ 55,368

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 charged interest at 0.00% and expired in May 2023. At the conclusion of the agreement, ownership passed to the City.

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, 2023.

Governmental Activities	June 30, 2022	Additions	Retired	June 30, 2023	Amounts Expected to be Paid Within One Year
Notes From Direct Borrowings	$ 130,053	$ -	$ 75,771	$ 54,282	$ 54,282
Compensated Absences	87,336	47,934	-	135,270	14,359
	$ 217,389	$ 47,934	$ 75,771	$ 189,552	$ 68,641

NOTE 6 - PENSION PLAN

General Information about the Pension Plan

Plan description: County Employees Retirement System (CERS) consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky 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

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

* ***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)

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**
5.00%	4.00%	4.00%	5.68%	Various*

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

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, 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%)*

NOTE 6 - PENSION PLAN (Continued)

Benefit Formula for Tier 3				
Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity				
Member Contributions	**Employer Contributions**	**Base Annual Interest**	**Upside Sharing Interest (FY 2021)**	**Actuarial Factor**
8.00%	7.50%	4.00%	5.79%	Various*

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

<u>Non-Hazardous and Hazardous Plans</u>:

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.

NOTE 6 - PENSION PLAN (Continued)

House Bill (HB) 297 passed during the 2022 legislative session and included language allowing the Systems to provide health insurance coverage through the Kentucky Employees Health Plan (KEHP) for retired reemployed retirees who are Medicare-eligible and affected by the Medicare Secondary Payer Act (MSPA). HB 1 exempts pay raises for public defenders and their staff from pension spiking provisions, while HB 49 adds two pension spiking exemptions on a broader scope: 1. The first one hundred (100) hours of mandated overtime required by an employer during a fiscal year, and 2. Any overtime performed by a local government which the Governor authorizes mobilization of the Kentucky National Guard. HB 76 creates an exception for members “bound by an educational contract prior to December 31, 2003” with the Department of Transportation, to use the start date of the contract to establish the membership date and to purchase service credit after August 1, 2004, allowing the service purchase(s) to apply toward retirement eligibility and health insurance vesting. SB 27 allows part-time adjunct instructors for the Kentucky Fire Commission, meeting specific conditions, to retire from CERS without terminating employment as part-time instructors. Lastly, SB 209 increases the non-Medicare eligible subsidy for $5 for each year worked beyond the defined career threshold for members eligible for the fixed-dollar retiree health subsidy. The annual increase will only occur if the most recent actuarial valuation determines the funding level of the retiree health benefits is at least 90% and will remain at that level for the year. Additionally, the bill allows members eligible for the fixed-dollar health subsidy to be reimbursed for health insurance premiums other than those administered by KPPA.

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. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the member’s contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates the employee and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

NOTE 6 - PENSION PLAN (Continued)

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 12.00% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

For the fiscal year ended June 30, 2023, participating employers contributed 26.79% (23.40% pension fund and 3.39% insurance fund) for the non-hazardous system of each employee's creditable compensation and 49.59% (42.81% pension fund and 6.78% 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 $660,482 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of $6,797,858 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, 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, 2023, the City's proportion for the non-hazardous system was 0.018527% and for the hazardous system was 0.178883%, which was a decrease of 0.001851% and an increase of 0.009811% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2022.

NOTE 6 - PENSION PLAN (Continued)

For the year ended June 30, 2023, the City recognized pension expense of $613,956. At June 30, 2023, 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	$ 157,938	$ 11,927
Net Difference Between Projected and Actual Earnings on Plan Investments	160,412	-
Changes of Assumptions	-	-
Changes In Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	446,145	141,582
Contributions After Measurement Date	660,482	-
Total	$ 1,424,977	$ 153,509

The $660,482 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, 2024. 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,	
2024	$ 175,944
2025	160,084
2026	85,441
2027	189,517
Total	$ 610,986

Actuarial assumptions: The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	30 years, Closed
Asset Valuation Method	20% of the Difference Between the Market Value of Assets and the Expected Actuarial Value of Assets is Recognized
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Service for Non-hazardous; 3.55% to 19.05%, Varies by Service for Hazardous
Investment Rate of Return	6.25% Net of Pension Plan Investment Expense, Including Inflation

NOTE 6 - PENSION PLAN (Continued)

There have been no actuarial assumption or method changes since June 30, 2021.

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.

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
Equity		
Public Equity	50.00 %	4.45 %
Private Equity	10.00	10.15
Fixed Income		
Core Bonds	10.00	0.28
Specialty Credit/High Yield	10.00	2.28
Cash	-	(0.91)
Inflation Protected		
Real Estate	7.00	3.67
Real Return	13.00	4.07
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 12.00% over the prior fiscal year through June 30, 2028.

NOTE 6 - PENSION PLAN (Continued)

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	$ 1,673,983	$ 1,339,320	$ 1,062,525
Hazardous	$ 6,799,503	$ 5,458,538	$ 4,366,406

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

NOTE 7 - OPEB PLAN (Continued)

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

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.

