

CITY OF VILLA HILLS, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2022

CITY OF VILLA HILLS, KENTUCKY
ANNUAL FINANCIAL REPORT
June 30, 2022

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CITY OF VILLA HILLS, KENTUCKY

CITY OFFICIALS

As of June 30, 2022

Mayor

Heather Jansen

Council Members

Rod Baehner

Cathy Stover

Jim Cahill

Seth Thompson

Scott Ringo

Suzanne Wadsworth

City Administrator

Craig Bohman

City Clerk

Jennifer Lipson

Police Chief

Bryan Allen

Public Works

Derick Yelton

Legal Counsel

Mary Ann Stewart
Adams Law, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Villa Hills, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Villa Hills, Kentucky as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Villa Hills, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Villa Hills, Kentucky's basic financial statements. The combining minor governmental fund financial statements 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining minor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic 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 17, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Villa Hills, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Villa Hills, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.
Erlanger, Kentucky
October 17, 2022

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, 2022 and 2021 total position, net of depreciation and related debt, exceeded liabilities by \$2,941,031 and \$3,970,872 as follows:

Table 1 - Net Position

Assets	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 2,425,383	\$ 2,782,113
Restricted assets	1,666,457	21,605
Capital assets, net of depreciation	5,205,463	5,550,633
Total Assets	<u>9,297,303</u>	<u>8,354,351</u>
Deferred Outflow of Resources	<u>1,584,970</u>	<u>1,619,102</u>
Total Assets and Deferred Outflow of Resources	<u>10,882,273</u>	<u>9,973,453</u>
 Liabilities		
Current liabilities	1,662,093	168,254
Long term liabilities	498,620	600,227
Net pension and OPEB liability	4,922,569	5,038,733
Total Liabilities	<u>7,083,282</u>	<u>5,807,214</u>
Deferred Inflow of Resources	<u>857,960</u>	<u>195,367</u>
Total Liabilities and Deferred Inflow of Resources	<u>7,941,242</u>	<u>6,002,581</u>
 Net Position		
Net investment in capital assets	4,757,159	4,975,624
Restricted	394,297	193,705
Unrestricted	<u>(2,210,425)</u>	<u>(1,198,457)</u>
Total Net Position	<u>\$ 2,941,031</u>	<u>\$ 3,970,872</u>

Governmental activities decreased the City's net position by \$1,029,841 in 2022 compared to a \$209,094 decrease in FY 2021. This decrease takes into account a non-cash depreciation expense of \$449,210 and a pension expense that is \$580,562 more than was actually contributed to the pension system. The

City saw increases in some revenue sources. Payroll tax collections increased 7%, and insurance premium tax revenues increased 33%. Capital and operational grants increased due CARES Act funding related to the Covid-19 pandemic for \$700,000. The City's expenditures for each functional area were up from the previous fiscal year, with the exception of parks and recreation. Public safety includes expenses for police officers. The increase in legislative and administrative is due to increased franchise fee expense and increased expenses for compensated absences. The increase in public works and road repairs is due to significantly more road repair projects in 2022.

Table 2 - Governmental Activities

Revenues		
Program Revenues:	2022	2021
Charges for services	\$ 1,307,762	\$ 1,247,823
Operating grants and contributions	244,922	644,525
Capital grants and contributions	710,000	-
Total Program Revenues	<u>2,262,684</u>	<u>1,892,348</u>
General Revenues		
Property taxes	2,307,585	2,154,954
Insurance and franchise taxes	1,064,499	801,829
Payroll taxes/gross receipts fees	757,023	632,990
Other general revenues	140,881	128,428
Total General Revenues	<u>4,269,988</u>	<u>3,718,201</u>
Total Revenues	<u>6,532,672</u>	<u>5,610,549</u>
Program Expenses		
Legislative and administrative	2,057,643	973,306
Public safety	2,531,416	2,331,638
Public works & road repairs	1,882,496	1,094,326
Parks and recreation	29,183	38,973
Events & beautification	13,230	6,377
Interest on long-term debt	18,773	22,777
Depreciation	449,210	522,108
Pension and OPEB	580,562	830,138
Total Expenses	<u>7,562,513</u>	<u>5,819,643</u>
Net Change in Net Position	<u>(1,029,841)</u>	<u>(209,094)</u>

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 \$5,299,827 or 70% of total cost in FY 2022 (compared to 67% in FY 2021), shows the financial burden that was placed on the City's taxpayers by each of these functions. The net change in position reflects the actual management of City controlled funds and shows a \$1,029,841 negative offset.

