CITY OF VILLA HILLS, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

CITY OF VILLA HILLS, KENTUCKY

ANNUAL FINANCIAL REPORT

June 30, 2019

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CITY OF VILLA HILLS, KENTUCKY

CITY OFFICIALS

As of June 30, 2019

Mayor

Heather Jansen

Council Members

Rod Baehner	Cathy Stover
Jim Cahill	Seth Thompson
Scott Ringo	Suzanne Wadsworth

City Administrator/Clerk

Craig Bohman

Police Chief

Bryan Allen

Public Works

Derick Yelton

Legal Counsel

Mary Ann Stewart
Adams, Stepner, Woltermann & Dusing, PLLC

Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the Council of the
City of Villa Hills, Kentucky**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Villa Hills, Kentucky, as of and for the year ended June 30, 2019, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Villa Hills, Kentucky as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

3216 Dixie Highway • Erlanger, KY 41018 • Phone: (859) 431-0700 • Fax: (859) 655-4780

Van Gorder, Walker & Co., Inc.
Certified Public Accountants

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 4-7 and the budgetary comparison schedules and pension disclosures on pages 34-40 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

-Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining non-major special revenue funds schedules on pages 41-42 are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019 on our consideration of the City of Villa Hills, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Villa Hills, Kentucky's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
October 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis is a required element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34. It provides management with the opportunity to present an overview of the financial activities of the City based on currently known facts, decisions or conditions.

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds and tell how services were financed in the short term as well as what remains for future spending.

The City as a Whole

The Statement of Net Position and the Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting and report the City's net position and changes in them. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All of the City's basic services are considered to be governmental activities, including legislative and administrative, public safety, public works and parks and recreation. Property taxes, insurance premium and franchise taxes and payroll/gross receipts license fees finance most of these services. At June 30, 2019 and 2018 total position, net of depreciation and related debt, exceeded liabilities by $4,892,393 and $4,831594 as follows:

Table 1 - Net Position

Assets	2019	2018
Current and other assets	$ 2,201,562	$ 1,967,471
Restricted assets	356,112	175,449
Capital assets, net of depreciation	5,361,936	5,488,232
Total Assets	7,919,610	7,631,152
Deferred Outflow of Resources	1,029,290	825,548
Total Assets and Deferred Outflow of Resources	8,948,900	8,456,700
Liablilities		
Current liabilities	456,574	282,245
Long term liabilities	657,906	799,650
Net pension and OPEB liability	2,651,147	2,277,657
Total Liabilities	3,765,627	3,359,552
Deferred Inflow of Resources	290,880	265,554
Total Liabilities and Deferred Inflow of Resources	4,056,507	3,625,106
Net Position		
Net investment in capital assets	4,666,437	4,627,566
Restricted	341,785	185,970
Unrestricted	(115,829)	18,058
Total Net Position	$ 4,892,393	$ 4,831,594

Governmental activities increased the City's net position by $60,799 in 2019 compared to a $91,306 increase in FY 2018. This increase takes into account a non-cash depreciation expense of $450,118 and a pension expense that is $195,077 more than was actually contributed to the pension system. The City saw increases in all major revenue sources. Payroll tax collections increased 10%, property tax revenue increased 5%, and insurance premium tax collections increased 3%. Capital and operational grants were similar to last year. The City's expenditures for each functional area, except for public safety and road repair, were similar from the previous fiscal year. Public safety increased by $628,137, and road repair increased $146,967 from FY 2018. The increase in public safety is primarily due to increased personnel costs including increased pension funding requirements.

Table 2 - Governmental Activities

	2019	2018
Revenues		
Program Revenues:		
Charges for services	$ 1,674,008	$ 842,926
Operating grants and contributions	68,987	44,467
Capital grants and contributions	153,055	151,069
Total Program Revenues	1,896,050	1,038,462
General Revenues		
Property taxes	1,637,240	1,564,385
Insurance and franchise taxes	609,947	603,620
Payroll taxes/gross receipts fees	508,926	462,547
Vehicle sticker license	-	470
Other general revenues	142,245	90,431
Total General Revenues	2,898,358	2,721,453
Total Revenues	4,794,408	3,759,915
Program Expenses		
Legislative and administrative	1,603,931	1,471,810
Public safety	1,933,258	1,155,095
Public works & road repairs	1,095,089	944,808
Parks and recreation	57,744	60,585
Events & beautification	13,694	11,373
Interest on long-term debt	29,893	24,938
Total Expenses	4,733,609	3,668,609
Net Change in Net Position	60,799	91,306
Prior Period Adjustment for OPEB	-	(367,327)
Net Change in Net Position	$ 60,799	$ (276,021)

The Statement of Activities presents the cost of each of the City's functions/programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost of $2,837,559 or 60% of total cost in FY 2019 (compared to 59.9% in FY 2018), shows the financial burden that was placed on the City's taxpayers by each of these functions. The table below details the key elements of the increase (decrease) in net position for fiscal year 2019 and 2018. The net change in position without the prior year adjustment reflects the actual management of City controlled funds and shows a $60.799 positive offset, which would be 34% less than the previous year's net position increase.

THE CITY'S FUNDS

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City establishes funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money. The governmental fund statements provide a detailed short-term view of the City's general government operations and basic services it provides, helping to determine whether there are more or fewer resources that can be spent in the near future to finance the City's programs.

The City has one main set of funds – governmental – separated into a General Fund, the Road Tax Fund, the Municipal Road Aid Fund, Capital Fund, and Special Revenue Fund. The Road Tax Fund, which was new in FY 2017, collects an ad valorem tax of $0.067 per $100 assessment on real property in the City. These funds may be spent only on road repair and replacement. Municipal Road Aid Funds are received monthly from the Kentucky Revenue Cabinet, and are to be used only to replace, maintain or improve the City's roads per statute. The Capital Fund accounts for funds set aside for capital purchases, such as vehicles and equipment. The Special Revenue Fund consist of fund restricted by contributions to the City's Shop with a Cop and Adopt a Unit programs. The total governmental fund increase at year-end was $244,396 (a $677,663 increase from negative $433,267 in FY 2018). $134,447 of that increase came from the Road tax Fund and $155,160 came from the General Fund.

