

CITY OF TAYLOR MILL
Taylor Mill, Kentucky

FINANCIAL STATEMENTS
June 30, 2024

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Commission
City of 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, 2024, 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, 2024, 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 3 - 10, budgetary comparison information on pages 38-39, the pension schedules on pages 42-43, and the OPEB schedules on pages 44-45 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 November 27, 2024, 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.

RFH

RFH, PLLC
Lexington, Kentucky
November 27, 2024

**CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED**

Our discussion and analysis of the Taylor Mill, City of, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the City's basic financial statements that begin on page 11.

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 11 and 12, 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 13. 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 2024 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$8,685,281 (net position) at June 30, 2024. The City's total net position increased by \$3,915,081.
- As of June 30, 2024, the City's governmental funds reported combined ending fund balances of \$10,244,228, an increase of \$2,811,251.
- As of June 30, 2024, the unassigned fund balance for the General Fund was \$9,656,643.
- The City's cash and cash equivalents increased by \$698,924 from \$6,513,162 at June 30, 2023 to \$7,212,086 at June 30, 2024.
- The City's investments increased by \$52,469 from \$2,486,243 at June 30, 2023 to \$2,538,712 at June 30, 2024.
- The City's accounts receivable decreased by \$303,841 from \$1,194,226 at June 30, 2023 to \$890,385 at June 30, 2024.
- The City's total debt increased by \$158,608, 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.

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED
(Continued)

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 the 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 11 and 12 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 13 - 16 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 17 - 37 of this report.

**TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED
(Continued)**

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 2024 compared to 2023.

**Table 1
Net Position**

	Governmental Activities	
	2024	2023
Assets		
Current and Other Assets	\$ 11,103,252	\$ 10,270,343
Capital Assets, Net	5,316,820	4,163,621
Total Assets	16,420,072	14,433,964
Deferred Outflow of Resources	1,592,197	2,118,854
Liabilities		
Current Liabilities	430,883	2,248,126
Long-Term Liabilities	6,505,564	8,807,276
Total Liabilities	6,936,447	11,055,402
Deferred Inflow of Resources	2,390,541	727,216
Net Position		
Net Investment in Capital Assets	5,093,336	4,109,339
Restricted	313,680	230,429
Unrestricted	3,278,265	430,432
Total Net Position	\$ 8,685,281	\$ 4,770,200

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 \$8.69 million as of June 30, 2024.

A large portion of the City's net position (approximately \$5.1 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.

**TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED
(Continued)**

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 \$698,924 from the previous year primarily due to the results of current year operations particularly from increases in Taxes, Licenses and Permits, and Investment Income.
2. Accounts receivable decreased by \$303,841 from the previous year primarily due to the City recognizing additional grant receivable related to its sidewalk project in the prior fiscal year.
3. Capital assets increased by \$1,153,199 due to current year capital asset additions as well as vehicle lease additions. Total capital asset acquisitions were \$2,225,590, total capital asset disposals were approximately \$1,138,252 and total depreciation expense in the current year was approximately \$532,215. These additions also included \$223,484 in leased vehicle assets available for use.
4. Deferred outflows of resources decreased by \$526,657. Deferred outflows related to pension decreased by \$238,024 and deferred outflows related to OPEB decreased by \$288,633.
5. Long-term liabilities decreased by \$2,301,712. The decrease is due primarily to a decrease in the net pension liability of \$802,963, and a decrease in the net other postemployment benefits liability for approximately \$1,669,905. The long-term liabilities also included a new lease liability of \$181,106 for vehicle assets available for use.
6. Deferred inflows of resources increased by \$1,663,325. Deferred inflows related to pension increased by \$480,067 and deferred inflows related to OPEB increased by \$1,183,258.
7. The City has \$3,278,265 of unrestricted net assets as of June 30, 2024.

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED
(Continued)

Table 2 reflects the change in net position for fiscal years 2024 and 2023.

Table 2
Change in Net Position

	Governmental Activities	
	For the Years Ended June 30,	
	2024	2023
Revenues		
General Revenue		
Property Taxes	\$ 2,491,496	\$ 2,420,311
Payroll Taxes	1,745,424	1,655,168
Insurance Premium Taxes	921,636	808,709
Utility Taxes	250,486	253,377
Other Taxes	632,572	582,982
Penalties and Interest on Taxes	21,278	14,026
Investment Income (Loss)	358,771	38,809
Other Revenue	43,210	163,241
(Loss) Gain on Sale of Assets	13,523	(2,842)
Total General Revenues	6,478,396	5,933,781
Program Revenues		
Charges for Services	768,095	867,683
Operating Grants and Contributions	2,070,391	242,330
Capital Grants and Contributions	-	209,166
Total Program Revenues	2,838,486	1,319,179
Total Revenues	9,316,882	7,252,960
Program Expenses		
General Government	1,096,204	996,960
Police	1,573,983	1,419,229
Fire	1,888,133	1,507,206
Public Works	636,179	702,117
Streets	310,043	997,527
Parks and Recreation	148,222	131,350
Senior Services	2,164	1,518
Community Events	21,144	15,181
Interest Expense	8,616	2,150
Pension Expense	(84,872)	613,956
Other Postemployment Benefits Expense	(198,015)	206,178
Total Program Expenses	5,401,801	6,593,372
Change in Net Position	\$ 3,915,081	\$ 659,588

**TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED
(Continued)**

Governmental Activities

Governmental activities increased the City's net position by \$3,915,081. Key changes during the year are as follows:

- Operating Grants and Contributions increased \$1,828,061 due primarily to the American Rescue Plan Act funds being recognized and utilized for Police and Fire salaries.
- Payroll taxes revenue increased by \$90,256 due to continued growth in payroll in the City.
- Other taxes revenue increased \$49,590 primarily due to an increase in net profit tax. This increase is similar to that of payroll taxes revenue above.
- Investment income increased \$319,962 due to a combination of higher bank interest rates and more cash in the bank on which to draw interest.
- Charges for Services recognized \$83,251 in revenue for the allocations received from the national opioid settlement.

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 \$10,244,228, an increase of \$2,811,251, in comparison to the prior year. This total consists of: General Fund, \$10,061,275 and Municipal Road Aid Fund, \$182,953.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9,656,643. The total General Fund balance increased by \$3,036,012.

The fund balance of the Municipal Road Aid Fund decreased by \$224,761 due to significant outlay for street and sidewalk projects.

General Fund Budgeting Highlights

The City's budget is prepared according to the 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 \$7,025,263.

For the General Fund, actual revenues in the amount of \$9,308,097 were higher than budgeted revenues by \$3,590,671.

General Fund actual expenditures of \$6,400,096 were under budgeted expenditures by \$1,986,099.

**TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED
(Continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2024, the City had \$5,316,820 net investment in capital assets, all in governmental activities.

Table 3 reflects fiscal year 2024 balances compared to fiscal year 2023.

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

	Governmental Activities	
	2024	2023
Land	\$ 924,751	\$ 924,751
Construction in Progress	368,335	232,686
Leased Assets Available for Use	223,484	-
Buildings and Improvements	487,484	512,949
Infrastructure	2,284,003	1,995,250
Equipment	146,486	200,139
Vehicles	882,277	297,846
Total Capital Assets	<u>\$ 5,316,820</u>	<u>\$ 4,163,621</u>

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

- Additions of new capital assets totaling \$1,464,807 included a new fire department vehicle, construction costs associated with street and sidewalk construction projects, engineering costs for the new fire department building, Pride Park Amphitheater construction costs, as well as public works vehicle costs.
- The City also began leasing police vehicles under a long-term operating lease instead of buying them. This lease added \$233,484 in assets available for use to Capital Assets.
- Disposals of \$598,075 for infrastructure that has been replaced, equipment, and vehicles sold or disposed of during the year.
- Included in the Capital Assets is \$532,215 in depreciation expense.

Long-Term Debt

At June 30, 2024, 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, 2023	Additions	Repayments	June 30, 2024
Compensated Absences	\$ 135,270	\$ -	\$ 10,594	\$ 124,676
Notes Payable	54,282	-	54,282	-
Lease Liability	-	236,611	13,127	223,484
Total Long-Term Debt	<u>\$ 189,552</u>	<u>\$ 236,611</u>	<u>\$ 78,003</u>	<u>\$ 348,160</u>

The City's long-term debt increased \$158,608 due to a combination of new lease liabilities and payments made on the long-term debt agreements.

**TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
UNAUDITED
(Continued)**

Economic Factors and Next Year's Budget

The northern Kentucky region as a whole, and the City of Taylor Mill specifically have historically weathered economic unrest much better than other areas of the state or country. The post-COVID economy is no different. The region'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 continues to experience modest growth. The City has benefited from several Federal grants over the last four years that have bolstered the City's fund balance and allowed the City to increase expenditures for park improvements, street and sidewalk replacement, and an upgrade to the City's public works and first responder's vehicle fleet.

The City's continuing challenge in the coming fiscal year and beyond will be the development and retention of quality employees in a very competitive job market.

The City expects to see continued modest growth in the residential sector and will strive to continue delivering quality services to the residents. The City will continue its focus on business creation and 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, 2024

