CITY OF TAYLORSVILLE, KENTUCKY

FINANCIAL STATEMENTS

JUNE 30, 2021

MADDOX & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Mayor	Matt Douglas
Commissioner	Kathy Spears
Commissioner	Beverly Ingram
Commissioner	Ellen Shelburne
Commissioner	Abbi Nation

City Clerk	Steve Biven
Co-treasurer	Jan Merzweiler
Co-treasuter	Kim Forrest
Public Works Diretor	Harold Compton
Police Chief	Brian Sumner

INDEPENDENT AUDITOR'S REPORT

Member of City Commission
City of Taylorsville, Kentucky
Taylorsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Taylorsville, Kentucky (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

1407 Alexandria Pike
Fort Thomas, KY 41075

3863 Glenmore Ave
Cincinnati, OH 45211

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the City, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8, budgetary comparison schedules on pages 41-45, and pension and OPEB schedules, on pages 46-51, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Supplementary Information

Our audit was conducted for the purposed of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the schedules of fund activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of fund activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 1, 2021

As management of the City of Taylorsville, Kentucky, (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceed the liabilities and deferred inflows by $19,562,036 at the close of the current fiscal year. The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was a deficit of $637,230. The City is required to provide postemployment benefits to its employees. As a result, the City has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 2021, the City had liabilities of $3,870,156 for postemployment benefits, which has caused the deficit balance in the unrestricted net position.
- The City's total net position increased $109,918.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $1,879,061, an increase of $298,261 from the prior year. Of this amount, $1,793,110 is available for spending at the City's discretion (unassigned fund balance).
- At the close of the current fiscal year, the unassigned fund balance was approximately 165% of total fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also included supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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 financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The statement of activities presents information showing how the City 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 the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

The governmental activities of the City include general government, police, public works, and recreation.

The government-wide financial statements can be found on pages 9-10 of this report

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have be segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law. However, the City may establish other funds to help it control and manage money for particular purposes.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road fund, capital fund, and the building fund which are considered to be major funds.

The City adopts and annual appropriated budget for each of the major funds. A budgetary comparison schedule has been provided for each major fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 11-14 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire 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 18-40 of this report.

OTHER INFORAMATION

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 41-51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

	2021	2020
Assets		
Current and other assets	$ 7,831,818	$ 7,256,845
Capital assets	23,700,537	23,918,812
Total assets	31,532,355	31,175,657
Deferred outflows of resoucres	987,919	1,069,514
Liabilties		
Current liabilities	477,753	273,198
Long-term liabilities	11,986,817	12,153,544
Total liabilties	12,464,570	12,426,742
Deferred inflows of resources	493,668	366,311
Net position		
Net investment in capital assets	15,834,436	15,797,242
Restricted	4,364,830	4,054,299
Unrestricted	(637,230)	(399,423)
Total net position	$ 19,562,036	$ 19,452,118

Changes in Net Position

Revenues	2021	2020
Taxes	$ 706,062	$ 544,865
Licenses and permits	309,277	293,896
Intergovernmental	31,496	64,025
Charges for services	5,283,058	5,233,345
Franchise fees	74,108	69,470
Interest income	11,595	16,477
Other revenue	177,347	270,221
Total revenues	6,592,943	6,492,299
Expenses		
General government	271,182	223,906
Police	667,272	611,528
Sanitation	98,821	94,167
Streets	140,711	74,439
Water	4,610,238	4,606,162
Sewer	694,801	714,988
Total expenses	6,483,025	6,325,190
Decrease in net position	109,918	167,109
Net position - beginning	19,452,118	19,285,009
Net position - ending	$ 19,562,036	$ 19,452,118

CAPITAL ASSETS

Capital Assets Net of Depreciation

	2021	2020
Governmental activities	$ 840,256	$ 863,318
Business-type activities	22,860,281	23,055,494
Total capital assets	$ 23,700,537	$ 23,918,812

LONG-TERM DEBT

General Obligation Bonds

	2021	2020
Revenue bonds outstanding	$ 7,866,101	$ 8,121,570

REQUESTS FOR INFORMATON

This financial report is designed to provide a general overview of the City finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Clerk, 70 Taylorsville Road, Taylorsville, Kentucky 40071.

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents - unrestricted	$ 1,687,857	$ 997,157	$ 2,685,014
Cash and cash equivalents - restricted	85,951	4,278,879	4,364,830
Receivables	148,129	229,161	377,290
Intergovernmental receivables	3,296		3,296
Inventories		401,388	401,388
Nondepreciable capital assets	75,416	1,123,738	1,199,154
Depreciable capital assets	764,840	21,736,543	22,501,383
Total assets	2,765,489	28,766,866	31,532,355
Deferred outflows of resources			
Pension related	127,711	441,338	569,049
OPEB related	73,060	345,810	418,870
Total deferred outflows	200,771	787,148	987,919
Liabilities			
Accounts payable	27,763	183,770	211,533
Accrued liabilities	16,751	106,964	123,715
Customer deposits		142,505	142,505
Noncurrent liabilities:			
Due within one year			
Interest payable		151,350	151,350
Bonds payable		263,135	263,135
Compensated absences	24,001	75,209	99,210
Due in more than one year			
Bonds payable		7,602,966	7,602,966
Net pension liability	609,578	2,337,944	2,947,522
Net OPEB liability	186,780	735,854	922,634
Total liabilities	864,873	11,599,697	12,464,570
Deferred inflows of resources			
Deferred inflows related to pensions	92,844	165,726	258,570
Deferred inflows related to OPEB	52,068	183,030	235,098
Total deferred inflows	144,912	348,756	493,668
Net position			
Net investment in capital assets	840,256	14,994,180	15,834,436
Restricted	85,951	4,278,879	4,364,830
Unrestricted	1,030,268	(1,667,498)	(637,230)
Total net position	$ 1,956,475	$ 17,605,561	$ 19,562,036