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, Federal Grant Fund, Capital Fund, Special Revenue Fund and TIF Sanctuary Fund (which together are minor governmental funds). The Road Tax Fund 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 Federal Grant Fund is used to account for monies received as part of the American Rescue Plan Act. 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 TIF Sanctuary Fund accounts for proceeds and expenses related to the tax increment funding district established for Sanctuary Village. The total governmental fund decrease at year-end was \$230,815 (a \$840,531 decrease from \$609,716 in FY 2021). A \$575,393 decrease came from the Capital Fund primarily related to the street light project. The General Fund had an increase of \$188,562. The Road Tax Fund and Municipal Road Aid Fund also had increases.

Table 3 - Revenues and Expenditures by Fund

	<u>2022</u>	<u>2021</u>
<i>(Restated)</i>		
Revenues		
General Fund revenues	\$ 5,100,654	\$ 4,905,650
Road Tax Fund revenues	526,979	510,323
Municipal Road Aid Fund revenues	153,133	145,560
Federal Grant Fund	713,063	-
Minor Governmental Funds revenues	38,841	117,468
Total Revenues	<u>6,532,670</u>	<u>5,679,001</u>
Expenditures		
General Fund expenditures	4,912,092	4,133,504
Road Tax Fund expenditures	439,984	534,956
Municipal Road Aid Fund expenditures	87,175	124,101
Federal Grant Fund expenditures	710,000	-
Minor Governmental Funds expenditures	614,234	276,724
Total Expenditures	<u>6,763,485</u>	<u>5,069,285</u>
Excess (deficit) of revenues over expenditures	<u>\$ (230,815)</u>	<u>\$ 609,716</u>
Net Change in Fund Balances (including transfers)		
General Fund	\$ (674,034)	\$ 547,012
Capital Project Fund	242,627	61,610
Federal Grant Fund	3,063	-
Minor Governmental Funds	197,529	1,094
Total Change in Fund Balance	<u>\$ (230,815)</u>	<u>\$ 609,716</u>

Actual General Fund revenues were \$411,176 more than budgeted revenues. When the City's beginning reserve balance is considered, the amount available for appropriations (\$7,531,326) exceeded the amount expended and transferred (\$5,806,602) by the total fund balance of \$1,604,716, net of budgetary fund balance adjustments.

Actual General Fund expenditures and transfers were under budget by \$89,021, which is 2% of the General Fund budget. Actual Municipal Road Aid Fund revenues were \$13,133 more than budgeted

revenues. Actual Municipal Aid Road Fund expenditures were under budget by \$52,825. Actual Road Tax Fund revenues were \$16,979 more than budgeted. Actual Road Tax Fund expenditures were under budget by \$20,504. The Special Revenue Fund and TIF Sanctuary Funds are not budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the City had \$17,769,696 invested in various capital assets, including land, buildings and improvements, infrastructure, equipment and vehicles. The City purchased capital assets valued at \$412,040 in 2021. The City also recognized \$522,108 in depreciation expense; leaving a net decrease in total capital assets, net of depreciation of \$110,068.

Table 4 - Fixed Assets

	<u>2022</u>	<u>2021</u>
Land	\$ 28,145	\$ 28,145
Buildings and improvements	1,269,263	1,269,263
Infrastructure	14,912,572	14,912,572
Property and equipment	478,977	499,881
Vehicles	1,071,008	1,059,835
Accumulated depreciation	<u>(12,554,502)</u>	<u>(12,219,063)</u>
Capital assets, net	<u>\$ 5,205,463</u>	<u>\$ 5,550,633</u>

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. In September 2019 the City executed a 5-year capital lease for \$139,337 for a dump truck. In April 2020, the City executed a 4-year capital lease for \$34,400 for a police cruiser. In September 2020, the City executed a 4-year capital lease for \$68,255 for two police cruisers. At June 30, 2022, the City had \$448,304 in long-term debt remaining.

Table 5 - Long Term Debt

	<u>2022</u>	<u>2021</u>
2016 Capital Lease - Road Repair	\$ 318,669	\$ 394,657
2019 Capital Lease - Dump Truck	86,705	113,513
2020 Capital Lease - Police Cruiser	8,860	17,164
2020 Capital Lease - Police Cruisers	<u>34,070</u>	<u>49,675</u>
	<u>\$ 448,304</u>	<u>\$ 575,009</u>