NOTE 7 - OPEB PLAN (Continued)

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. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the member's contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates the employee and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

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 12.00% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

For the fiscal year ended June 30, 2023, participating employers contributed 26.79% (23.40% pension fund and 3.39% insurance fund) for the non-hazardous system of each employee's creditable compensation and 49.59% (42.81% pension fund and 6.78% 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 $102,913 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of $1,888,507 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, 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, 2023, the City's proportion for the non-hazardous system was 0.018524% and for the hazardous system was 0.178793% which was a decrease of 0.00185% and an increase of 0.009722% from its proportion measured for the non-hazardous and hazardous systems, respectively, as of June 30, 2022.

NOTE 7 - OPEB PLAN (Continued)

For the year ended June 30, 2023, the City recognized OPEB expense of $206,178. At June 30, 2023, 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	$ 70,448	$ 174,031
Net Difference Between Projected and Actual Earnings on Plan Investments	70,424	-
Changes of Assumptions	312,040	309,684
Changes In Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	138,052	89,992
Contributions After Measurement Date	102,913	-
Total	$ 693,877	$ 573,707

The $102,913 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, 2024. 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,	
2024	$ 8,507
2025	15,725
2026	(31,281)
2027	60,381
2028	(36,075)
Total	$ 17,257

NOTE 7 - OPEB PLAN (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
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; 3.55% to 19.05%, Varies by Service for Hazardous
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial Trend Starting at 6.30% at January 1, 2023 and Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a Period of 13 Years.
Healthcare Cost Trend Rates (Post-65)	Initial Trend Starting at 2.90% at January 1, 2022 and Increasing to 6.30% in 2023, then Gradually Decreasing To an Ultimate Trend Rate of 4.05% Over a Period of 13 Years.
Mortality	
Pre-retirement	PUB-2010 General Mortality Table, for the Non-Hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience from 2013-2018, Projected with the Ultimate Rates from MP-2014 Mortality Improvement Scale Using a Base Year of 2019.
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

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB Liability as of June 30, 2022 was determined using these updated provisions. There were no other material plan provision changes.

NOTE 7 - OPEB PLAN (Continued)

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
Equity		
Public Equity	50.00 %	4.45 %
Private Equity	10.00	10.15
Fixed Income		
Core Bonds	10.00	0.28
Specialty Credit/High Yield	10.00	2.28
Cash	-	(0.91)
Inflation Protected		
Real Estate	7.00	3.67
Real Return	13.00	4.07
Total	100.00 %	

Discount rate: The single discount rate used to measure the total OPEB liability was 5.70% for nonhazardous and 5.61% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. 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 periods 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, for the CERS plans.

NOTE 7 - OPEB PLAN (Continued)

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate: The following present's the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70% for non-hazardous and 4.61% for hazardous) or 1-percentage-point higher (6.70% for non-hazardous and 6.61% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-Hazardous	$ 488,714	$ 365,574	$ 263,778
Hazardous	$ 2,116,070	$ 1,522,933	$ 1,041,195

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	$ 271,796	$ 365,574	$ 478,183
Hazardous	$ 1,063,445	$ 1,522,933	$ 2,083,025

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, 2023 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	$ 720,000

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, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Favorable (Unfavorable)
Revenues	$ 5,742,888	$ 6,235,200	$ 6,951,231	$ 716,031
Expenditures				
General Government	1,046,450	1,046,450	1,121,669	(75,219)
Police	1,672,037	1,672,037	1,575,300	96,737
Fire	1,779,218	1,860,445	1,804,136	56,309
Public Works	666,012	666,012	612,250	53,762
Parks and Recreation	139,325	139,325	96,776	42,549
Senior Services	2,200	2,200	1,518	682
Community Events	29,000	29,000	15,181	13,819
Debt Service				
Principal	75,772	75,772	75,772	-
Interest	2,150	2,150	2,150	-
Capital Outlay	489,571	489,571	183,295	306,276
Total Expenditures	5,901,735	5,982,962	5,488,047	494,915
(Deficit) Excess of Revenues Over Expenditures	(158,847)	252,238	1,463,184	1,210,946
Other Financing Uses				
Transfers Out	(720,000)	(720,000)	(720,000)	-
Net Change in Fund Balance	(878,847)	(467,762)	743,184	1,210,946
Fund Balance July 1, 2022	6,282,079	6,282,079	6,282,079	-
Fund Balance June 30, 2023	$ 5,403,232	$ 5,814,317	$ 7,025,263	$ 1,210,946

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, 2023

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues	$ 127,200	$ 127,200	$ 135,362	$ 8,162
Expenditures				
Streets	971,530	1,142,510	868,761	273,749
Deficit of Revenues Over Expenditures	(844,330)	(1,015,310)	(733,399)	281,911
Other Financing Sources				
Operating Transfers In	720,000	720,000	720,000	-
Net Change in Fund Balances	(124,330)	(295,310)	(13,399)	281,911
Fund Balance July 1, 2022	421,113	421,113	421,113	-
Fund Balance June 30, 2023	$ 296,783	$ 125,803	$ 407,714	$ 281,911