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 7,212,086
Investments	2,538,712
Accounts receivable	890,385
Prepaid expenses	200,079
Inventory	<u>2,435</u>
Total current assets	<u>10,843,697</u>
Noncurrent Assets	
Accounts receivable	<u>259,555</u>
Capital assets	
Non-depreciable	1,293,086
Depreciable, net	<u>3,800,250</u>
Total capital assets	5,093,336
Right-of-use leased vehicles, net	<u>223,484</u>
Total noncurrent assets	<u>5,576,375</u>
Total assets	<u>16,420,072</u>
Deferred Outflows of Resources	
Deferred outflows related to pension	1,186,953
Deferred outflows related to other postemployment benefits	<u>405,244</u>
Total deferred outflows of resources	<u>1,592,197</u>
Total assets and deferred outflows of resources	<u>\$ 18,012,269</u>
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts payable	\$ 226,712
Accrued liabilities	148,078
Lease liability, current	42,378
Compensated absences	<u>13,715</u>
Total current liabilities	<u>430,883</u>
Noncurrent Liabilities	
Compensated absences	110,961
Lease liability, non-current	181,106
Net pension liability	5,994,895
Net other postemployment benefits liability	<u>218,602</u>
Total noncurrent Liabilities	<u>6,505,564</u>
Total liabilities	<u>6,936,447</u>
Deferred Inflows of Resources	
Deferred inflows related to pension	633,576
Deferred inflows related to other postemployment benefits	<u>1,756,965</u>
Total deferred inflows of resources	<u>2,390,541</u>
Net Position	
Net investment in capital assets	5,093,336
Restricted for opioid remediation	313,680
Unrestricted	<u>3,278,265</u>
Total net position	<u>8,685,281</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 18,012,269</u>

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2024

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Total Governmental Activities
Primary Government					
Governmental activities					
General government	\$ 1,025,469	\$ 543,657	\$ 16,774	\$ -	\$ (465,038)
Police	1,519,101	990	837,366	-	(680,745)
Fire	1,789,830	171,396	1,061,434	-	(557,000)
Public works	577,212	-	-	-	(577,212)
Streets	310,043	-	154,817	-	(155,226)
Parks and recreation	148,222	51,612	-	-	(96,610)
Senior services	2,164	440	-	-	(1,724)
Community events	21,144	-	-	-	(21,144)
Interest expense	8,616	-	-	-	(8,616)
Total primary government	<u>\$ 5,401,801</u>	<u>\$ 768,095</u>	<u>\$ 2,070,391</u>	<u>\$ -</u>	(2,563,315)
General revenues					
Property taxes					2,491,496
Occupational licenses					1,745,424
Insurance premium taxes					921,636
Utility tax					250,486
Other taxes and licenses					632,572
Penalties and interest on taxes					21,278
Investment income					358,771
Other revenue					43,210
Gain on sale of capital assets					13,523
Total general revenues					<u>6,478,396</u>
Change in net position					3,915,081
Net position July 1, 2023					<u>4,770,200</u>
Net position June 30, 2024					<u>\$ 8,685,281</u>

CITY OF TAYLOR MILL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,962,726	\$ 249,360	\$ 7,212,086
Investments	2,538,712	-	2,538,712
Receivables			
Property taxes	81,738	-	81,738
Waste assessments	11,984	-	11,984
Accounts	1,009,967	-	1,009,967
Other receivables	16,511	29,740	46,251
Prepaid expenses	200,079	-	200,079
Inventories	2,435	-	2,435
	<u>\$ 10,824,152</u>	<u>\$ 279,100</u>	<u>\$ 11,103,252</u>
Total assets			
Liabilities			
Accounts payable	\$ 130,565	\$ 96,147	\$ 226,712
Accrued expenses	148,078	-	148,078
	<u>278,643</u>	<u>96,147</u>	<u>374,790</u>
Total liabilities			
Deferred inflows of resources			
Unavailable revenue	484,234	-	484,234
	<u>484,234</u>	<u>-</u>	<u>484,234</u>
Total deferred inflows of resources			
Fund balance			
Non-spendable			
Prepaid expenses	200,079	-	200,079
Inventories	2,435	-	2,435
Restricted			
Opioid remediation	86,401	-	86,401
Committed			
Capital projects	115,717	-	115,717
Streets	-	182,953	182,953
Unassigned	9,656,643	-	9,656,643
	<u>10,061,275</u>	<u>182,953</u>	<u>10,244,228</u>
Total fund balance			
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 10,824,152</u>	<u>\$ 279,100</u>	<u>\$ 11,103,252</u>

**CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
for the year ended June 30, 2024**

Total Fund Balance - Governmental Funds		\$ 10,244,228
Amounts reported for governmental activities in the statement of net position are different because:		
Capital and leased 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	16,338,749	
Leased assets	223,484	
Accumulated depreciation	<u>(11,245,413)</u>	
		5,316,820
Other assets are not available to pay for current period expenditures, and therefore, are unavailable in the governmental funds.		
		484,234
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	(124,676)	
Lease liability	<u>(223,484)</u>	
		(348,160)
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	1,186,953	
Deferred outflows of resources related to other		
Postemployment benefits	405,244	
Deferred inflows of resources related to pension	(633,576)	
Deferred inflows of resources related to other		
Postemployment benefits	<u>(1,756,965)</u>	
		(798,344)
Long-term liabilities, including net pension obligations and net other postemployment benefit obligations, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Net pension liability	(5,994,895)	
Net other postemployment benefits liability	<u>(218,602)</u>	
		<u>(6,213,497)</u>
Net position of governmental activities in the statement of net position		<u>\$ 8,685,281</u>

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
for the year ended June 30, 2024