Table 3 - Revenues and Expenditures by Fund

	2019	2018
Revenues		
General Fund revenues	$ 4,132,267	$ 3,136,930
Road Tax Fund revenues	469,277	466,009
Municipal Road Aid Fund revenues	153,055	151,112
Special Revenue Funds	39,808	205,564
Total Revenues	4,794,407	3,959,615
Expenditures		
General Fund expenditures	3,796,711	2,977,300
Road Tax Fund expenditures	334,830	920,000
Municipal Road Aid Fund expenditures	130,437	100,560
Special Revenue Funds expenditures	288,033	395,022
Total Expenditures	4,550,011	4,392,882
Excess of revenues over expenditures	$ 244,396	$ (433,267)
Net Change in Fund Balances		
General Fund	155,160	(46,770)
Road Tax Fund	134,447	(453,991)
Municipal Road Aid Fund	22,618	50,552
Special Revenue Funds	(67,829)	16,942
Total Change in Fund Balance	$ 244,396	$ (433,267)

Actual General Fund revenues were $2,451 less than budgeted revenues. When the City's beginning reserve balance is considered, the amount available for appropriations ($6,115,516) exceeded the amount expended and transferred ($3,977,107) by the total net fund balance of $2,138,409.

Actual General Fund expenditures and transfers were under budget by $787,256, which 21% of the General Fund budget. Actual Municipal Road Aid Fund revenues were $13,055 more than budgeted revenues. Actual Municipal Aid Road Fund expenditures were under budget by $59,563

The Capital Fund included only transfers and proceeds from sales of assets in the current year and the Special Revenue Fund is not budgeted, since it is fiduciary in nature and being held at the discretion of individual programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the City had $16,604,344 invested in various capital assets, including land, buildings and improvements, infrastructure, equipment and vehicles. The City purchased capital assets valued at $323,825 in 2019. The City also recognized $450,118 in depreciation expense; leaving a net decrease in total capital assets, net of depreciation of $126,293.

Table 4 - Fixed Assets

	2019	2018
Land	$ 28,145	$ 28,145
Buildings and improvements	1,251,263	1,251,263
Infrastructure	14,067,703	13,833,869
Property and equiment	450,074	360,083
Vehicles	807,159	807,159
Accumulated depreciation	(11,242,405)	(10,792,287)
Capital assets, net	$ 5,361,939	$ 5,488,232

Debt

In August 2016, the City executed a 4-year capital lease for $108,100 for police cruisers and in December 2016, the City executed a 5-year lease for $80,837 for a dump truck. In May 2018, the City executed a 4 -year capital lease for $141,013 for police cruisers and a 4-year capital lease for $48,180 to equip those cruisers. At June 30, 2019, the City had $695,499 in long-term debt remaining.

Table 5 - Long Term Debt

	2019	2018
2016 Capital Lease - Road Repair	$ 540,437	$ 610,368
2016 Capital Lease - Police Cruisers	32,891	48,459
2016 Capital Lease - Dump Truck	27,759	53,960
2018 Capital Lease - Police Cruisers	70,369	102,389
2018 Capital Lease - Equipment	24,043	34,983
	$ 695,499	$ 850,159

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional information, contact the City’s Finance Committee, at the City of Villa Hills, 720 Rogers Road, Villa Hills, Kentucky, (859) 341-1515.

CITY OF VILLA HILLS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	$ 1,948,072
Property taxes receivable - net	26,568
Insurance tax receivable	147,238
Other receivables	79,684
Restricted assets	
Restricted cash	356,112
Capital assets	
Land	28,145
Property, plant and equipment, net of depreciation	5,333,791
Total Assets	7,919,610
Deferred Outflows of Resources	
Deferred outflows related to pension and post employment health insurance	1,029,290
Total Assets and Deferred Outflows of Resources	8,948,900
Liabilities	
Accounts payable	240,671
Accrued payroll and payroll taxes	54,406
Capital lease - current portion	161,497
Long-term liabilities	
Capital lease - long term portion	534,002
Compensated absences	123,904
Net pension and post employment health insurance liability	2,651,147
Total Liabilities	3,765,627
Deferred Inflow of Resouces	
Deferred inflows related to pension and post employment health insurance	290,880
Total Liabilities and Deferred Inflow of Resources	4,056,507
Net Position	
Net investment in capital assets	4,666,437
Restricted	341,785
Unrestricted	(115,829)
Total Net Position	$ 4,892,393

The accompanying notes are an integral part of these financial statements.

CITY OF VILLA HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Governmental Activities
Primary Government					
Legislative and administrative	$ 1,603,931	$ 1,194,242	$ -	$ -	$ (409,689)
Public safety	1,933,258	-	68,987	-	(1,864,271)
Parks and recreation	57,744	10,489	-	-	(47,255)
Public works	434,076	-	-	153,055	(281,021)
Road repair	661,013	469,277	-	-	(191,736)
Events & beautification	13,694	-	-	-	(13,694)
Interest & fees	29,893	-	-	-	(29,893)
Total Primary Government	$ 4,733,609	$ 1,674,008	$ 68,987	$ 153,055	(2,837,559)

	Governmental Activities
General revenues	
Taxes	
Property taxes, levied for general purposes	1,637,240
Insurance and franchise taxes, levied for general purposes	609,947
Licenses and permit fees	
Payroll and gross receipts license fees	508,926
Licenses and fees	51,647
Miscellaneous	42,614
Gain on disposal of assets	319
Unrestricted investment earnings	47,665
Total general revenues and special items	2,898,358
Change in net position	60,799
Net position, beginning	4,831,594
Net position, ending	$ 4,892,393

The accompanying notes are an integral part of these financial statements.