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, 2022
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	<u>Primary Government</u>
	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,210,600
Property taxes receivable - net	25,316
Insurance tax receivable	181,884
Other receivables	7,583
Restricted assets	
Restricted cash	1,666,457
Capital assets	
Land	28,145
Property, plant and equipment, net of depreciation	5,177,318
Total Assets	<u>9,297,303</u>
Deferred Outflows of Resources	
Deferred outflows related to pension and post employment health insurance	<u>1,584,970</u>
Total Assets and Deferred Outflows of Resources	<u>10,882,273</u>
Liabilities	
Accounts payable	232,226
Accrued payroll and payroll taxes	32,647
Capital lease - current portion	131,346
Deferred revenues	1,265,874
Long-term liabilities	
Capital lease - long term portion	316,958
Compensated absences	181,662
Net pension and post employment health insurance liability	4,922,569
Total Liabilities	<u>7,083,282</u>
Deferred Inflow of Resources	
Deferred inflows related to pension and post employment health insurance	<u>857,960</u>
Total Liabilities and Deferred Inflow of Resources	<u>7,941,242</u>
Net Position	
Net investment in capital assets	4,757,159
Restricted	394,297
Unrestricted	(2,210,425)
Total Net Position	<u>\$ 2,941,031</u>

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, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Legislative and administrative	\$ 2,057,643	\$ 18,503	\$ 9,810	\$ 710,000	\$ (1,319,330)
Public safety	2,531,416	797,802	81,979	-	(1,651,635)
Parks and recreation	29,183	8,024	-	-	(21,159)
Public works	1,344,465	483,433	-	-	(861,032)
Road repair	538,031	-	153,133	-	(384,898)
Events & beautification	13,230	-	-	-	(13,230)
Interest & fees	18,773	-	-	-	(18,773)
Unallocated depreciation	449,210	-	-	-	(449,210)
Unallocated pension & OPEB	580,562	-	-	-	(580,562)
Total Primary Government	\$ 7,562,513	\$ 1,307,762	\$ 244,922	\$ 710,000	(5,299,829)
General revenues					
Taxes					
Property taxes, levied for general purposes					2,307,585
Insurance and franchise taxes, levied for general purposes					1,064,499
Licenses and permit fees					
Payroll and gross receipts license fees					757,023
Licenses and fees					53,615
Miscellaneous					70,182
Gain on disposal of assets					6,941
Unrestricted investment earnings					10,143
Total general revenues and special items					4,269,988
Change in net position					(1,029,841)
Net position, beginning					3,970,872
Net position, ending					\$ 2,941,031

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

CITY OF VILLA HILLS, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	General	Capital Projects Fund	Federal Grant Fund	Minor Governmental Funds	Total Governmental Funds
Assets					
Unrestricted Assets					
Cash and cash equivalents	\$ 1,598,511	\$ 612,089	\$ -	\$ -	\$ 2,210,600
Property taxes receivable - net	25,316	-	-	-	25,316
Insurance tax receivable	181,884	-	-	-	181,884
Prepaid expenses	7,583	-	-	-	7,583
Due from other funds	-	-	-	-	-
Total Unrestricted Assets	1,813,294	612,089	-	-	2,425,383
Restricted Assets					
Restricted cash	6,286	-	1,268,937	391,234	1,666,457
Total Assets	\$ 1,819,580	\$ 612,089	\$ 1,268,937	\$ 391,234	\$ 4,091,840
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 555	\$ 231,671	\$ -	\$ -	\$ 232,226
Accrued liabilities	32,647	-	-	-	32,647
Deferred revenue	-	-	1,265,874	-	1,265,874
Due to other funds	-	-	-	-	-
Compensated absences	181,662	-	-	-	181,662
Total Liabilities	214,864	231,671	1,265,874	-	1,712,409
Fund Balances					
Restricted	-	-	3,063	391,234	394,297
Committed	955,201	-	-	-	955,201
Assigned	-	380,418	-	-	380,418
Unassigned	649,515	-	-	-	649,515
Total Fund Balances	1,604,716	380,418	3,063	391,234	2,379,431
Total Liabilities and Fund Balances	\$ 1,819,580	\$ 612,089	\$ 1,268,937	\$ 391,234	\$ 4,091,840
Total governmental fund balances					\$ 2,379,431
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets of \$17,759,965, net of accumulated depreciation of (\$12,554,502), used in governmental activities are not financial resources and are not reported in the funds.					5,205,463
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Capital leases					(448,304)
Compensated absences					-
Net pension and post employment health insurance liability					(4,922,569)
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					1,584,970
Deferred inflows related to pension and post employment health insurance					(857,960)
Net position of governmental activities					<u>\$ 2,941,031</u>