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	$ 271,182	$	$ 143,760	$	$ (127,422)	$	$ (127,422)
Public safety - police	667,272	17,370	16,666		(633,236)		(633,236)
Sanitation	98,821	95,665			(3,156)		(3,156)
Streets	140,711		14,830		(125,881)		(125,881)
Total governmental activities	1,177,986	113,035	175,256	0	(889,695)	0	(889,695)
Business-type activities							
Water services	4,610,238	4,590,493				(19,745)	(19,745)
Sewer services	694,801	579,530				(115,271)	(115,271)
Total business-type activities	5,305,039	5,170,023	0	0	0	(135,016)	(135,016)
Total City	$ 6,483,025	$ 5,283,058	$ 175,256	$ -	(889,695)	(135,016)	(1,024,711)
		General revenues					
		Property tax			348,165		348,165
		Licenses and permits			309,277		309,277
		Occupational license tax			357,897		357,897
		Franchise fees			74,108		74,108
		Interest			1,602	9,993	11,595
		Other revenues			3,968	29,619	33,587
		Gain on sale of assets			0		0
		Total general revenues			1,095,017	39,612	1,134,629
		Change in net position			205,322	(95,404)	109,918
		Net position - beginning			1,751,153	17,700,965	19,452,118
		Net position - ending			$ 1,956,475	$ 17,605,561	$ 19,562,036

	General Fund	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents - unrestricted	$ 1,687,857	$	$ 1,687,857
Cash and cash equivalents - restricted	4,597	81,354	85,951
Receivables	148,129		148,129
Intergovernmental receivable	3,296		3,296
Total assets	$ 1,843,879	$ 81,354	$ 1,925,233
Liabilities			
Accounts payable	$ 27,763	$	$ 27,763
Accrued liabilities	16,751		16,751
Deferred revenue	1,658		1,658
Total liabilities	46,172	0	46,172
Fund balances			
Restricted	4,597	81,354	85,951
Unassigned	1,793,110	0	1,793,110
Total fund balances	1,797,707	81,354	1,879,061
Total liabilities and fund balances	$ 1,843,879	$ 81,354	$ 1,925,233

Total governmental fund balances		$ 1,879,061
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of $1,815,359 net of accumulated depreciation of $981,707 used in governmental activities are not financial resources and, therefore, are not reported in the funds.		840,256
Deferred outlows and inflows of resources related to post-retirement benefits (pension and OPEB) are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows - pension related	127,711	
Deferred outflows - OPEB related	73,060	
Deferred inflows - pension related	(92,844)	
Deferred inflows - OPEB related	(52,068)	
		55,859
Assets not available for current use are not reported in the funds		1,658
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	(609,578)	
Net OPEB liability	(186,780)	
Compensated absences	(24,001)	
		(820,359)
Net position of governmental activities		$ 1,956,475

	General Fund	Special Revenue	Total Governmental Funds
Revenues			
Property tax	$ 348,165	$	$ 348,165
Licenses and permits	309,277		309,277
Occupational license tax	357,897		357,897
Intergovernmental	16,666	14,830	31,496
Franchise fees	74,108		74,108
Charges for services	95,665		95,665
School resource officer	17,370		17,370
Grant proceeds	143,760		143,760
Interest	1,506	96	1,602
Other	3,968		3,968
Total revenues	1,368,382	14,926	1,383,308
Expenditures			
Current			
General government	247,342		247,342
Public safety -police	552,404		552,404
Sanitation	98,821		98,821
Streets	92,551	46,600	139,151
Capital outlay			
General government	3,444		3,444
Public safety -police	43,885		43,885
Total expenditures	1,038,447	46,600	1,085,047
Net change in fund balances	329,935	(31,674)	298,261
Beginning fund balances	1,467,772	113,028	1,580,800
Ending fund balances	$ 1,797,707	$ 81,354	$ 1,879,061

Net change in fund balances - total governmental funds		$ 298,261
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Governmental funds also report only the proceeds from the sales of capital assets while the net gain or loss is reported in the statement of activities:		
Capital outlay	47,329	
Depeciation expense	(70,391)	
		(23,062)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		
Changes in pension liabilities and related deferred outflows and inflows	(57,011)	
Changes in OPEB liabilities and related deferred outflows and inflows	(17,353)	
		(74,364)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		4,487
Change in net position of governmental activities		$ 205,322