CITY OF VILLA HILLS, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

Assets	**General**	**Road Tax Fund**	**Municipal Road Aid Fund**	**Special Revenue Funds**	**Total Governmental Funds**
Unrestricted Assets					
Cash and cash equivalents	$ 1,759,472	$ -	$ -	$ 188,600	$ 1,948,072
Property taxes receivable - net	26,568	-	-	-	26,568
Insurance tax receivable	147,238	-	-	-	147,238
Other receivables	79,684	-	-	-	79,684
Due from other funds	9,713	-	-	7,667	17,380
Total Unrestricted Assets	2,022,675	-	-	196,267	2,218,942
Restricted Assets					
Restricted cash	4,614	142,098	198,515	10,885	356,112
Total Assets	$ 2,027,289	$ 142,098	$ 198,515	$ 207,152	$ 2,575,054
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 60,641	$ -	$ -	$ 180,030	$ 240,671
Accrued liabilities	54,406	-	-	-	54,406
Due to other funds	7,667	-	9,713	-	17,380
Liabilities paid with restricted funds					
Restricted accounts	-	-	-	-	-
Total Liabilities	122,714	-	9,713	180,030	312,457
Fund Balances					
Restricted	-	142,098	188,802	10,885	341,785
Committed	862,143	-	-	37,500	899,643
Assigned	128,135	-	-	(21,263)	106,872
Unassigned	914,297	-	-	-	914,297
Total Fund Balances	1,904,575	142,098	188,802	27,122	2,262,597
Total Liabilities and Fund Balances	$ 2,027,289	$ 142,098	$ 198,515	$ 207,152	$ 2,575,054

Total governmental fund balances	$ 2,262,597
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of $16,604,344, net of accumulated depreciation of ($11,242,405), used in governmental activities are not financial resources and are not reported in the funds.	5,361,936
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Capital leases	(695,499)
Compensated absences	(123,904)
Net pension and post employment health insurance liability	(2,651,147)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reportable in the funds	
Deferred outflows related to pension and post employment health insurance	1,029,290
Deferred intflows related to pension and post employment health insurance	(290,880)
Net position of governmental activities	$ 4,892,393

The accompanying notes are an integral part of these financial statements.

CITY OF VILLA HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Road Tax Fund	Municipal Road Aid Fund	Special Revenue Funds	Total Governmental Funds
Revenues					
Taxes					
Property	$ 1,637,240	$ -	$ -	$ -	$ 1,637,240
Insurance premium	545,375	-	-	-	545,375
Payroll and gross reciepts	508,926	-	-	-	508,926
Franchise	64,572	-	-	-	64,572
Licenses and fees	51,647	-	-	-	51,647
Intergovernmental	68,987	-	153,055	-	222,042
Charges for services	1,194,242	469,277	-	10,489	1,674,008
Fines and forfeitures	11,819	-	-	-	11,819
Interest	47,665	-	-	-	47,665
Sale of surplus property	-	-	-	319	319
Miscellaneous	1,794	-	-	-	1,794
Contributions	-	-	-	29,000	29,000
Total Revenues	4,132,267	469,277	153,055	39,808	4,794,407
Expenditures					
Legislative and administrative	385,605	-	-	(6,694)	378,911
Contracted Services	1,159,356	-	-	5,274	1,164,630
Public safety	1,546,183	-	-	156,278	1,702,461
Parks and recreation	50,852	-	-	(9,873)	40,979
Public works	376,154	-	-	(45,541)	330,613
Events & beautification	13,694	-	-	-	13,694
Road repair	20,526	334,830	44,482	-	399,838
Capital outlay	233,834	-	-	89,991	323,825
Debt service:					
Principal	10,507	-	69,931	84,729	165,167
Interest	-	-	16,024	13,869	29,893
Total Expenditures	3,796,711	334,830	130,437	288,033	4,550,011
Excess (deficit) of revenues over (under) expenditures	335,556	134,447	22,618	(248,225)	244,396
Other Financing Sources (Uses)					
Transfers In	-	-	-	180,396	180,396
Transfers Out	(180,396)	-	-	-	(180,396)
Net Change in Fund Balances	155,160	134,447	22,618	(67,829)	244,396
Fund Balances, Beginning of Year	1,749,415	7,651	166,184	94,951	2,018,201
Fund Balances, End of Year	$ 1,904,575	$ 142,098	$ 188,802	$ 27,122	$ 2,262,597

The accompanying notes are an integral part of these financial statements.

CITY OF VILLA HILLS, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net change in fund balances-total governmental funds	$	244,396
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 as depreciation expense.		
Capital asset purchases capitalized		323,825
Depreciation expense, net of adjustment		(450,118)
Governmental funds report City pension and post employment health insurance contributions as expenditures. However, in the statement of activites, the cost of pension benefits earned net of employer contributions is reported as an expense		
Cost of pension benefits earned		(165,266)
Cost of post employment health insurance benefits earned		(29,811)
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, such as:		
Payment of loan principal		165,167
Compensated absences		(27,394)
Change in net position of governmental activities	$	60,799

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Villa Hills, Kentucky (City) was incorporated under the provisions of the Commonwealth of Kentucky in June 1962. The City provides the following services as authorized by its charter: public safety, streets, public improvements, and general administrative services.

The accounting policies of the City of Villa Hills, Kentucky conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

The Reporting Entity

The City of Villa Hills, Kentucky operates under a Mayor and Council form of government. An elected mayor and six council members govern the City. As required by generally accepted accounting principles these financial statements present the primary government. The City has no component units or entities from which the government is considered to be financially accountable.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for all of the non-fiduciary activities of the primary government. Generally, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are generally supported by taxes and City general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expense and program revenues associated with a distinct functional activity. Program revenues include: charges for services, which report fees, fines and forfeitures, and other charges to users of the City's services; operating grants and contributions which finance annual operating activities, including restricted investment income; and capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liability, rather than expenditures.

Fund Financial Statements

Fund financial statements, as applicable, are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting and include the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. If applicable, the proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenues when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only in the year when payment is due.