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, 2022

	General Fund	Capital Projects Fund	Federal Grant Fund	Minor Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property	\$ 1,756,730	\$ -	\$ -	\$ -	\$ 1,756,730
Insurance premium	768,640	-	-	-	768,640
Payroll and gross receipts	757,023	-	-	-	757,023
Franchise	295,859	-	-	-	295,859
Licenses and fees	53,615	-	-	-	53,615
Intergovernmental	91,789	-	710,000	-	801,789
Charges for services	1,299,738	-	-	8,024	1,307,762
Fines and forfeitures	25,264	-	-	-	25,264
Interest	7,080	-	3,063	-	10,143
Investment gains/(losses)	(15,508)	-	-	-	(15,508)
Sale of surplus property	-	6,941	-	-	6,941
TIF proceeds	-	-	-	23,876	23,876
Kentucky municipal road aid	-	-	-	153,133	153,133
Road tax	-	-	-	526,979	526,979
Miscellaneous	60,424	-	-	-	60,424
Total Revenues	5,100,654	6,941	713,063	712,012	6,532,670
Expenditures					
Legislative and administrative	409,101	-	-	-	409,101
Contracted Services	1,501,237	-	710,000	7,443	2,218,680
Public safety	1,903,784	47,213	-	-	1,950,997
Parks and recreation	29,183	-	-	-	29,183
Public works	517,526	386,093	-	440,846	1,344,465
Events & beautification	13,230	-	-	-	13,230
Road repair	538,031	-	-	-	538,031
Capital outlay	-	104,040	-	-	104,040
TIF expenses	-	-	-	10,281	10,281
Debt service:					
Principal	-	50,716	-	75,988	126,704
Interest	-	8,448	-	10,325	18,773
Total Expenditures	4,912,092	596,510	710,000	544,883	6,763,485
Excess (deficit) of revenues over (under) expenditures	188,562	(589,569)	3,063	167,129	(230,815)
Other Financing Sources (Uses)					
Transfers In	-	832,196	-	30,400	862,596
Transfers Out	(862,596)	-	-	-	(862,596)
Net Change in Fund Balances	(674,034)	242,627	3,063	197,529	(230,815)
Fund Balances, Beginning of Year	2,430,672	137,791	-	193,705	2,762,168
Prior period adjustment	(151,922)	-	-	-	(151,922)
Fund Balances, End of Year	\$ 1,604,716	\$ 380,418	\$ 3,063	\$ 391,234	\$ 2,379,431

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

<p>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, 2022</p>
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Net change in fund balances-total governmental funds \$ (230,815)

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	104,040
Depreciation expense, net of adjustment	(449,210)

Governmental funds report City pension and post employment health insurance contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as an expense

Cost of pension benefits earned	(461,413)
Cost of post employment health insurance benefits earned	(119,147)

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	126,704
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Change in net position of governmental activities	\$ (1,029,841)
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The accompanying notes are an integral part of these financial statements.

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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.

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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.

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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.

Federal Grant Fund

The Federal Grant Fund is used to account for the receipt and disbursement of funds received as part of the American Rescue Plan Act issued in response to the Covid-19 pandemic.

TIF Sanctuary Fund

The TIF Sanctuary Fund is used to account for the proceeds and disbursements of funds received as part of the Tax Increment Funding district for Sanctuary Village.

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, 2022, there were no inter-fund receivables/payables.

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

City employees 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 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 sick time due to employees at the end of the fiscal year is accrued, along with related costs and fringe benefits, in the general fund.

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

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 principal 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, the Federal Grant fund, TIF Sanctuary 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 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.

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 Finance Committee reviews the monthly financial report and explains significant variances from the approved budget. The Mayor then presents the monthly financial report to the City Council.
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, 2021 and are delinquent after November 30, 2021. The City bills and collects its own property taxes and waste fees. The City had property taxes and waste fees receivable of \$25,316 at June 30, 2022. The City feels that all property tax and waste fees are collectible.

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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NOTE D – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2022:

Asset Type	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Land	\$ 28,145	\$ -	\$ -	\$ 28,145
Buildings and improvements	1,269,263	-	-	1,269,263
Infrastructure	14,091,128	821,444	-	14,912,572
WIP Buttermilk SNK	821,444	-	(821,444)	-
Property and equipment	478,977	-	-	478,977
Vehicles	966,968	104,040	-	1,071,008
Subtotal	17,655,925	925,484	(821,444)	17,759,965
Less: accum. depreciation	(12,105,292)	(449,210)	-	(12,554,502)
Fixed assets, net	<u>\$ 5,550,633</u>	<u>\$ 476,274</u>	<u>\$ (821,444)</u>	<u>\$ 5,205,463</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
Legislative and Administrative	\$ 20,389
Parks and Recreation	17,473
Public Safety	114,652
Public Works - Infrastructure	275,592
Public Works	21,104
Total Governmental Activities Depreciation Expense	<u>\$ 449,210</u>

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 July 1, 2019 through June 30, 2024, renewable once for an additional five 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.