		Utility Fund
Assets		
Current assets		
Cash and cash equivalents - unrestricted	$	997,157
Cash and cash equivalents - restricted		4,278,879
Customer receivables		229,161
Inventories		401,388
Nondepreciable capital assets		1,123,738
Depreciable capital assets, net		21,736,543
Total assets		28,766,866
Deferred outflows of resources		
Pension related		441,338
OPEB related		345,810
Total deferred outflows of resources		787,148
Liabilities		
Accounts payable		183,770
Accrued expenses		106,964
Customer deposits		142,505
Noncurrent liabilities:		
Due within one year		
Interest payable		151,350
Bonds payable		263,135
Compensated absences		75,209
Due in more than one year		
Bonds payable		7,602,966
Net pension liability		2,337,944
Net OPEB liability		735,854
Total liabilities		11,599,697
Deferred inflows of resources		
Pension related		165,726
OPEB related		183,030
Total deferred inflows of resources		348,756
Net position		
Net investment in capital assets		14,994,180
Restricted for:		
Debt service		286,093
Water/sewer operation		3,516,654
Unrestricted		(1,191,366)
Total net position	$	17,605,561

		Utility Fund
Operating revenues		
Water revenue	$	4,590,493
Sewer revenue		579,530
Total operating revenues		5,170,023
Operating expenses		
Water services		3,631,370
Sewer services		392,554
Total operating expenses		4,023,924
Operating income before depreciation		1,146,099
Depreciation		989,659
Operating income		156,440
Non-operating income (expense)		
Grant revenue		0
Interest income		9,993
Other revenue		29,619
Interest expense		(291,456)
Total non-operating income (expense)		(251,844)
Change in net position		(95,404)
Net position - beginning		17,700,965
Net position - ending	$	17,605,561

	Utility Fund
Cash flows from operating activities	
Receipts from customers	$ 5,239,218
Payments to suppliers and service proviers	(2,499,640)
Payments to employees for salaries and benefits	(1,078,996)
Payments to general government	(95,665)
Net cash provided by operating activities	1,564,917
Cash flows from capital and related financing activities	
Acquistion of property	(794,446)
Principal payments on bonds	(255,469)
Interest payments on bonds	(287,506)
Net cash used by capital and related financing activities	(1,337,421)
Cash flows from investing activities	
Other cash receipts	29,619
Cash received from interest income	9,993
Net cash provided by investing activities	39,612
Net increase in cash and cash equivalents	267,108
Cash and cash equivalents, beginning of year	5,008,928
Cash and cash equivalents, end of year	$ 5,276,036

NOTE 1: ACCOUNTING POLICIES

These financial statements of the City of Taylorsville, Kentucky (City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The City operates under a Mayor-Commission form of government consisting of the Mayor and four city commission members. The City's major operations include fire and police protection, street maintenance, and general administrative services. In addition, the City operates a water and sewer system and provides solid waste collection. The financial statements of the City include all of the funds for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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 statement of net position presents the financial condition of the governmental activities of the City at year end. The 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

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the proprietary funds include personnel and other expenses

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

related to water and sewer operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.

Municipal Road Aid Fund – The municipal road aid fund accounts for the allocation of funds from the Commonwealth of Kentucky as provided in KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road aid expenditures.

Proprietary Fund Types

Utility Fund – The utility fund accounts for the City's water and sewer activities. The utility fund is a major fund of the City

Measurement Focus and Basis of Accounting

Government-wide Financial Statements
The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements
All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government –wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets 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. The City's infrastructure consists of sidewalks, streets, and traffic signals. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
Genenal equipment	7 Years

Deferred Outflows of Resources – Pension and OPEB

The City reports decreases in net position that relates to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred outflows of resources reported in the financial statements include (1) deferred outflows of resources for contributions made to the City's defined benefit pension plan between the measurement date of the plan net pension liabilities and the end of City's fiscal year and (2) deferred outflows of resources related to the changes between the expected and actual experiences for the plan and changes in actuarial assumptions. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to experience and assumption changes will be recognized in future periods.

Deferred Inflows of Resources – Pension and OPEB

The City reports increases in net position that relates to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred inflows of resources reported in the financial statements arise from changes in the expected and actual experiences for the plan and for changes in assumptions. The deferred inflows related to these changes will be recognized in future periods.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as the 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.

Net OPEB Liability

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from fiduciary net position have been determined on the same basis as the 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.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

> Nonspendable - includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
>
> Restricted - is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
>
> Committed - includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
>
> Assigned - amounts are intended to be used by the City Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council.
>
> Unassigned - the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

Revenues

Exchange and Nonexchange Transactions
Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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 thirty days of year end.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions

Transactions in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants 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, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: state-levied locally shared taxes.

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 the 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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund Balances

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature an infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City’s management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting - The City's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and GAAP basis are: (1) revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and (2) expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/objective level. All budget appropriations lapse at year-end.

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

Subsequent Events

The City evaluated subsequent events for potential recognition and disclosure through November 1, 2021, the date the financial statements were available to be issued.