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Revenues			
Taxes	\$ 2,482,400	\$ -	\$ 2,482,400
Licenses and permits	3,622,943	-	3,622,943
Intergovernmental	2,116,644	154,817	2,271,461
Charges for services	666,551	-	666,551
Fines and forfeitures	29,341	-	29,341
Investment income	344,680	14,091	358,771
Miscellaneous	45,538	-	45,538
Total revenues	<u>9,308,097</u>	<u>168,908</u>	<u>9,477,005</u>
Expenditures			
General government	1,073,887	-	1,073,887
Police	1,482,175	-	1,482,175
Fire	1,773,785	-	1,773,785
Public works	598,082	-	598,082
Streets	-	76,438	76,438
Parks and recreation	113,652	-	113,652
Senior services	2,164	-	2,164
Community events	21,139	-	21,139
Debt service			
Principal	67,409	-	67,409
Interest	8,616	-	8,616
Capital outlay	<u>1,259,187</u>	<u>442,231</u>	<u>1,701,418</u>
Total expenditures	<u>6,400,096</u>	<u>518,669</u>	<u>6,918,765</u>
Excess (deficit) of revenues over expenditures	<u>2,908,001</u>	<u>(349,761)</u>	<u>2,558,240</u>
Other financing (uses) sources			
Proceeds from sale of assets	16,400		16,400
Proceeds from issuance of leases	236,611	-	236,611
Transfers in	-	125,000	125,000
Transfers out	<u>(125,000)</u>	<u>-</u>	<u>(125,000)</u>
Total other financing (uses) sources	<u>128,011</u>	<u>125,000</u>	<u>253,011</u>
Net change in fund balance	3,036,012	(224,761)	2,811,251
Fund balance July 1, 2023	<u>7,025,263</u>	<u>407,714</u>	<u>7,432,977</u>
Fund balance June 30, 2024	<u>\$ 10,061,275</u>	<u>\$ 182,953</u>	<u>\$ 10,244,228</u>

**CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATIONV OF STATEMENT OF RVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
for the year ended June 30, 2024**

Change in Fund Balances - Total Governmental Funds **\$ 2,811,251**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase, build or lease capital assets/right-to-use 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.

Amortization expense of right-to-use asset	(13,127)	
Depreciation expense	(532,215)	
Capital outlays	<u>1,701,418</u>	
		1,156,076

The net effect of the disposal of capital assets is to decrease net position. (2,877)

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. 10,594

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, 2023	(102,913)	
City other postemployment benefit contributions - June 30, 2024	45,236	
Change in other postemployment benefit liability	<u>142,549</u>	
		84,872

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, 2023	(660,482)	
City pension contributions - June 30, 2024	636,041	
Cost of benefits earned net of employee contributions	<u>222,456</u>	
		198,015

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	54,282
-----------------------------	--------

The issuance of lease liabilities 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 lease liabilities on the statement of activities, comprised of the following:

Principal repayment of lease liability	13,127
Lease proceeds	(236,611)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	<u>(173,648)</u>
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Change in net position - governmental activities **\$ 3,915,081**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation and Measurement Focus (Continued)

Governmental Fund Financial Statements

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

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

The City has the following funds:

Governmental Fund Types

- (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.

C. 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.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

D. 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.

E. Investments

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

F. Accounts Receivable

Accounts receivable are presented, when considered necessary, net of an allowance for doubtful accounts. There was no allowance as of June 30, 2024.

G. 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	40 Years
Building Improvements	10 – 20 Years
Infrastructure	25 – 40 Years
Equipment	3 – 5 Years
Vehicles	5 – 10 Years

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. 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.

J. 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.

K. 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. There is no unearned revenue as of June 30, 2024.

L. 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.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. 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 lease liabilities, 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 placed 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.

O. Governmental Fund Balance

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.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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.

Q. 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.

R. 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.

S. Subsequent Events

The City has evaluated subsequent events November 27, 2024, which is the date the financial statements were available to be issued.

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.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

3. DEPOSITS AND INVESTMENTS

A. Investment Policy

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

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

- A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- B) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.
- C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.
- D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).
- E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.
- F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.
- G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.
- H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- I) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.
- J) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).
- K) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).
- L) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

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

B. 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, 2024, \$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.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

3. DEPOSITS AND INVESTMENTS (Continued)

C. 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, 2024.

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

Credit risk – investments. For an investment, credit risk is the risk that issuers of securities owned by an entity will default or that other parties that owe the entity money will not fulfill its obligations.