Major revenue sources, where accrual is most likely to occur, include property taxes, insurance premium taxes and payroll/gross receipts license fees.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types

The City reports the following governmental funds:

General Fund

This fund is the government's primary operating fund. This fund accounts for all financial resources of the general government not accounted for in another fund.

Road Tax Fund

This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains a special revenue fund for Road Tax Funds collected through an ad valorem tax of $0.067 per $100 assessment on real property in the City. These funds may be spent only on road repair and replacement.

Municipal Road Aid Fund

This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains a special revenue fund for Municipal Road Aid Funds provided by the Commonwealth of Kentucky. This fund is used to account for the receipt and disbursement of funds in accordance with Kentucky Revised Statutes for municipal road aid.

Special Revenue Fund

This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains a special revenue fund to account for the aggregate balances and activities in the City's DARE program, the Adopt-a-Unit program, and the Shop with a Cop program.

Capital Fund

The Capital Fund is made of an appropriated General Fund transfer and the proceeds of the sale of surplus property. The purpose of this fund to hold the resources necessary to pay for the replacement of vehicles and capital equipment based on a replacement schedule. These funds are assigned within the budget ordinance.

Cash and Cash Equivalents

Statutes authorize the City to invest in obligations of the United States and of its agencies and instrumentalities, certificates of deposit, passbooks, bankers' acceptances, commercial paper, bonds of other state or local governments, and mutual funds. Cash and cash equivalents consist of those instruments with maturities of less than three months and certificates of deposit with maturities less than 1 year. All accounts held are insured under the FDIC insurance program and amounts held in excess of the FDIC coverage are covered by collateral.

Inter-fund Receivables/Payables

During the course of operations, it is possible for transactions to occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. For the year ended June 30, 2019, there were two inter-fund receivables/payables, $9,713 due to the General Fund from the Municipal Road Aid Fund and $7,667 due to Special Revenue Funds from the General Fund.

Inventories and Prepaid Items

If applicable, inventories in the governmental funds consist of expendable supplies held for consumption stated on a first in, first out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Prepaid items record payments to vendors that benefit future reporting periods. Both inventories and prepaid items are similarly reported in government-wide and fund financial statements.

Capital Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position.

All fixed assets are valued at historical cost or historical estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.
The City has elected to capitalize assets with a cost of $2,500 or more. Capital assets are depreciated using the straight-line method in the government-wide financial statements. Infrastructure assets are booked with at the total cost of construction of the asset. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 years
Building improvements	10-20 years
Public domain infrastructure	40 years
Vehicles	5-10 years
Furniture and equipment	3-5 years

Compensated Absences

During the 2015 fiscal year, the City changed its compensated absence policy. City employees now earn paid time off (PTO), accrued each pay period, based on hours worked and a rate factor based on years of service. Employees may carry a portion of their PTO forward year to year.

City employees who held accrued vacation/sick time under the previous system have been allowed to keep that accrued time, represented as a specific dollar amount, but must add new accruals under the new PTO system.

The balance of PTO and vacation/sick time due to employees at the end of the fiscal year is accrued, along with related costs and fringe benefits, in the government-wide financial statements. Governmental funds report only the portion of compensated absences that have matured and have been paid to employees; these are included in employee wage expense in the funds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits – Health Insurance Plan

For purposes of measuring the net liability for other post-employment benefits – health insurance plan (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the OPEB. For this purpose, benefit payments are recognized when due and payable. In accordance with the benefit terms. Investments are reported at fair value.

Long-Term Debt

In the government-wide financial statements outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Payment of principle and interest is reported as expenditures.

Fund Balances

Net position is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

The City uses funds and account groups to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Non-spendable fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses to be non-spendable.

Restricted fund balances are amounts that can only be used pursuant to constraints imposed by external sources. These include balances from the Commonwealth of Kentucky in the Road Tax Fund, the Municipal Road Aid Fund and balances in the Special Revenue Fund.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. These include the Civic Club Lease, and the net balance of the flex plan benefit account, and reservations for road construction in the Municipal-Aid Road Fund.

Assigned fund balances are amounts that are intended to be used for specific purposes as stipulated by informal actions of the council or management. These include insurance premium and payroll taxes set aside for road repair and reservations in the Capital Fund.

Unassigned fund balances consist of all residual funds not included in non-spendable, restricted or committed, or assigned fund balances.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The City does not account for or report on encumbrances.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with City ordinance, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
5. Appropriations continue in effect until a new budget is adopted.
6. The City Council may authorize supplemental appropriations during the year.

NOTE C – ACCOUNTS RECEIVABLE

Property and Waste Fees Receivable

Property taxes were assessed on property values as of January 1st. Taxes were payable by October 1, 2018 and are delinquent after November 15, 2018. The City bills and collects its own property taxes and waste fees. The City had property taxes and waste fees receivable of $26,568 at June 30, 2019. The City feels that all property tax and waste fees are collectible.

NOTE D – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2019:

Asset Type	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Land	$ 28,145	$ -	$ -	$ 28,145
Buildings and improvements	1,251,263	-	-	1,251,263
Infrastructure	13,789,847	-	-	13,789,847
WIP Buttermilk SNK	44,022	233,834	-	277,856
Property and equipment	360,083	89,991	-	450,074
Vehicles	807,159	-	-	807,159
Subtotal	16,280,519	323,825	-	16,604,344
Less: accum. depreciation	(10,792,287)	(450,118)	-	(11,242,405)
Fixed assets, net	$ 5,488,232	$ (126,293)	$ -	$ 5,361,939

Depreciation expense was charged to functions as follows:

Governmental Activities	
Legislative and Administrative	$ 15,170
Parks and Recreation	16,765
Public Safety	105,950
Public Works - Infrastructure	261,174
Public Works	51,059
Total Governmental Activities Depreciation Expense	$ 450,118

NOTE E – OPERATING LEASES

Warehouse Space Lease

On September 30, 2004, the City entered into an agreement for rental of warehouse storage space. The lease is currently being renewed on a year to year basis upon agreement of both parties. The space is rented at a monthly cost of $675.