NOTE 2: CASH AND CASH EQUIVALENTS

The City maintains the following governmental activity cash accounts:

	Non-restricted	Restricted
General fund checking	$ 1,687,857	$
Sidewalk project		82
Street drainage		4,515
Municipal aid checking		81,354
Total governmental funds cash	$ 1,687,857	$ 85,951

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NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

The City maintains the following business-type activity cash accounts:

	Non-restricted	Restricted
Water and sewer money market	$ 369,273	$
Operation and maintenance checking	626,899	
Revenue checking		660
Bridge projects		82
Escrow checking		121,730
Water and sewer extension checking		30,164
Bond and interest checking		425,370
Depreciation money market		3,670,274
Bloomfield Road water system		81
Customer rebate checking		800
Normandy waterline relocate		82
Meter set and supplemental checking		293,636
Subtotal	996,172	4,542,879
Cash on hand	485	
Petty cash	500	
Total proprietary fund cash	$ 997,157	$ 4,542,879

The City maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the limits are covered by collateral agreements and the collateral is held by the pledging bank's trust departments in the City's name. The City has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Kentucky Revised Statues (KRS) authorizes municipalities to invest in obligations of the United States of America and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge security obligations of the United States of America government or its agencies.

The Ordinances authorizing the Waterworks and Sewer System revenue bonds require that the City of Taylorsville establish a sinking fund and a depreciation reserve fund.

The sinking fund is funded in an amount not less than the maximum annual requirements for the payment of principal and interest on all revenue bonds. The sinking fund has a balance of $425,370 as of June 30, 2021 and is considered fully funded.

The depreciation reserve fund is to be funded monthly from the revenue fund until fully funded at $485,440. The balance in the depreciation reserve as of June 30, 2021 is $3,670,274 and is considered fully funded.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021, is summarized below:

Governmental Activities

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets				
Land	$ 75,416	$ 0	$ 0	$ 75,416
Buildings and improvements	1,094,453			1,094,453
Vehicles	478,348	43,147		521,495
Equipment	123,712	4,182		127,894
Total capital assets	1,771,929	47,329	0	1,819,258
Less accumulated depreciation for				
Buildings	410,929	28,863		439,792
Vehicles	386,261	38,984		425,245
Equipment	111,421	2,544		113,965
Total accumulated depreciation	908,611	70,391	0	979,002
Capital assets, net	$ 863,318	$ (23,062)	$ 0	$ 840,256

Depreciation was charged to the following government funds:

General government	$ 23,840
Public safety - police	44,991
Streets	1,560
Total depreciation	$ 70,391

NOTE 3: CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets				
Land	$ 471,118	$	$	$ 471,118
Construction in progress		652,619		652,619
Buildings and improvements	680,161			680,161
Machinery and equipment	469,563	27,198		496,761
Vehicles, water	769,627	108,789		878,416
Vehicles, sewer	53,896			53,896
Louisville line project	3,849,395			3,849,395
Phase I water distibution system	2,575,753			2,575,753
Phase II water distibution system	4,158,606			4,158,606
Phase III water distibution system	3,336,509			3,336,509
Phase IV water distibution system	576,194			576,194
Water system	12,502,420	15,624	(9,785)	12,508,259
Sewer system	5,278,730			5,278,730
Waste water upgrade	3,901,744			3,901,744
Total capital assets being depreciated	38,623,716	804,230	(9,785)	39,418,161
Less accumulated depreciation for				
Buildings and improvements	465,126	18,444		483,570
Machinery and equipment	433,986	9,977		443,963
Vehicles, water	590,053	51,590		641,643
Vehicles, sewer	53,896			53,896
Louisville line project	2,288,152	95,610		2,383,762
Phase I water distibution system	1,062,499	64,393		1,126,892
Phase II water distibution system	1,368,854	103,965		1,472,819
Phase III water distibution system	920,493	83,413		1,003,906
Phase IV water distibution system	141,239	14,405		155,644
Water system	4,327,511	312,726		4,640,237
Sewer system	3,090,298	137,591		3,227,889
Waste water upgrade	826,115	97,544		923,659
Total accumulated depreciation	15,568,222	989,658	0	16,557,880
Capital assets, net	$ 23,055,494	$ (185,428)	$ (9,785)	$ 22,860,281

Depreciation was charged to the following proprietary funds:

Business-type activities:	
Water	$ 754,524
Sewer	235,134
Total depreciation	$ 989,658

NOTE 4: RECEIVABLES

As of June 30, 2021, the receivables due the City consist of the following:

	Governmental Activities	Business-Type Activities
Property taxes	$ 35,227	$
Insurance tax	37,235	
Occupational tax	67,518	
Other	8,149	
Customer accounts		229,161
Total receivables	$ 148,129	$ 229,161
KLEFPF	$ 1,982	$
Intergovernmental receivables	$ 1,982	$ 0

NOTE 5: LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance 7/1/2020	Borrowings	Repayments	Balance 6/30/2021	Amounts Due Within One Year
Revenue bonds					
Kentucky Infrastructure Authority					
F02-03	$ 235,570	$ 0	$ (66,469)	$ 169,101	$ 67,135
Rural Development Agency					
Series 1994 A 92-07	388,000	0	(20,000)	368,000	21,000
Series 1998 91-10	1,285,000	0	(45,000)	1,240,000	46,000
Series 2001 92-12	511,000	0	(15,000)	496,000	16,000
Series 2004 91-13	1,340,500	0	(33,500)	1,307,000	35,000
Series 2008 County	1,174,000	0	(22,000)	1,152,000	23,000
Series 2008 City	174,000	0	(3,500)	170,500	3,500
Series 2011 A	751,000	0	(17,000)	734,000	17,500
Series 2011 B	482,500	0	(10,500)	472,000	11,000
Series 2019 County	1,276,000	0	(14,500)	1,261,500	15,000
Series 2019 City	504,000	0	(8,000)	496,000	8,000
Total long-term liabilities	$ 8,121,570	$ 0	$ (255,469)	$ 7,866,101	$ 263,135