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.

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2023	\$ 78,118	\$ 7,837	\$ 85,955
2024	80,294	5,661	85,955
2025	82,559	3,396	85,955
2026	77,698	1,094	78,792
Total	<u>\$ 318,669</u>	<u>\$ 17,988</u>	<u>\$ 336,657</u>

Capital Lease – Ford Motor Credit

The City executed a 6.70% interest, 4-year \$34,400 capital lease payable effective April 13, 2020 with the Ford Motor Company in order to finance a police cruiser. The termination date of this lease is April 13, 2023. The City is to make annual payments to Ford Motor Credit Company in the amount of \$9,453.74. This debt is secured by the police cruiser. The remaining annual debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2023	\$ 8,860	\$ 594	\$ 9,454
Total	<u>\$ 8,860</u>	<u>\$ 594</u>	<u>\$ 9,454</u>

Capital Lease – Daimler Truck Financial

The City executed a 3.808% interest, 5-year \$139,337 capital lease payable effective February 18, 2021 with Daimler Truck Financial in order to finance a dump truck. The termination date of the lease is February 18, 2025. The City is to make annual payments to Daimler Truck Financial in the amount of \$31,130.24. The debt is secured by the dump truck. The remaining annual debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2023	\$ 27,829	\$ 3,301	\$ 31,130
2024	28,888	2,242	31,130
2025	29,988	1,141	31,129
Total	<u>\$ 86,705</u>	<u>\$ 6,684</u>	<u>\$ 93,389</u>

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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Capital Lease – Ford Motor Credit

The City executed a 5.99% interest, 4-year \$68,255 capital lease payable effective September 25, 2020 with the Ford Motor Company in order to finance two police cruisers. The termination date of this lease is September 25, 2023. The City is to make annual payments to Ford Motor Credit Company in the amount of \$18,580.34. This debt is secured by the police cruiser. The remaining annual debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Payment
2023	\$ 16,540	\$ 2,040	\$ 18,580
2024	17,530	1,050	18,580
Total	<u>\$ 34,070</u>	<u>\$ 3,090</u>	<u>\$ 37,160</u>

NOTE G – LONG-TERM GRANT AGREEMENTS

Crescent-Villa Fire Authority Lease Agreement

On April 21, 2021, the Cities of Crescent Springs and Villa Hills, Kentucky each entered into a separate Capital Lease Agreements to jointly fund the Crescent-Villa Fire Authority (CVFA) Firehouse project. The City of Crescent Springs lease was in the amount of \$2,268,001 and the City of Villa Hills Lease was in the amount of \$3,401,799. The lease also includes a bond premium of \$441,927 less issuance costs of \$111,927 which is held and amortized by CVFA for a total project cost of \$6,000,000, of which 5,670,000 is guaranteed by the respective cities.

The Crescent-Villa Fire Authority (CVFA) will manage the project, pull construction funds, and transfer funds monthly to the sinking fund account, from which lease payments will be made. The cities of Crescent Springs and Villa Hills have agreed to pay, monthly to the CVFA, their respective portion of the lease’s debt service payment including principal, interest, and fees. The agreement is a 25-year lease agreement at a net actual interest rate of 2.752%. The lease is secured by the firehouse building.

Because the City not receiving any remuneration for this payment, and the eligibility for the payment is determined by annual budget appropriations, the City is considering this transaction as a voluntary non-exchange transaction with an annual contribution grant to the CVFA paid through the general fund.

Due to construction costs exceeding the original grant agreement, the City paid an additional \$700,000 in the current fiscal year and has a budget commitment to provide an additional \$800,000 towards this project in fiscal year 2023.

The following is a summary of the City’s future grant principal payable:

<u>Grant type</u>	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Grant Payments</u>	<u>Balance at June 30, 2022</u>	<u>Current Portion</u>
General Fund - CVFA Firehouse	\$ 3,394,499	\$ -	\$ (577,450)	\$ 2,817,049	\$ 91,250
Totals	<u>\$ 3,394,499</u>	<u>\$ -</u>	<u>\$ (577,450)</u>	<u>\$ 2,817,049</u>	<u>\$ 91,250</u>

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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The remaining grant payments are as follows:

Year Ending June 30,	Principal	Interest & Fees	Total Grant Contribution
2023	\$ 94,250	\$ 107,806	\$ 202,056
2024	97,250	104,743	201,993
2025	101,500	101,582	203,082
2026	106,250	98,283	204,533
2027-2031	580,500	437,629	1,018,129
2032-2036	680,750	337,032	1,017,782
2037-2041	797,250	219,074	1,016,324
2042-2043	359,299	50,162	409,461
	<u>\$ 2,817,049</u>	<u>\$ 1,456,311</u>	<u>\$ 4,273,360</u>