Capital Improvements – Franzen Fields

On January 1, 2002, the City entered into a lease agreement with the Villa Hills Civic Club, Inc. to lease the property known as Franzen Fields. The lease required the City to pay rent in the sum of $5,000 annually, maintain and repair the grounds and pay the cost of utilities and trash removal for Franzen Fields. A new lease, effective January 1, 2009 through December 31, 2009, renewable annually for ten years, requires the City to pay rent in the sum of $1 annually, maintain and repair the grounds as well as pay the cost of utilities and trash removal for Franzen Fields. In lieu of the annual rent payment, the City agreed to provide up to a maximum of $60,000 over the ten-year period for capital improvements at Franzen Fields. In 2009, the City set aside $60,000 in the General Fund as restricted funds for future capital improvement purposes. The City will amortize this $60,000 restricted asset over the ten-year period, at an annual rate of $6,000 per year, beginning in fiscal year 2009-10. During fiscal years 2010 and 2011, the City made $59,281 in capital improvements to Franzen Fields. The liability to provide improvements has been fulfilled.

Villa Madonna Ball Field Lease

On January 1, 2010, the City entered into an agreement with the St. Walburg Monastery of Benedictine Sisters, Inc. to lease land located on Amsterdam Road for use as youth and adult sports and recreation facilities. This lease has been renewed and the current lease ends on December 31, 2027. The annual rental fee is $1 per year. In previous years, the City paid to construct the necessary improvements. The City performs the required maintenance.

NOTE F – LONG-TERM DEBT

The City's long-term debt consists of the following:

Capital Lease – Heritage Bank

The City executed a 2.73% interest, 11-year $750,000 capital lease payable effective May 10, 2016 with the Heritage Bank in order to finance the cost of street repairs. The termination date of this secured lease is May 10, 2026. The City is to make monthly payments to Heritage Bank. The remaining annual debt service requirements are as follows:

Ending June 30,	Principal	Interest	Payment
2020	$ 71,864	$ 14,091	$ 85,955
2021	73,916	12,039	85,955
2022	75,988	9,967	85,955
2023	78,118	7,837	85,955
2024	80,294	5,661	85,955
2025-2026	160,257	4,490	164,747
Total	$ 540,437	$ 54,085	$ 594,522

Capital Lease – Ford Motor Credit

The City executed a 5.95% interest, 4-year $108,100 capital lease payable effective August 8, 2016 with the Ford Motor Credit in order to finance the cost of three police cruisers. The termination date of this lease is August 8, 2019. The City is to make annual payments to Ford Motor Credit in the amount of $29,411. This debt is secured by the police vehicles. The remaining annual debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2020	$ 27,759	$ 1,652	$ 29,411
Total	$ 27,759	$ 1,652	$ 29,411

Capital Lease – Daimler Truck Financial

The City executed a 3.71% interest, 5-year $80,837 capital lease payable effective December 9, 2016 with the Daimler Truck Financial in order to finance the cost of a dump truck. The termination date of this lease is December 9, 2020. The City is to make annual payments to Daimler Truck Financial in the amount of $17,366. This debt is secured by the public works dump truck.

The remaining annual debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2020	$ 16,146	$ 1,220	$ 17,366
2021	16,745	621	17,366
Total	$ 32,891	$ 1,841	$ 34,732

Capital Lease – Ford Motor Credit

The City executed a 6.45% interest, 4-year $141,013 capital lease payable effective May 25, 2018 with the Ford Motor Credit Company in order to finance the cost of five police cruisers. The termination date of this lease is May 24, 2021. The City is to make annual payments to Ford Motor Credit Company in the amount of $38,624. This debt is secured by the police cruisers. The remaining annual debt service requirements are as follows:

Ending June 30,	Principal	Interest	Payment
2020	$ 34,085	$ 4,539	$ 38,624
2021	36,284	2,340	38,624
Total	$ 70,369	$ 6,879	$ 77,248

Capital Lease – Ford Motor Credit

The City executed a 6.45% interest, 4-year $48,180 capital lease payable effective May 30, 2018 with the Ford Motor Credit Company in order to finance the cost of equipment to outfit five police cruisers. The termination date of this lease is June 8, 2021. The City is to make annual payments to Ford Motor Credit Company in the amount of $13,197. This debt is secured by the equipment to outfit the police cruisers. The remaining annual debt service requirements are as follows:

Ending June 30,	Principal	Interest	Payment
2020	$ 11,646	$ 1,551	$ 13,197
2021	12,397	800	13,197
Total	$ 24,043	$ 2,351	$ 26,394

NOTE G – RESTRICTED CASH

The City has the following internally committed cash in the General Fund and externally restricted cash in the Road Tax Fund, the Municipal Road Aid Fund and the Special Revenue Fund:

	General Fund	Road Tax Fund	Municipal Road Aid Fund	Special Revenue Fund
Flex plan checking	$ 4,614	$ -	$ -	$ -
Road tax checking	-	142,098	-	-
Municipal road aid checking	-	-	198,515	-
Adopt-a-troop checking	-	-	-	7,315
Shop with a cop	-	-	-	3,570
Total Restricted Cash	$ 4,614	$ 142,098	$ 198,515	$ 10,885

NOTE H – ECONOMIC DEPENDENCY

The City's general fund receives 19% of its revenues from insurance premium taxation. This tax is not regulated on a city level, but rather a state level. If legislation were imposed to delete this tax, the city would be negatively impacted.

NOTE I – COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description - Employees are covered by CERS, a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statue ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on ***Non-Hazardous*** duty and ***Hazardous*** duty covered-employee classifications.