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Future minimum principal and interest payments are as follows:

Year Ended June 30	Principal	Interest	Total
2022	263,134	286,914	550,048
2023	272,808	278,372	551,180
2024	245,659	269,451	515,110
2025	221,500	261,081	482,581
2026	231,000	252,146	483,146
2027-2031	1,305,500	1,115,361	2,420,861
2032-2036	1,519,500	833,887	2,353,387
2037-2041	1,518,500	518,576	2,037,076
2042-2046	1,000,000	270,803	1,270,803
2047-2051	709,500	129,828	839,328
2052-2056	342,000	60,170	402,170
2056-2059	237,000	13,018	250,018
	7,866,101	4,289,607	12,155,708

NOTE 6: COMPENSATED ABSENCES

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also accrue sick days based on length of service. Sick days are not paid out at retirement or termination. At June 30, 2021, accrued compensated absences are $99,210.

NOTE 7: RETIREMENT PLANS

The City is a participating employer of the County Employees' Retirement System (CERS) or (Plan). Under provision of Kentucky Revised Statue 61.645, the Board of Trustees of the Kentucky Retirement System administers the CERS. The Kentucky Retirement System issues a publicly available financial reports that may be downloaded from their website.

Plan description

CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is divided into a Pension Plan and Health Insurance Fund Plan (Other Post-Employment Benefits; OPEB) and each plan is further divided based on Non-hazardous duty and Hazardous duty covered employee classifications.

Benefits provided

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

NOTE 7: RETIREMENT PLANS (CONTINUED)

For retirement purposes, non-hazardous duty 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
	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 to December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal
	Reduced retirement	Not available

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month service and 55 years old, or at least 20 years service at any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old, or at least 25 years service at any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years service and 60 years old, or at least 25 years service at any age
	Reduced retirement	Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 6: RETIREMENT PLANS (CONTINUED)

Contributions

Employees - For the year ended June 30, 2021 nonhazardous covered employees are required to contribute 5% of wages and hazardous covered employees are required to contribute 8% of wages to the plan. Employees who begin participation on or after September 1, 2008 are required to contribute an additional 1%.

Employers - For the year ended June 30, 2021 participating employers contributed 19.30% of wages for non-hazardous covered employees and 30.06% of wages for hazardous covered employees. The City made all required contributions for fiscal year in the amount of $158,263 for non-hazardous and $36,968 for hazardous.

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability as follows:

Nonhazardous	$ 2,337,944
Hazardous	609,578
Total proportionate share of the net pension liability	$ 2,947,522

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of 2020 contributions to the pension plan relative to the 2020 contributions of all participating employers, actuarially determined. The City's proportionate share at June 30, 2020 was:

Nonhazardous	0.0305%
Hazardous	0.0202%

For the year ended June 30, 2031, the City recognized pension expense of $361,064. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Nonhazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 58,301	$ 0	
Change of assumptions	91,293		
Change in investment experience	101,342	42,838	
Change in proportionate share of contributions	32,139	122,888	
Total deferred resources	283,075	$ 165,726	$ 117,349
Subsequent contributions	158,263		
Total	$ 441,338		

NOTE 7: RETIREMENT PLANS (CONTINUED)

Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 18,905	$ 0	
Change of assumptions	23,119		
Change in investment experience	23,084	9,352	
Change in proportionate share of contributions	25,635	83,492	
Total deferred resources	90,743	$ 92,844	$ (2,101)
Subsequent contributions	36,968		
Total	$ 127,711		

Total Nonhazardous and Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 77,206	$ 0	
Change of assumptions	114,412	-	
Change in investment experience	124,426	52,190	
Change in proportionate share of contributions	57,774	206,380	
Total deferred resources	373,818	$ 258,570	$ 115,248
Subsequent contributions	195,231		
Total	$ 569,049		

The contributions subsequent to the measurement date of $195,231 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The net deferral of $115,248 will be recognized as pension expense as follows:

Year Ending 30-Jun	Net Deferral
2022	$ 78,936
2023	10,247
2024	5,310
2025	20,755
Total	$ 115,248

Actuarial assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2020, using generally accepted actuarial principles

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010”. The total pension liability as of June 30, 2020 was determined using these updated assumptions.

NOTE 6: RETIREMENT PLANS (CONTINUED)

The actuarial assumptions are:

Valuation date	6/30/2019
Actuarial cost method	Entry age normal
Asset valuation method	20% of difference
Amotrization method	Level percent of pay
Remaining amortization period	25 years, closed
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase rate - nonhazardous	3.30% - 11.55%
Salary increase rate - hazardous	3.05% - 18.55%

The mortality table used for active members was Pub-2010 General Mortality Table, for the non-hazardous system, and Pub-2010 Public Safety Mortality Table for the hazardous system, 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 2013-2018 projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Mortality Table, with a 4-uear set-forward for both male and female rates, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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 tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	100.00%	

NOTE 7: RETIREMENT PLANS (CONTINUED)

Discount rate

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate :

Pension

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Nonhazardous	$ 2,883,194	$ 2,337,944	$ 1,886,457
Hazardous	753,352	609,578	492,221
Total	$ 3,636,546	$ 2,947,522	$ 2,378,678

Pension plan fiduciary net position

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

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan description

The City's employees are provide OPEB under provions of Kentucky Revised Statutes. The Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Insurance Fund is included in a public available financial report that can be viewed at www.kyret.ky.gov.