At Taylor Mill, 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, 2024, that are subject to rating for credit risk and interest rate risk are summarized by maturity below:

	Carrying Value	<u>Investment Maturities (in Years)</u>			<u>Credit Rating</u>
		<u>Less than 1</u>	<u>1-5</u>		
Cash	\$ 2,288	\$ 2,288	\$ -		Not Rated
Money Market Funds	763	763	-		Not Rated
U.S. Government Obligations	2,330,297	1,694,012	636,285		Moody's - AAA
Municipal Bonds	159,141	159,141	-		Moody's - AAA
Kentucky League of Cities Investment Pool-					
Government Bond Fund	<u>46,223</u>	<u>46,223</u>	<u>-</u>		Not Rated
Total Investments	<u>\$ 2,538,712</u>	<u>\$ 1,902,427</u>	<u>\$ 636,285</u>		

D. 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, 2024:

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

3. DEPOSITS AND INVESTMENTS (CONTINUED)

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Cash	\$ 2,288	\$ -	\$ -	\$ 2,288
Money Market Funds	763	-	-	763
U.S. Government Funds	2,330,297	-	-	2,330,297
Municipal Bonds	<u>-</u>	<u>159,141</u>	<u>-</u>	<u>159,141</u>
	<u>\$ 2,333,348</u>	<u>\$ 159,141</u>	<u>\$ -</u>	2,492,489
Kentucky League of Cities Investment Pool Government Bond Fund Measured at NAV				<u>46,223</u>
Total Investments				<u>\$ 2,538,712</u>

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.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

4. CAPITAL ASSETS

Capital assets and right-of-use asset activity for the fiscal year ended June 30, 2024, was as follows:

	July 1, 2023 Balance	Additions/ Transfers	Retirements/ Transfers	June 30, 2024 Balance
Governmental Activities:				
Capital Assets not being depreciated				
Land	\$ 924,751	\$ -	\$ -	\$ 924,751
Construction in progress	<u>232,686</u>	<u>672,948</u>	<u>(537,299)</u>	<u>368,336</u>
Total capital assets not being depreciated	<u>1,157,437</u>	<u>672,948</u>	<u>(537,299)</u>	<u>1,293,086</u>
Depreciable Capital Assets				
Buildings and improvements	1,381,586	-	-	1,381,586
Infrastructure	9,921,006	537,299	(318,418)	10,139,887
Equipment	1,308,495	13,929	(7,685)	1,314,739
Vehicles	<u>1,706,371</u>	<u>777,930</u>	<u>(274,850)</u>	<u>2,209,451</u>
Total depreciable capital assets	<u>14,317,458</u>	<u>1,329,158</u>	<u>(600,953)</u>	<u>15,045,663</u>
Total capital assets at historical cost	<u>15,474,895</u>	<u>2,002,106</u>	<u>(1,138,252)</u>	<u>16,338,749</u>
Less accumulated depreciation				
Buildings and improvements	868,636	25,466	-	894,102
Infrastructure	7,925,756	248,546	(318,418)	7,855,884
Equipment	1,108,356	65,775	(5,878)	1,168,253
Vehicles	<u>1,408,525</u>	<u>192,428</u>	<u>(273,779)</u>	<u>1,327,174</u>
Total accumulated depreciation	<u>11,311,273</u>	<u>532,215</u>	<u>(598,075)</u>	<u>11,245,413</u>
Depreciable capital assets, net	<u>3,006,184</u>	<u>796,943</u>	<u>2,878</u>	<u>3,800,250</u>
Total capital assets, net	<u>\$ 4,163,621</u>	<u>\$ 1,469,891</u>	<u>\$ (534,421)</u>	<u>\$ 5,093,336</u>
Leased Assets				
Right-of-use leased vehicles	\$ -	\$ 236,611	\$ -	\$ 236,611
Amortization right-of-use leased vehicles	<u>-</u>	<u>13,127</u>	<u>-</u>	<u>13,127</u>
Total right-of-use assets, net	<u>\$ -</u>	<u>\$ 223,484</u>	<u>\$ -</u>	<u>\$ 223,484</u>

Depreciation and amortization were charged to functions as follows for the year ended 2024:

General government	\$ 18,559
Police	85,980
Fire	120,358
Public works	52,266
Streets	233,605
Parks and recreation	<u>34,574</u>
Total	<u>\$ 545,342</u>

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

5. LONG-TERM LIABILITIES

A. 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 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.

The note matured during the year ending June 30, 2024.

B. Lease Liabilities

On July 7, 2023, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases is 60 months. The interest rates for the vehicle leases range from 7.30% – 7.75%. The City entered into 4 new lease agreements for vehicles as of June 30, 2024 for \$236,611. The balance of the liability related to the vehicle leases as of June 30, 2024, totaled \$223,484.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 42,378	\$ 14,706	\$ 57,084
2026	45,434	11,650	57,084
2027	48,724	8,360	57,084
2028	52,266	4,819	57,085
2029	<u>34,682</u>	<u>3,374</u>	<u>38,056</u>
	<u>\$ 223,484</u>	<u>\$ 42,909</u>	<u>\$ 266,393</u>

C. 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 2024.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct placement - notes payable	\$ 54,282	\$ -	\$ 54,282	\$ -	\$ -
Lease liability	-	236,611	13,127	223,484	42,378
Compensated absences	<u>135,270</u>	<u>-</u>	<u>10,594</u>	<u>124,676</u>	<u>13,715</u>
Total governmental activities	<u>\$ 189,552</u>	<u>\$ 11,408,800</u>	<u>\$ 67,409</u>	<u>\$ 348,160</u>	<u>\$ 56,093</u>