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

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

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

Contributions – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	5%
Tier 2	5%
Tier 3	5%

Hazardous Pension Plan Description

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit or 55 years old, or any age with 20 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31,2013
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or any age with 25 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement
	Reduced retirement	Not available

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

Contributions – Required pension plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	8%
Tier 2	8%
Tier 3	8%

Contributions

For non-hazardous duty employees, the City contributed 21.48%, of which 16.22% was for the pension fund and 5.26% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019. For hazardous duty employees, the City contributed 35.34%, of which 24.86% was for the pension fund and 10.47% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2019.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of $64,023, of which $48,345 was for the pension fund and $15,678 was for the health insurance fund. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of $198,465, of which $139,650 was for the pension fund and $58,815 was for the health insurance fund.

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

At June 30, 2019, the City reported a liability of $2,651,147 ($977,227 – non-hazardous and $1,673,920 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's non-hazardous employer allocation proportion was 0.01242% of the total CERS non-hazardous duty employees and 0.053455% of the total CERS hazardous duty employees. For the year ended June 30, 2019, the City recognized pension expense of $165,266 in addition to its $187,995 pension contribution.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	$ 24,680	$ (11,076)	$ 102,884	$ -	$ 127,564	$ (11,076)
Net difference between projected actual earnings on plan investments	35,185	(44,258)	47,917	(62,500)	83,102	(106,758)
Changes of assumptions	73,948	-	137,613	-	211,561	-
Changes in proportion and differences between contributions and proportionate share of contributions	25,422	-	109,507	(51,272)	134,929	(51,272)
Contributions subsequent to the measurement date	48,345	-	139,650	-	187,995	-
	$ 207,580	$ (55,334)	$ 537,571	$ (113,772)	$ 745,151	$ (169,106)

The City's contributions subsequent to the measurement date of $187,995 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	$ 238,122
2020	150,656
2021	9,170
2022	(9,899)
	$ 388,049

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

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 the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1-year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 2017. In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment rate was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- 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 the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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

Asset Class	CERS Hazardous & Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	$ 952,556	$ 756,659	$ 592,533
Hazardous	1,619,776	1,292,786	1,022,467
Total	2,572,332	2,049,445	1,615,000

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was $12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was $12.99 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was $19.48 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was $19.48 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2018, was 5.26% of covered-employee payroll for non-hazardous duty employees and 10.47% of covered-employee payroll for hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were $15,678 for non-hazardous duty employees and $58,815 for hazardous duty employees for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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 a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2018, the City's proportion of the non-hazardous plan was .01242%, At June 30, 2018, the City's proportion of the hazardous plan was 0.053458%.

For the year ended June 30, 2019, the City recognized an OPEB expense of $29,811. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	$ -	$ (25,704)	$ -	$ (42,593)	$ -	$ (68,297)
Net difference between projected actual earnings on plan investments	-	(15,193)	-	(36,234)	-	(51,427)
Changes of assumptions	44,051	(510)	116,959	(1,043)	161,010	(1,553)
Changes in proportion and differences between contributions and proportionate share of contributions	8,555	(445)	40,082	(52)	48,637	(497)
Contributions subsequent to the measurement date	15,678	-	58,515	-	74,493	-
	$ 68,284	$ (41,852)	$ 215,556	$ (79,922)	$ 284,140	$ (121,774)

The City's contributions subsequent to the measurement date, $15,678 for non-hazardous duty employees and $58,515 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	$ 36,447
2020	36,447
2021	15,408
2022	950
2023	(410)
Thereafter	(968)
	$ 87,874

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method:	Level, percent of pay
Amortization period:	25 years, closed
Payroll growth rate:	2.00%
Investment return:	6.25%
Inflation	2.30%
Salary increases:	3.05%, average
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study calculated as of June 30, 2015.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	CERS Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	5.79%
Combined fixed income	24%	6.71%
Real return (diversified inflation strategies)	10%	7.00%
Absolute return (diversified hedge funds)	10%	5.00%
Private equity	10%	6.50%
Real estate	5%	9.00%
Global bonds	4%	3.00%
Cash	2%	1.50%

Changes of Assumptions

In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary increase was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- 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).

In 2018, the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.84% to 5.85%.
- For the hazardous plan, the single discount rate changed from 5.96% to 5.97%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.85% for the non-hazardous plan and 5.97% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following table presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.85% for the non-hazardous plan and 5.97% for the hazardous plan, as well as what the 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.85%	5.85%	6.85%
Net OPEB liability, non-hazardous	$ 286,482	$ 220,568	$ 164,421
Discount rate, hazardous	4.97%	5.97%	6.97%
Net OPEB liability, hazardous	529,795	381,134	262,127
Total	$ 816,277	$ 601,702	$ 426,548

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability		
Healthcare cost trend rate	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	$ 164,215	$ 220,568	$ 286,992
Net OPEB liability, hazardous	259,571	381,134	531,695
Total	$ 423,786	$ 601,702	$ 818,687

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE J – CONTIGENCIES

The City is at risk for possible litigation due to the nature of the City officials' enforcement of various codes and regulations, such as zoning and building codes.

The City has been named as a defendant for breach of contract for failure to pay sums claimed by a former City employee and City code enforcement inspection contractor. The plaintiff claims the City owes him $30,000 due to the City's termination of the contract prior to its expiration date. The City has made a settlement offer, significantly less than $30,000, and the plaintiff has not responded. The City plans to vigorously defend this claim and anticipates filing a claim for summary judgment.

In 2013 the Kentucky General Assembly passed significant pension reform under Senate Bill 2. Among the reform's various provisions was the introduction of "spiking" penalties beginning January 1, 2014 for the last employer of record whose employees retired after that date who had earned more than 10% in creditable compensation from one year to the next during their last 5 years of employment. The penalty incurred would be calculated to equal the actuarial difference needed to cover the extra lifetime payments the employee earned above the 10% threshold during their final years of employment. The City of Villa

Hills had two retirements that qualified for spiking penalties, one on January 31, 2014 and one on March 31, 2014. The two penalties together equal $210,894. There are significant constitutional questions related to this statute and how it is applied. The KRS Hearing Officer and the Franklin Circuit Court have ruled in favor of KRS, however the City has appealed to the Kentucky Court of Appeals who also ruled in favor of KRS. The City has requested Discretionary Review by the Kentucky Supreme Court and is awaiting a ruling. These penalties have been applied to many other cities, counties, and governmental entities across the Commonwealth, many of which are filing similar suits. The City of Villa Hills continues to aggressively litigate both penalties under the administrative appeal process through the Kentucky Retirement System and no accrual of this amount has been entered in the City's financial statements.