Benefits provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

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

Contributions

For the year ending June 30, 2021, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% for hazardous classifications. Participating employers were required to contribute at an actuarially determined rate. 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. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Implicit Subsidy

The fully-insured premiums KRS Pays for the Kentucky Employees' Health plan are blended rates based on the combined experience of active and retiree members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Nonhazardous	$	735,854
Hazardous		186,780
Total proportionate share of the net OPEB liability	$	922,634

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. The City's proportionate share at June 30, 2020 was as follows:

Nonhazardous	0.0305%
Hazardous	0.0202%

For the year ended June 30, 2021, the City recognized OPEB expense of $25,731. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Nonhazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 122,946	$ 123,042	
Change of assumptions	127,995	778	
Change in investment experience	39,473	15,015	
Change in proportionate share of contributions	16,363	44,195	
Total deferred resources	306,777	$ 183,030	$ 123,747
Subsequent contributions	39,032		
Total	$ 345,809		

Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 6,410	$ 18,652	
Change of assumptions	30,471	172	
Change in investment experience	13,831	5,539	
Change in proportionate share of contributions	10,640	27,705	
Total deferred resources	61,352	$ 52,068	$ 9,284
Subsequent contributions	11,709		
Total	$ 73,061		

Total Nonhazardous and Hazardous	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	$ 129,356	$ 141,694	
Change of assumptions	158,466	950	
Change in investment experience	53,304	20,554	
Change in proportionate share of contributions	27,003	71,900	
Total deferred resources	368,129	$ 235,098	$ 133,031
Subsequent contributions	50,741		
Total	$ 418,870		

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The contributions subsequent to the measurement date of $50,739 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The net deferral of $133,031 will be recognized in OPEB expense as follows:

Year Ending 30-Jun	Net Deferral
2022	$ 38,781
2023	41,769
2024	30,188
2025	25,554
2026	(3,261)
Thereafter	-
	$ 133,031

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2020, using generally accepted accounting principles.

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010". The total OPEB liability as of June 30, 2019 was determined using these updated assumptions.

The actuarial assumptions are:

Valuation date	6/30/2018
Actuarial cost method	Entry age normal
Amotrization method	Level percent of pay
Remaining amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increase rate - nonhazardous	3.30% - 11.55%
Salary increase rate - hazardous	3.05% - 18.55%
Health care cost trends:	
Pre-65	7.00% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	5.00% decreasing to an ultimate rate of 4.05% in 12 years

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The mortality table used for active members is 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 RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back four yersr for males).

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates 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 tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	100.00%	

Discount rate

The projection of cash flows used to determine the discount rate of 5.68% for non-hazardous and 5.69% for hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsisdy was not included in the calculation of the KRS' acturarial determined contributions, and any cost associated with the implicit study will not be paid out of KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.34% for non-hazardous and 5.30% for hazardous 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 :

	1% Decrease	Current Discount Rate	1% Increase
	4.34%	**5.34%**	**6.34%**
Nonhazardous	$ 945,357	$ 735,854	$ 563,783
	4.30%	**5.30%**	**6.30%**
Hazardous	253,549	186,780	132,978
Total	$ 1,198,906	$ 922,634	$ 696,761

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:

	1% Decrease	Current Trend Rate	1% Increase
Nonhazardous	$ 569,735	$ 735,854	$ 937,444
Hazardous	133,479	186,780	252,310
Total	$ 703,214	$ 922,634	$ 1,189,754

OPEB plan fiduciary net position

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

NOTE 8: CONTINGENCIES

The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management, these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of this and similar cases has been made in the accompanying financial statements

NOTE 9: RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2020, 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.

	Budgeted Amounts			Variances
	Original	Final	Actual	Final to Actual
Revenues				
Property taxes	$ 200,000	$ 200,000	$ 340,015	$ 140,015
Licenses and permits	291,000	291,000	300,754	9,754
Occupational license tax	300,000	300,000	357,754	57,754
Intergovernmental and HB 413	29,000	29,000	15,352	(13,648)
Franchise fees	72,000	72,000	74,108	2,108
Charges for services	105,000	105,000	95,665	(9,335)
Grant proceeds		109,995	143,760	33,765
School resource officer	31,650	31,650	17,370	(14,280)
Sidewalk project	360,000	360,000		(360,000)
Other revenue	14,900	18,010	5,474	(12,536)
Total revenues	1,403,550	1,516,655	1,350,252	(166,403)
Expenditures				
General government	205,172	259,590	250,786	8,804
Public safety - police	629,076	659,076	591,801	67,275
Public works - streets	104,302	104,302	92,551	11,751
Public works - sanitation	105,000	105,000	98,821	6,179
Project expenditures	450,000	582,000		582,000
Total expenditures	1,493,550	1,709,968	1,033,959	676,009
Net change in fund balance	(90,000)	(193,313)	316,293	509,606
Fund balance - beginning	1,135,475	1,135,475	1,342,871	207,396
Fund balance - ending	$ 1,045,475	$ 942,162	$ 1,659,164	$ 717,002