NOTE H – 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	Federal Grant Fund	Road Tax Fund	Municipal Road Aid Fund	Special Revenue Fund	TIF Sanctuary Fund
Flex plan checking	\$ 6,286	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grant checking	-	1,268,937	-	-	-	-
Road tax checking	-	-	193,016	-	-	-
Municipal road aid	-	-	-	135,769	-	-
Adopt-a-troop	-	-	-	-	6,442	-
Shop with a cop	-	-	-	-	12,228	-
TIF sanctuary	-	-	-	-	-	43,779
Total Restricted Cash	<u>\$ 6,286</u>	<u>\$1,268,937</u>	<u>\$ 193,016</u>	<u>\$ 135,769</u>	<u>\$ 18,670</u>	<u>\$ 43,779</u>

NOTE I – ECONOMIC DEPENDENCY

The City’s general fund receives 15% 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 J – 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 Statute (“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. The City of Villa Hills has both Non-Hazardous and Hazardous employees.

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Membership in CERS consisted of the following at June 30, 2021

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	81,250	80,745	10,452	9,340
Inactive Plan Members	95,692	29,208	3,590	877
Retired Members	65,414	37,037	9,419	7,366
	<u>242,356</u>	<u>146,990</u>	<u>23,461</u>	<u>17,583</u>
Number of participating employers		<u>1,139</u>		<u>266</u>

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 date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 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 of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

<p>CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022</p>

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

	<u>Required Contribution</u>
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 of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate 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:

	<u>Required Contribution</u>
Tier 1	8%
Tier 2	8%
Tier 3	8%

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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Contributions

For non-hazardous duty employees, the City contributed 26.95%, of which 21.7% was for the pension fund and 5.78% was for the health insurance fund. For hazardous duty employees, the City contributed 44.33%, of which 33.86% was for the pension fund and 10.47% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$19,459, of which \$85,983 was for the pension fund and \$23,476 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 \$305,286, of which \$233,182 was for the pension fund and \$72,103 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, 2022, the City reported a liability of \$4,922,569 (\$1,200,119 – non-hazardous and \$3,722,450 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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 the June 30, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.01448% of the total CERS non-hazardous duty employees and 0.107253% of the total CERS hazardous duty employees. For the year ended June 30, 2022, the City recognized pension expense of \$461,415 in addition to its \$319,165 pension contribution.

At June 30, 2022, 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 of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 10,599	\$ (8,959)	\$ 78,738	\$ -	\$ 89,337	\$ (8,959)
Net difference between projected actual earnings on plan investments	-	(123,024)	-	(306,517)	-	(429,541)
Changes of assumptions	12,388	-	35,661	-	48,049	-
Changes in proportion and differences between contributions and proportionate share of contributions	110,646	(2,881)	348,683	(18,931)	459,329	(21,812)
Contributions subsequent to the measurement date	85,983	-	233,182	-	319,165	-
	<u>\$ 219,616</u>	<u>\$ (134,864)</u>	<u>\$ 696,264</u>	<u>\$ (325,448)</u>	<u>\$ 915,880</u>	<u>\$ (460,312)</u>

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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The City's contributions subsequent to the measurement date of \$319,165 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ 201,943
2023	45,445
2024	(7,476)
2025	(103,509)
2026	-
Thereafter	-
	\$ 136,403

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date to the Plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

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 2013 through 2018, is outlined in a report dated April 30, 2019. 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

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 30, 2020.

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.

Plan Target Allocation

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 Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	<u>100.00%</u>	

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:

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,183,820	\$ 923,022	\$ 707,218
Hazardous	3,639,407	2,855,246	2,216,158
Total	<u>\$ 4,823,227</u>	<u>\$ 3,778,268</u>	<u>\$ 2,923,376</u>

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, 2018, the contribution was \$13.38 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, 2018, the contribution was \$13.38 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%

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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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, 2018, the contribution was \$20.07 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, 2018, the contribution was \$20.07 per month.

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

	<u>Required Contribution</u>
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. For non-hazardous employees, the City contributed 5.78% of covered employees’ compensation for the health insurance fund. For hazardous employees, the City contributed 10.47% of covered employees’ compensation for the health insurance fund. The City made all required contributions for the non-hazardous plan OPEB obligation for the fiscal year in the amount of \$23,476. The City made all required contributions for the hazardous plan OPEB obligation for the fiscal year in the amount of \$72,103.