Currently, the City has been named as a defendant in litigation in two other cases, one is the result of an employee disciplinary hearing and the other case is a third-party complaint against a builder for negligence. For both of these cases, any liability would be covered by the City's insurance.

The City has been named as a defendant in association with the City Council's vote approving a zoning change ordinance. The zoning change would allow the construction of a commercial and high-density residential neighborhood in what once was designated as an institutional area. The citizen plaintiffs claim the City violated open hearing protocols and took a vote without all voices being heard and are seeking a re-vote of the Council. The City plans to vigorously defend this claim and the parties tendered an Agreed Briefing Schedule.

NOTE K – TAX ABATEMENTS

In accordance with GASB 77, the City must disclose tax abatements and incentives provided within the City. The City has one Tax Increment Financing (TIF) District on which tax abatements are provided to fund the cost to develop infrastructure in the City. Normally these funds are provided to a developer, but for this particular District, the funds will be held by the City for future infrastructure costs associated with the development.

<u>Sanctuary Village</u>

The local participation TIF district for Sanctuary Village was created in 2018 and requires the City to collect and hold 70% of the real property taxes collected in the district footprint and use these funds for specific infrastructure projects. This incentive allows the City to finance the large infrastructure expenses associated with the project. The incentive is in place for 30 years.

NOTE L – SUBSEQUENT EVENTS

Management has evaluated events through October 9, 2019, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2019 through October 9, 2019 to disclose.

CITY OF VILLA HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2019

	Budgeted Amounts				Variance
	Original	Revisions	Final	Actual	Favorable / (Unfavorable)
Prior year funds available for use	$ 415,000	$ -	$ 415,000	$ 1,749,415	$ 1,334,415
Resources (inflows)					
Taxes and fees	3,856,839	195,713	4,052,552	4,132,267	79,715
Grants	316,000	-	316,000	-	(316,000)
Use of prior year funds	-	-	-	233,834	233,834
Amounts available for appropriation	4,587,839	195,713	4,783,552	6,115,516	1,331,964
Charges to appropriations (outflows)					
Administration	381,594	19,745	401,339	385,605	15,734
Contracted services	1,062,896	129,116	1,192,012	1,159,356	32,656
Events and beautification	14,700	-	14,700	13,694	1,006
Police	1,638,873	30,041	1,668,914	1,556,690	112,224
Public Works	390,936	-	390,936	376,154	14,782
Recreation	52,412	-	52,412	50,852	1,560
Road repair designation	859,250	-	859,250	254,360	604,890
Total departmental charges to appropriations	4,400,661	178,902	4,579,563	3,796,711	782,852
Transfer in (out) -					
Capital Fund	(124,800)	-	(124,800)	(180,396)	(55,596)
Transfer to surplus reserves	(60,000)	-	(60,000)	-	60,000
Total General Fund Expenses	4,585,461	178,902	4,764,363	3,977,107	787,256
Budgetary fund balance, June 30	$ 2,378	$ 16,811	$ 19,189	$ 2,138,409	$ 2,119,220

Reconciliation of Budgetary Fund Balance to GAAP

Ending Budgetary Fund Balance	$ 2,138,409
Less: Use of Prior Year Funds	(233,834)
Ending Fund Balance	$ 1,904,575

CITY OF VILLA HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
ROAD TAX FUND
For the Year Ended June 30, 2019

	Budgeted Amounts				Variance Favorable /
	Original	**Revisions**	**Final**	**Actual**	**(Unfavorable)**
Prior year funds available for use	$ 460,000	$ -	$ 460,000	$ 7,651	$ (452,349)
Resources (inflows)					
Road tax	460,000	-	460,000	469,277	9,277
Amounts available for appropriation	920,000	-	920,000	476,928	(443,072)
Charges to appropriations (outflows)					
Capital outlay	460,000	-	460,000	334,830	125,170
Total charges to appropriations	460,000	-	460,000	334,830	125,170
Budgetary fund balance, June 30	$ 460,000	$ -	$ 460,000	$ 142,098	$ (317,902)

CITY OF VILLA HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2019

	Budgeted Amounts				Variance Favorable /
	Original	**Revisions**	**Final**	**Actual**	**(Unfavorable)**
Prior year funds available for use	$ 50,000	$ -	$ 50,000	$ 166,184	$ 116,184
Resources (inflows)					
Kentucky Municipal Road Aid	140,000	-	140,000	153,055	13,055
Amounts available for appropriation	190,000	-	190,000	319,239	129,239
Charges to appropriations (outflows)					
Capital outlay	83,600	-	83,600	33,247	50,353
City Engineer	20,000	-	20,000	11,235	8,765
Debt service and bond costs	86,400	-	86,400	85,955	445
Total charges to appropriations	190,000	-	190,000	130,437	59,563
Budgetary fund balance, June 30	$ -	$ -	$ -	$ 188,802	$ 188,802

CITY OF VILLA HILLS, KENTUCKY
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure-NON-HAZARDOUS
For the Year Ended June 30, 2019 - *Last Ten Years*

Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.01242%	0.01176%	0.01174%	0.01135%	0.01146%					
Proportionate share of the net pension liability (asset)	$ 756,659	$ 688,056	$ 578,110	$ 488,159	$ 371,759					
Covered payroll in year of measurement	306,740	383,240	540,548	389,475	366,601					
Share of the net pension liability (asset) as a percentage of its covered payroll	197.44%	179.54%	106.95%	125.34%	101.41%					
Plan fiduciary net position as a percentage of total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%					