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. RETIREMENT PLAN

The City of Taylor Mill is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the CERS. The plan issues publicly available financial statements which may be downloaded from the KPPA website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2024, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2024, participating employers contributed 23.34% of each employee's wages for non-hazardous job classifications and 43.69% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 7. Plan members' contributions were allocated 23.34% to the pension trust for non-hazardous job classifications and 41.11% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

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 in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2024, the City contributed \$132,639, or 100% of the required contribution for non-hazardous job classifications, which was allocated \$132,639 to the CERS pension fund and \$0 to the CERS insurance fund. The City contributed \$624,822, or 100% of the required contribution for hazardous job classifications, which was allocated \$587,925 to the CERS pension fund and \$36,897 to the CERS insurance fund.

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. RETIREMENT PLAN (CONTINUED)

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2024, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 5,994,895</u>	<u>\$ 1,182,884</u>	<u>\$ 4,812,011</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2023, was as follows:

Non-hazardous	Hazardous
.1840%	.1785%

The proportionate share at June 30, 2023, decreased .1655% for non-hazardous and decreased .0004% for hazardous compared to the proportionate share as of June 30, 2022.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2024, the City recognized pension expense of \$551,982. At June 30, 2024, 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
Differences between expected and actual results	\$ 281,221	\$ 3,214
Changes of assumptions	-	484,217
Net difference between projected and actual earnings on Plan investments	-	64,408
Changes in proportion and differences between City contributions and proportionate share of contributions	269,691	81,737
City contributions subsequent to the measurement date	<u>636,041</u>	<u>-</u>
Total	<u>\$ 1,186,953</u>	<u>\$ 633,576</u>

The \$636,041 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2025	\$ (796)
2026	\$ (70,885)
2027	\$ 57,284
2028	\$ (68,267)

Actuarial Assumptions – The total pension liabilities in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.50%
Salary increases	3.55% to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. RETIREMENT PLAN (CONTINUED)

Mortality rates were based on the Pub-2010 General Mortality Table projected 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-

2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

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

The target allocation and best estimates of arithmetic nominal 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	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

Discount Rate – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

6. RETIREMENT 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 calculated using the discount rate of 6.50 percent, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	Non-hazardous		Hazardous	
		City's proportionate share of net pension liability		City's proportionate share of net pension liability
	Discount rate		Discount rate	
1% decrease	5.50%	\$ 1,493,462	5.50%	\$ 6,076,313
Current discount rate	6.50%	\$ 1,182,884	6.50%	\$ 4,812,011
1% increase	7.50%	\$ 924,781	7.50%	\$ 3,779,364

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 6, the City of Taylor Mill participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2024, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.58% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2024, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$36,897, or 100% of the required contribution for hazardous job classifications.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2024, the City reported a liability for its proportionate share of the net OPEB liability (asset) as follows:

Total Net OPEB Liability (Asset)	Non-hazardous	Hazardous
\$ 218,602	\$ (24,451)	\$ 244,053

The net OPEB liability (asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2023, was as follows:

Non-hazardous	Hazardous
.0184%	.1784%

The proportionate share at June 30, 2023, increased .0001% for non-hazardous and decreased .0004% for hazardous compared to the proportionate share as of June 30, 2022.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2024, the City recognized OPEB expense of \$(168,879). At June 30, 2024, 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
Differences between expected and actual results	\$ 39,817	\$ 1,367,538
Changes of assumptions	216,726	289,319
Net difference between projected and actual earnings on Plan investments	-	39,518
Changes in proportion and differences between City contributions and proportionate share of contributions	103,465	60,590
City contributions subsequent to the measurement date	<u>45,236</u>	<u>-</u>
Total	<u>\$ 405,244</u>	<u>\$ 1,756,965</u>

The \$45,236 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. This includes adjustments of \$16,610 for the nonhazardous implicit subsidy and \$(3,796) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,

2025	\$ (294,855)
2026	\$ (341,689)
2027	\$ (250,283)
2028	\$ (334,951)
2029	\$ (175,179)

Actuarial Assumptions – The total OPEB liability (asset) in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post – 65: Initial trend starting at 8.50% at January 1, 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected 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 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected	20.00%	
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		8.25%

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate – The discount rate used to measure the total OPEB liability (asset) was 5.93% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2023. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate 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 or 1-percentage-point higher than the current rate:

Non-hazardous			Hazardous		
	Discount rate	City's proportionate share of net OPEB liability (asset)		Discount rate	City's proportionate share of net OPEB liability (asset)
1% decrease	4.93%	\$ 47,762		4.97%	\$ 617,213
Current discount rate	5.93%	\$ (25,451)		5.97%	\$ 244,053
1% increase	6.93%	\$ (86,758)		6.97%	\$ (66,891)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Non-hazardous		Hazardous	
	City's proportionate share of net OPEB liability (asset)		City's proportionate share of net OPEB liability (asset)
1% decrease	\$ (81,576)		\$ 2,781
Current trend rate	\$ (25,451)		\$ 244,053
1% increase	\$ 43,492		\$ 535,438

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024 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.