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2023

County Employees Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability									
Non-Hazardous	0.018527%	0.020378%	0.019304%	0.018846%	0.021346%	0.020929%	0.020230%	0.020110%	0.019727%
Hazardous	0.178883%	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	$ 1,339,320	1,299,257	$ 1,480,601	$ 1,325,447	$ 1,300,037	$ 1,225,039	$ 995,726	$ 864,635	$ 640,018
Hazardous	5,458,538	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	$ 6,797,858	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	$ 1,683,019	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	403.91%	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	52.42%	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	47.11%	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

**Only nine 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, 2023

County Employees Retirement System
Last 10 Fiscal Years

Non-Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 125,218	$ 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	(125,218)	(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	$ 535,118	$ 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	23.40%	21.17%	19.30%	19.30%	16.21%	14.49%	13.95%	12.42%	12.80%	13.73%

Hazardous	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 535,264	$ 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	(535,264)	(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	$ 1,250,325	$ 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	42.81%	33.86%	30.06%	30.06%	24.86%	22.21%	21.71%	20.26%	21.13%	21.76%

NOTE 1 - ACTUARIAL ASSUMPTIONS

The actuarially determined contribution effective for fiscal year ended 2022 that are documented in the schedule of the City's pension contributions, were calculated as of June 30, 2020. 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, 2020 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below:

Determined by the Actuarial Valuation as of:	June 30, 2020
Experience Study:	July 1, 2013 to June 30, 2018
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, 2023

County Employees Retirement System
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability						
Non-Hazardous	0.018524%	0.020374%	0.019298%	0.018841%	0.021345%	0.020929%
Hazardous	0.178793%	0.169071%	0.156726%	0.164783%	0.182259%	0.214109%
City's Proportionate Share of the Net OPEB Liability						
Non-Hazardous	$ 365,574	$ 390,050	$ 465,988	$ 316,897	$ 378,976	$ 420,744
Hazardous	1,522,933	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	$ 1,888,507	$ 1,757,089	$ 1,914,302	$ 1,536,060	$ 1,678,409	$ 2,190,723
City's Covered Payroll	$ 1,683,019	$ 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	112.21%	114.51%	135.73%	108.45%	100.98%	129.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-Hazardous	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%

**Only six 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, 2023

County Employees Retirement System
Last 10 Fiscal Years*

Non-Hazardous	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 18,141	$ 29,612	$ 24,777	$ 23,537	$ 25,105	$ 24,878
Contributions in Relation to the Contractually Required Contribution	(18,141)	(29,612)	(24,777)	(23,537)	(25,105)	(24,878)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 535,118	$ 512,321	$ 520,516	$ 494,470	$ 477,685	$ 529,054
Contributions as a Percentage of Covered Payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

Hazardous	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 84,772	$ 122,572	$ 96,526	$ 87,198	$ 98,371	$ 105,990
Contributions in Relation to the Contractually Required Contribution	(84,772)	(122,572)	(96,526)	(87,198)	(98,371)	(105,990)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,250,325	$ 1,170,698	$ 1,013,932	$ 915,951	$ 938,650	$ 1,133,129
Contributions as a Percentage of Covered Payroll	6.78%	10.47%	9.52%	9.52%	10.48%	9.35%

**Only six 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 2022 that are documented in the schedule of the City's OPEB contributions, were calculated as of June 30, 2020. 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, 2020 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below:

Determined by the Actuarial Valuation as of:	June 30, 2020
Experience Study:	July 1, 2013 to June 30, 2018
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 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65:	Initial trend starting at 6.30% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.

REQUIRED REGULATORY INFORMATION

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

Honorable Mayor and
Members of City Commission
City of Taylor Mill, Kentucky
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, 2023, 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 December 27, 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

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

City of Taylor Mill, Kentucky's, Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Taylor Mill, Kentucky's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Taylor Mill, Kentucky's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 27, 2023

FINANCIAL STATEMENT FINDINGS

Finding 2023-001 Material Audit Adjustment

Criteria: The Governmental Accounting Standards Board (GASB) requires that governmental organizations employ or contract to have an individual that has the necessary skills, knowledge, and experience in order to report and understand governmental accounting.

Condition: As a result of the current year auditing procedures, an adjustment was made to reclassify revenues that were previously netted against the related expenses.

Cause: The City wanted to avoid budget amendments when expenses were incurred from a new revenue source.

Effect: The City's revenues were improperly netted against expenses and did not properly reflect the correct revenue and expenses incurred. Additionally, this could result in Federal expenditures not being properly identified for single audit purposes.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the City note net revenues and expenses and to code them to their proper general ledger account. This will ensure transparency of the financial reporting.

Views of Responsible Officials and Planned Corrective Action: The City acknowledges this process was not accurately stating expenses and revenues and has ended this practice.

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters were reported.