	Budgeted Amounts			Variances
	Original	Final	Actual	Final to Actual
Revenues				
Intergovernmental revenues	$ 16,000	$ 16,000	$ 14,830	$ (1,170)
Other revenue	100	100	96	(4)
Total revenues	16,100	16,100	14,926	(1,174)
Expenditures				
Streets	70,000	88,000	46,600	41,400
Total expenditures	70,000	88,000	46,600	41,400
Net change in fund balance	(53,900)	(71,900)	(31,674)	40,226
Fund balance - beginning	97,735	97,735	113,028	15,293
Fund balance - ending	$ 43,835	$ 25,835	$ 81,354	$ 55,519

	Budgeted Amounts			Variances
	Original	Final	Actual	Final to Actual
Revenues				
Charges for services	$ 5,283,612	$ 5,283,612	$ 5,170,023	$ (113,589)
Project revenue	1,500,000	1,500,000	0	(1,500,000)
Other revenue		11,135	39,612	28,477
Total revenues	6,783,612	6,794,747	5,209,635	(1,585,112)
Expenditures				
Operating	5,428,612	5,428,612	5,079,137	349,475
Project expense	1,500,000	1,500,000		1,500,000
Total expenditures	6,928,612	6,928,612	5,079,137	1,849,475
Net change in fund balance	(145,000)	(133,865)	130,498	264,363
Fund balance - beginning	19,727,841	19,727,841	19,687,829	(40,012)
Fund balance - ending	$ 19,582,841	$ 19,593,976	$ 19,818,327	$ 224,351

Note A: Budgetary Basis of Accounting

While the City reports financial position, results of operations, and changes in fund balance in accordance with generally accepted accounting principles (GAAP) accepted in the United States the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The statement of revenues, expenditures, and changes in fund balances - budget (non-GAAP budgetary basis) and actual is presented to provide a meaningful comparison of actual results with the budget.

Note B: Reconciling Net Change in Fund Balance Budgetary Basis to GAAP Basis

Net change in fund balance	General Fund	Municipal Road Aid Fund	Water and Sewer Fund
GAAP basis	$ 329,935	$ (31,674)	$ (95,505)
Net adjustment for revenue accruals	(18,129)		
Net adjustment for expenditure accruals	4,487		226,003
Bugetary basis	$ 316,293	$ (31,674)	$ 130,498

Note C: Information about Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, Basic Financial statements- and Management's Discussion and Analysis- for State and Local Governments, the City has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated and maintenance and preservation costs are not expensed. The City capitalized costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to use the modified approach, the City is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets and the condition level established and disclose by the City.
- Document that the infrastructure assets are being preserved approximately at or above the condition level established by the City.

A government that uses the modified approach has to document that it has performed a complete condition assessment of the assets at least every three years. The City completed a condition assessment of the assets and reported the results of the assessment in the financial statements of June 30, 2021 and for the year then ended. That assessment is reported in these financial statements as of June 30, 2021 and for the year then ended.

Roads

The City applies the modified approach to the thirty-three (33) streets and roads that are owned by the City and maintained by the City's Streets Department. The goal of the City in conjunction with adopting the modified approach is the develop and provide a cost effective pavement maintenance and rehabilitation program that preserves the City's investment in its road network and enhances public transportation and safety.

Measurement Safety

The condition of road pavement is measured using the City Pavement Measurement System. This system uses a measurement scale that considers the condition of the highways and roads as denoted by a Pavement Condition Index (PCI), ranging from 0 to 100. The PCI is used to classify roads into categories.

Category	PCI Rating Range	Description
Very Good	94 – 100	New or nearly new pavement which provides a very smooth ride and is mainly free of distress (no maintenance work needed).
Good	76 – 93	Pavement which provides an adequate ride and exhibits few, if any, visible signs of distress (minor maintenance may be needed).
Fair	64 – 75	Surface defects such as cracking, rutting, and raveling are affecting the ride (major maintenance is likely needed).
Poor	41 – 63	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough (structural improvements in addition to major maintenance are likely needed).
Very Poor	0 – 40	Pavement in this category is severely deteriorate and the ride quality is unacceptable (complete road reconstruction is likely needed).

Established Condition Level

It is the City's policy to maintain at least 80% of its roads at or above the "good" condition level, and no more that 10% at a "very poor" condition. Condition assessments are performed by geographic City within the City on approximately one-third of the roads each year, achieving a complete condition assessment at least every three years.

Assessed Conditions

During the past five (5) years ended June 30, the City budgeted and spent the amounts to maintain the streets, roads and sidewalks of the City.