These contributions are 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

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

accrued liability. For the year ended June 30, 2022, the City recognized OPEB expense of \$119,147 in addition to its \$95,579 OPEB contribution.

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

At June 30, 2022, the City reported a liability of \$1,144,301 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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 the June 30, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.01448% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.107253% of the total CERS hazardous duty employees.

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	\$ 43,574	\$ (82,732)	\$ 27,099	\$ (93,297)	\$ 70,673	\$ (176,029)
Net difference between projected actual earnings on plan investments	-	(43,348)	-	(163,227)	-	(206,575)
Changes of assumptions	73,464	(258)	217,475	(324)	290,939	(582)
Changes in proportion and differences between contributions and proportionate share of contributions	38,674	(5,002)	173,223	(9,459)	211,897	(14,461)
Contributions subsequent to the measurement date	23,476	-	72,103	-	95,579	-
	<u>\$ 179,188</u>	<u>\$ (131,340)</u>	<u>\$ 489,900</u>	<u>\$ (266,307)</u>	<u>\$ 669,088</u>	<u>\$ (397,647)</u>

The City's contributions subsequent to the measurement date of \$95,579 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Measurement Year Ending June 30,	Net Deferral
2022	\$ 80,803
2023	58,952
2024	20,287
2025	(15,416)
2026	31,236
Thereafter	-
	<u>\$ 175,862</u>

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the Plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	
Investment rate of return	6.25%, net of OPEB Plan expense, including inflation,
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates (Pre-65):	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare trend rates (Post-65):	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.20% for the non-hazardous Plan and from 5.30% to 5.05% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20% for the non-hazardous Plan and 5.05% 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.

Plan Target Allocation

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 Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.34% for the non-hazardous plan and 5.30% 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:

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.20%	5.20%	6.20%
Net OPEB liability, Non-Haz	\$ 380,453	\$ 277,097	\$ 192,277
Discount Rate, Hazardous	4.05%	5.05%	6.05%
Net OPEB liability, Haz	\$ 38,167	\$ 26,326	\$ 16,812
Total	\$ 418,620	\$ 303,423	\$ 209,089

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		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 199,477	\$ 277,097	\$ 370,786
Net OPEB liability, hazardous	17,250	26,326	37,441
Total	\$ 216,727	\$ 303,423	\$ 408,227

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 K – 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.

After June 30, 2022 but before the date of these financial statements, counsel for the defendants were advised that the plaintiff no longer wishes to pursue the matter and will be submitting an Agreed Order of Dismissal to the Court.

The City has been named as a defendant for negligence in a lawsuit brought by a plaintiff involved in a vehicle collision as part of a police pursuit of an intoxicated driver. The litigation is being handled by the City’s insurance carrier which has provided a defense and coverage. This case is being vigorously defended and it is believed the defendants will be dismissed on summary judgement based upon respective immunity defenses.

CITY OF VILLA HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2022
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NOTE L – 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.

Sanctuary Village

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 M – STATE AND LOCAL FISCAL RECOVERY FUNDS

In response to the COVID-19 Global Pandemic, the City has qualified and was approved for \$1,965,874 in funding from the American Rescue Plan Act. This funding has been designated to help city governments respond to the pandemic and its negative economic impacts. The City has received these funds and recognized \$700,000 as income during the year ended June 31, 2022. The remaining \$1,265,874 is in Deferred Revenue at June 30, 2022

NOTE N – PRIOR PERIOD ADJUSTMENT

The City had decided to show the balance for compensated absences in the governmental funds as well as in the government-wide financial statements. As a result, a prior period adjustment of \$151,922 was made to recognize the compensated absences balance at June 30, 2021 in the General Fund.

NOTE O – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

Statement No. 91 – *Conduit Debt Obligations* – FY 2023

Statement No. 92 – *Omnibus 2020* – FY 2022

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE P – FUTURE ACCOUNTING STANDARDS

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023

CITY OF VILLA HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE Q – SUBSEQUENT EVENTS

Management has evaluated events through October 17, 2022, the date on which the financial statements were available for issue. The City does not have any events subsequent to June 30, 2022 through October 17, 2022 to disclose.