Schedule of the City's Contributions
County Employee's Retirement System (CERS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 48,345	$ 44,416	$ 53,462	$ 67,136	$ 49,658	$ 50,371				
Actual contribution	48,345	44,416	53,462	67,136	49,658	50,371				
Contribution deficiency (excess)	-	-	-	-	-	-				
City's covered payroll	298,058	306,740	383,240	540,548	389,475	366,601				
Contributions as a percentage of covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%				

Notes to Required Supplementary Information

The net pension liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

CITY OF VILLA HILLS, KENTUCKY
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure-HAZARDOUS
For the Year Ended June 30, 2019 - *Last Ten Years*

Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.05346%	0.04417%	0.04976%	0.05459%	0.06000%					
Proportionate share of the net pension liability (asset)	$ 1,292,786	$ 988,161	$ 853,915	$ 838,062	$ 721,131					
Covered payroll in year of measurement	295,207	331,967	479,165	472,754	506,955					
Share of the net pension liability (asset) as a percentage of its covered payroll	389.43%	297.67%	178.21%	177.27%	142.25%					
Plan fiduciary net position as a percentage of total pension liability	49.26%	49.80%	53.95%	57.52%	63.46%					

Schedule of the City's Contributions
County Employee's Retirement System (CERS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 139,650	$ 65,536	$ 72,070	$ 96,935	$ 108,497	$ 110,364				
Actual contribution	139,650	65,536	72,070	96,935	108,497	110,364				
Contribution deficiency (excess)	-	-	-	-	-	-				
City's covered payroll	561,746	295,207	331,967	479,165	472,754	506,955				
Contributions as a percentage of covered payroll	24.86%	22.20%	21.71%	20.23%	22.95%	21.77%				

Notes to Required Supplementary Information

The net pension liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

CITY OF VILLA HILLS, KENTUCKY
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure-NON-HAZARDOUS
For the Year Ended June 30, 2019 - *Last Ten Years*

Schedule of the City’s Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.01242%	0.01176%								
Proportionate share of the net OPEB liability (asset)	$ 220,568	$ 236,316								
Covered payroll in year of measurement	306,740	383,240								
Share of the net OPEB liability (asset) as a percentage of its covered payroll	57.55%	61.66%								
Plan fiduciary net position as a percentage of total OPEB liability	57.62%	52.40%								

Schedule of the City’s Contributions
County Employee's Retirement System (CERS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 15,678	$ 14,417	$ 18,127							
Actual contribution	15,678	14,417	18,127							
Contribution deficiency (excess)	-	-	-							
City's covered payroll	298,058	306,740	383,240							
Contributions as a percentage of covered payroll	5.26%	4.70%	4.73%							

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

CITY OF VILLA HILLS, KENTUCKY
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure-HAZARDOUS
For the Year Ended June 30, 2019 - *Last Ten Years*

Schedule of the City's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.05346%	0.04417%								
Proportionate share of the net OPEB liability (asset)	$ 381,134	$ 365,124								
Covered payroll in year of measurement	295,207	331,967								
Share of the net OPEB liability (asset) as a percentage of its covered payroll	114.81%	109.99%								
Plan fiduciary net position as a percentage of total OPEB liability	64.24%	59.00%								

Schedule of the City's Contributions
County Employee's Retirement System (CERS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 58,815	$ 27,602	$ 31,039							
Actual contribution	58,815	27,602	31,039							
Contribution deficiency (excess)	-	-	-							
City's covered payroll	561,746	295,207	331,967							
Contributions as a percentage of covered payroll	10.47%	9.35%	9.35%							

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

CITY OF VILLA HILLS, KENTUCKY
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
June 30, 2019

	Capital Fund	Special Revenue Fund	Total Special Revenue Funds
Assets			
Cash and cash equivalents	$ 188,600	$ -	$ 188,600
Cash and cash equivalents-restricted	-	10,885	10,885
Due from other funds	7,667	-	7,667
Total Assets	$ 196,267	$ 10,885	$ 207,152
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 180,030	$ -	$ 180,030
Due to General Fund	-	-	-
Total Liabilities	180,030	-	180,030
Fund Balances			
Restricted	-	10,885	10,885
Committed	37,500	-	37,500
Assigned	(21,263)	-	(21,263)
Total Fund Balances	16,237	10,885	27,122
Total Liabilities and Fund Balances	$ 196,267	$ 10,885	$ 207,152

The accompanying notes are an integral part of the financial statements.

CITY OF VILLA HILLS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2019

	Capital Fund	Special Revenue Fund	Total
Revenues			
Sale of surplus property	$ 319	$ -	$ 319
Special revenue contributions	-	10,489	10,489
Other	29,000	-	29,000
Total Revenues	29,319	10,489	39,808
Expenditures			
Current			
Administration	4,551	-	4,551
Police	179,610	-	179,610
Public works	-	-	-
Parks and recreation	-	-	-
Special revenue expenditures	-	5,274	5,274
Debt service	98,598	-	98,598
Total Expenditures	282,759	5,274	288,033
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Sources	(253,440)	5,215	(248,225)
Other Financing Sources			
Transfers in	180,396	-	180,396
Transfers out	-	-	-
Total Other Financing Sources	180,396	-	180,396
Excess (Deficit) of Revenues Over (Under) Expenditures	(73,044)	5,215	(67,829)
Fund Balances, Beginning of Year	89,281	5,670	94,951
Fund Balances, End of Year	$ 16,237	$ 10,885	$ 27,122

The accompanying notes are an integral part of these financial statements.

Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

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 the Honorable Mayor and
Members of the Council of the
City of Villa Hills, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Villa Hills, Kentucky, as of June 30, 2019 and the related notes to the financial statements which collectively comprise the City of Villa Hills, Kentucky's financial statements, and have issued our report thereon dated October 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered City of Villa Hills, Kentucky'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 City of Villa Hills, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Villa Hills, Kentucky's internal control.

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

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

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Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Villa Hills, Kentucky's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.

Van Gorder, Walker + Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
October 9, 2019