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.

10. TRANSFER OF FUNDS

During the year ending June 30, 2024, the City transferred \$125,000 from the General Fund to the Municipal Road Fund to fund road projects.

11. SUBSEQUENT EVENT

On October 31, 2024, the City entered into a debt agreement with Kentucky Bond Corporation for \$2,075,000 for the purpose of rehabilitating the Firehouse. Payments are to begin on December, 1 2024 and mature on February 1, 2055. Interest is set at a coupon rate of 4%. Total monthly payments will include principal, interest, and other required expenses.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
for the year ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues	<u>\$ 5,717,676</u>	<u>\$ 5,717,426</u>	<u>\$ 9,308,097</u>	<u>\$ 3,590,671</u>
Expenditures				
General government	1,073,564	1,084,993	1,073,887	11,106
Police	1,619,283	1,717,847	1,482,175	235,672
Fire	1,869,883	1,895,782	1,773,785	121,997
Public works	710,696	710,696	598,082	112,614
Parks and recreation	105,825	105,825	113,652	(7,827)
Senior services	2,200	2,200	2,164	36
Community events	21,575	21,575	21,139	436
Debt service				
Principal	134,567	134,567	67,409	67,158
Interest	-	-	8,616	(8,616)
Capital outlay	<u>2,785,000</u>	<u>2,712,710</u>	<u>1,259,187</u>	<u>1,453,523</u>
Total expenditures	<u>8,322,593</u>	<u>8,386,195</u>	<u>6,400,096</u>	<u>1,986,099</u>
(Deficit) excess of revenues over expenditures	<u>(2,604,917)</u>	<u>(2,668,769)</u>	<u>2,908,001</u>	<u>5,576,770</u>
Other financing sources (uses)				
Proceeds from issuance of leases	-	-	236,611	236,611
Proceeds from sale of assets	-	-	16,400	16,400
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Net change in fund balance	<u>(2,729,917)</u>	<u>(2,793,769)</u>	<u>3,036,012</u>	<u>5,829,781</u>
Fund balance July 1, 2023	<u>7,025,263</u>	<u>7,025,263</u>	<u>7,025,263</u>	<u>-</u>
Fund balance June 30, 2024	<u>\$ 4,295,346</u>	<u>\$ 4,231,494</u>	<u>\$ 10,061,275</u>	<u>\$ 5,829,781</u>

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES) - MUNICIPAL ROAD AID
for the year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues	<u>\$ 143,475</u>	<u>\$ 143,475</u>	<u>\$ 168,908</u>	<u>\$ 25,433</u>
Expenditures				
Streets	500,250	500,250	76,438	423,812
Capital outlay	<u>-</u>	<u>-</u>	<u>442,231</u>	<u>(442,231)</u>
Total expenditures	<u>500,250</u>	<u>500,250</u>	<u>518,669</u>	<u>(18,419)</u>
(Deficit) excess of revenues over expenditures	<u>(356,775)</u>	<u>(356,775)</u>	<u>(349,761)</u>	<u>7,014</u>
Other financing sources				
Operating transfers in	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balances	<u>(231,775)</u>	<u>(231,775)</u>	<u>(224,761)</u>	<u>7,014</u>
Fund balance July 1, 2023	<u>407,714</u>	<u>407,714</u>	<u>407,714</u>	<u>-</u>
Fund balance June 30, 2024	<u><u>\$ 175,939</u></u>	<u><u>\$ 175,939</u></u>	<u><u>\$ 182,953</u></u>	<u><u>\$ 7,014</u></u>

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Ten Fiscal Years

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.0197%	0.0201%	0.0202%	0.0209%	0.0213%	0.0188%	0.0193%	0.0204%	0.0185%	0.1840%
City's proportionate share of the net pension liability	\$ 640,018	\$ 864,635	\$ 995,726	\$ 1,225,039	\$ 1,300,037	\$ 1,325,447	\$ 1,480,601	\$ 1,299,257	\$ 1,339,320	\$ 1,182,884
City's covered employee payroll	\$ 453,673	\$ 469,244	\$ 482,433	\$ 509,565	\$ 529,054	\$ 477,685	\$ 494,470	\$ 520,516	\$ 512,321	\$ 535,118
City's share of the net pension liability as a percentage of its covered employee payroll	141.07%	184.26%	206.40%	240.41%	245.73%	277.47%	299.43%	249.61%	261.42%	221.05%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Ten Fiscal Years

Reporting Fiscal Year (Measurement Date)	2015 (2014)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net pension liability	0.2457%	0.2513%	0.2412%	0.2141%	0.1822%	0.1648%	0.1568%	0.1691%	0.1789%	0.1785%
City's proportionate share of the net pension liability	\$ 2,952,956	\$ 3,857,568	\$ 4,138,657	\$ 4,790,214	\$ 4,407,565	\$ 4,552,705	\$ 4,726,841	\$ 4,500,966	\$ 5,458,538	\$ 4,812,011
City's covered employee payroll	\$ 1,245,279	\$ 1,285,385	\$ 1,264,517	\$ 1,179,309	\$ 1,133,129	\$ 938,650	\$ 915,951	\$ 1,013,932	\$ 1,170,698	\$ 1,250,325
City's share of the net pension liability as a percentage of its covered employee payroll	237.13%	300.11%	327.29%	406.19%	388.97%	485.03%	516.06%	443.91%	466.26%	384.86%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%

**CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	60,048	59,918	71,084	76,645	77,414	95,433	100,460	108,459	125,218	\$ 132,639
Contributions relative to contractually required employer contribution	(60,048)	(59,918)	(71,084)	(76,645)	(77,414)	(95,433)	(100,460)	(108,459)	(125,218)	(132,639)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	469,244	482,433	509,565	529,054	477,685	494,470	520,516	512,321	535,118	\$ 568,293
Employer contributions as a percentage of covered-employee payroll	12.80%	12.42%	13.95%	14.49%	16.21%	19.30%	19.30%	21.17%	23.40%	23.34%

**CITY OF TAYLOR MILL KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	271,572	256,191	256,028	251,657	233,348	275,334	304,788	396,399	535,264	\$ 587,925
Contributions relative to contractually required employer contribution	(271,572)	(256,191)	(256,028)	(251,657)	(233,348)	(275,334)	(304,788)	(396,399)	(535,264)	(587,925)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	1,285,385	1,264,517	1,179,309	1,133,129	938,650	915,951	1,013,932	1,170,698	1,250,325	\$ 1,430,147
Employer contributions as a percentage of covered-employee payroll	21.13%	20.26%	21.71%	22.21%	24.86%	30.06%	30.06%	33.86%	42.81%	41.11%

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
Last Seven Fiscal Years

Reporting Fiscal Year (Measurement Date)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability (asset)	0.0209%	0.0213%	0.0188%	0.0193%	0.0204%	0.0185%	0.0184%
City's proportionate share of the net OPEB liability (asset)	420,744	378,976	316,897	465,988	390,050	365,574	\$ (25,451)
City's covered employee payroll	\$ 509,565	\$ 529,054	\$ 477,685	\$ 494,470	\$ 520,516	\$ 512,321	\$ 535,118
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	82.57%	71.63%	66.34%	94.24%	74.94%	71.36%	-4.76%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%

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

**CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Seven Fiscal Years**

Reporting Fiscal Year (Measurement Date)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)
City's proportion of the net OPEB liability (asset)	0.2140%	0.1823%	0.1648%	0.1567%	0.1691%	0.1788%	0.1784%
City's proportionate share of the net OPEB liability (asset)	\$ 1,769,979	\$ 1,299,433	\$ 1,219,163	\$ 1,448,314	\$ 1,367,039	\$ 1,522,933	\$ 244,053
City's covered employee payroll	\$ 1,179,309	\$ 1,133,129	\$ 938,650	\$ 915,951	\$ 1,013,932	\$ 1,170,698	\$ 1,250,325
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	150.09%	114.68%	129.88%	158.12%	134.83%	130.09%	19.52%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%

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

**CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Seven Fiscal Years**

	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 24,878	\$ 25,105	\$ 23,537	\$ 24,777	\$ 29,612	\$ 18,141	\$ -
Contributions relative to contractually required employer contribution	<u>(24,878)</u>	<u>(25,105)</u>	<u>(23,537)</u>	<u>(24,777)</u>	<u>(29,612)</u>	<u>(18,141)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 529,054	\$ 477,685	\$ 494,470	\$ 520,516	\$ 512,321	\$ 535,118	\$ 568,293
Employer contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%	0.00%

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

**CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Seven Fiscal Years**

	2018	2019	2020	2021	2022	2023	2024
Contractually required employer contribution	\$ 105,990	\$ 98,371	\$ 87,198	\$ 96,526	\$ 122,572	\$ 84,772	\$ 36,897
Contributions relative to contractually required employer contribution	<u>(105,990)</u>	<u>(98,371)</u>	<u>(87,198)</u>	<u>(96,526)</u>	<u>(122,572)</u>	<u>(84,772)</u>	<u>(36,897)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,133,129	\$ 938,650	\$ 915,951	\$ 1,013,932	\$ 1,170,698	\$ 1,250,325	\$ 1,430,147
Employer contributions as a percentage of covered-employee payroll	9.35%	10.48%	9.52%	9.52%	10.47%	6.78%	2.58%

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

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2023 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

June 30, 2022 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
 - The assumed rate of inflation was reduced from 3.5% to 3.25%.
 - The assumed rate of wage inflation was reduced from 1% to .75%.
 - Payroll growth assumption was reduced from 4.5% to 4%.
 - Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
-
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
 - For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
 - The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

REQUIRED REGULATORY INFORMATION



Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

**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 the City Commission
City of Taylor Mill, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Taylor Mill, Kentucky, as of and for the year ended June 30, 2024, 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 November 27, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Taylor Mill, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
November 27, 2024