Year Ended 30-Jun	Budget	Expenditure
2017	$ 32,183	$ 44,332
2018	$ 50,033	$ 16,101
2019	$ 39,915	$ 26,356
2020	$ 116,404	$ 72,878
2021	$ 48,000	$ 46,600

Schedule of City's Proportionate Share of the Net Pension Liability - CERS

As of June 30,	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0305%	0.0334%	0.0323%	0.0316%	0.0309%	0.0320%	0.0340%
City's proportionate share of the net pension liability	$2,337,944	$2,352,061	$1,967,108	$1,852,104	$1,519,430	$1,376,482	$1,103,000
City's covered payroll	$ 823,591	$ 854,878	$ 831,203	$ 787,016	$ 774,168	$ 848,103	$ 809,994
City's proportionate share of the net pension liability as a percentage of its covered payroll	283.87%	275.13%	236.66%	235.33%	196.27%	162.30%	136.17%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of City's Contributions - CERS

As of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 158,263	$ 158,953	$ 138,661	$ 120,358	$ 109,788	$ 96,151	$ 108,133	$ 111,293
Actual contribution	158,263	158,953	138,661	120,358	109,788	96,151	108,133	111,293
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 820,016	$ 823,591	$ 854,878	$ 831,203	$ 787,016	$ 774,168	$ 848,103	$ 809,994
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

Schedule of City's Proportionate Share of the Net Pension Liability - CERS

As of June 30,	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0202%	0.0247%	0.0216%	0.0222%	0.0204%	0.0213%	0.0453%
City's proportionate share of the net pension liability	$ 609,578	$ 681,845	$ 522,919	$ 496,586	$ 350,840	$ 326,746	$ 545,000
City's covered payroll	$ 118,693	$ 168,114	$ 148,416	$ 135,674	$ 103,702	$ 123,332	$ 233,137
City's proportionate share of the net pension liability as a percentage of its covered payroll	513.58%	405.58%	352.33%	366.01%	338.32%	264.93%	233.77%
Plan fiduciary net position as a percentage of the total pension liability	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

Schedule of City's Contributions - CERS

As of June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 36,968	$ 35,679	$ 41,793	$ 32,948	$ 29,455	$ 21,010	$ 28,304	$ 50,753
Actual contribution	36,968	35,679	41,793	32,948	29,455	21,010	28,304	50,753
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 122,981	$ 118,693	$ 168,114	$ 148,416	$ 135,674	$ 103,702	$ 123,332	$ 233,137
Contributions as a percentage of covered payroll	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%

Schedule of City's Proportionate Share of the Net OPEB Liability - CERS

As of June 30,	2021	2020	2019	2018
Measurement period as of June 30,	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.0305%	0.0334%	0.0323%	0.0316%
City's proportionate share of the net OPEB liability	$ 735,854	$ 562,345	$ 573,642	$ 636,112
City's covered payroll	$ 823,591	$ 854,878	$ 831,203	$ 787,016
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.35%	65.78%	69.01%	80.83%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.39%

Schedule of City's Contributions - CERS

As of June 30,	2021	2020	2019	2018	2017
Contractually required contribution	$ 39,032	$ 39,202	$ 44,966	$ 39,066	$ 37,225
Actual contribution	39,032	39,202	44,966	39,066	37,225
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 820,016	$ 823,591	$ 854,878	$ 831,203	$ 787,016
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%

Schedule of City's Proportionate Share of the Net OPEB Liability - CERS

As of June 30,	2021	2020	2019	2018
Measurement period as of June 30,	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.0202%	0.0247%	0.0216%	0.0222%
City's proportionate share of the net OPEB liability	$ 186,780	$ 182,590	$ 154,163	$ 183,488
City's covered payroll	$ 118,693	$ 168,114	$ 148,416	$ 135,674
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	157.36%	108.61%	103.87%	135.24%
Plan fiduciary net position as a percentage of the total OPEB liability	58.84%	64.44%	64.24%	58.99%

Schedule of City's Contributions - CERS

As of June 30,	2021	2020	2019	2018	2017
Contractually required contribution	$ 11,707	$ 11,299	$ 17,601	$ 13,876	$ 12,685
Actual contribution	11,707	11,299	17,601	13,876	12,685
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 122,981	$ 118,693	$ 168,114	$ 148,416	$ 135,674
Contributions as a percentage of covered payroll	9.52%	9.52%	10.47%	9.35%	9.35%

Benefits	2021	2020	2019
	no change	no change	no change

Assumptions	2021	2020	2019
Valuation date	6/30/2019	6/30/2018	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	20% of difference	20% of difference	20% of difference
Amotrization method	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed	27 years, closed
Payroll growth rate	2.00%	2.00%	4.00%
Investment return	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	3.25%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%	4.00%

Benefits	2021	2020	2019
	no change	no change	no change

Assumptions	2021	2020	2019
Valuation date	6/30/2018	6/30/2017	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amotrization method	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed	27 years, closed
Payroll growth rate	2.00%	2.00%	4.00%
Investment rate of return	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	3.25%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%	4.00%
Health care cost trends:			
Pre-65	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years

Benefits	2021	2020	2019
	no change	no change	no change

Assumptions	2021	2020	2019
Valuation date	6/30/2018	6/30/2017	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amotrization method	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed	27 years, closed
Payroll growth rate	2.00%	2.00%	4.00%
Investment rate of return	6.25%	6.25%	7.50%
Inflation	2.30%	2.30%	3.25%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%	4.00%
Health care cost trends:			
Pre-65	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years

INDEPENDENT AUDITOR'S 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*

To City Commission
City of Taylorsville, Kentucky
Taylorsville, 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, the business-type activities, and each major fund of the City of Taylorsville, Kentucky (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Maddox & Associates CPAs, Inc.

Fort Thomas, KY

November 1, 2021