CITY OF VILLA HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance Favorable / (Unfavorable)
	Original	Revisions	Final		
Prior year funds available for use	\$ 1,002,139	\$ 155,201	\$ 1,157,340	\$ 2,430,672	\$ 1,273,332
Resources (inflows)					
Taxes and fees	3,869,364	-	3,869,364	4,295,170	425,806
Interlocal contract	793,114	-	793,114	797,802	4,688
Grants	27,000	-	27,000	7,682	(19,318)
Transfer in from unrestricted reserves	-	-	-	-	-
Amounts available for appropriation	<u>5,691,617</u>	<u>155,201</u>	<u>5,846,818</u>	<u>7,531,326</u>	<u>1,684,508</u>
Charges to appropriations (outflows)					
Administration	389,356	-	389,356	409,101	(19,745)
Contracted services	1,510,426	-	1,510,426	1,501,237	9,189
Events and beautification	13,700	-	13,700	13,230	470
Police	1,965,782	-	1,965,782	1,903,784	61,998
Public Works	531,165	-	531,165	517,526	13,639
Recreation	48,254	-	48,254	29,183	19,071
Road repair designation	327,701	213,000	540,701	538,031	2,670
Total departmental charges to appropriations	<u>4,786,384</u>	<u>213,000</u>	<u>4,999,384</u>	<u>4,912,092</u>	<u>87,292</u>
Transfer in (out) -					
Transfer to Capital Fund	(776,600)	-	(776,600)	(832,196)	(55,596)
Transfer to Sanctuary TIF	(15,237)	-	(15,237)	(30,184)	(14,947)
Transfer to Special Revenue	-	-	-	(216)	(216)
Total transfers to other funds	<u>(791,837)</u>	<u>-</u>	<u>(791,837)</u>	<u>(862,596)</u>	<u>(70,759)</u>
Total General Fund Expenses	<u>5,578,221</u>	<u>213,000</u>	<u>5,791,221</u>	<u>5,774,688</u>	<u>(16,533)</u>
Budgetary fund balance, June 30	<u>\$ 113,396</u>	<u>\$ (57,799)</u>	<u>\$ 55,597</u>	<u>\$ 1,756,638</u>	<u>\$ 1,701,041</u>

Reconciliation of Budgetary Fund Balance to GAAP

Ending Budgetary Fund Balance	\$ 1,756,638
Prior period adjustment to bring compensated absences to the funds:	<u>(151,922)</u>
Ending Fund Balance	<u>\$ 1,604,716</u>

CITY OF VILLA HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance Favorable / (Unfavorable)
	Original	Revisions	Final		
Prior year funds available for use	\$ 78,771	\$ -	\$ 78,771	\$ 137,791	\$ 59,020
Resources (inflows)					
Sale of surplus property	2,000	-	2,000	6,941	4,941
Amounts available for appropriation	<u>80,771</u>	<u>-</u>	<u>80,771</u>	<u>144,732</u>	<u>63,961</u>
Charges to appropriations (outflows)					
Police	\$ 241,700	\$ (91,700)	\$ 150,000	\$ 151,253	\$ (1,253)
Public works	11,300	376,700	388,000	386,093	1,907
Debt service	66,500	-	66,500	59,164	7,336
Total charges to appropriations	<u>319,500</u>	<u>285,000</u>	<u>604,500</u>	<u>596,510</u>	<u>7,990</u>
Transfer in (out) -					
Transfer from General Fund	<u>832,200</u>	<u>-</u>	<u>832,200</u>	<u>832,196</u>	<u>4</u>
Total General Fund Expenses	<u>(512,700)</u>	<u>285,000</u>	<u>(227,700)</u>	<u>(235,686)</u>	<u>7,986</u>
Budgetary fund balance, June 30	<u>\$ 593,471</u>	<u>\$ (285,000)</u>	<u>\$ 308,471</u>	<u>\$ 380,418</u>	<u>\$ 71,947</u>

CITY OF VILLA HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
FEDERAL GRANT FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance Favorable / (Unfavorable)
	Original	Revisions	Final		
Prior year funds available for use	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (inflows)					
Grants	1,166,280	792,058	1,958,338	710,000	(1,248,338)
Interest	-	-	-	3,063	3,063
Amounts available for appropriation	<u>1,166,280</u>	<u>792,058</u>	<u>1,958,338</u>	<u>713,063</u>	<u>(1,245,275)</u>
Charges to appropriations (outflows)					
Grant expenditures	-	720,000	720,000	710,000	10,000
Budgetary fund balance, June 30	<u>1,166,280</u>	<u>72,058</u>	<u>1,238,338</u>	<u>\$ 3,063</u>	<u>\$ (1,235,275)</u>

CITY OF VILLA HILLS, KENTUCKY

**Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure-NON-HAZARDOUS
For the Year Ended June 30, 2022 - Last Ten Years**

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.01448%	0.01242%	0.01194%	0.01242%	0.01176%	0.01174%	0.01135%	0.01146%		
Proportionate share of the net pension liability (asset)	\$ 923,022	\$ 952,834	\$ 839,816	\$ 756,659	\$ 688,056	\$ 578,110	\$ 488,159	\$ 371,759		
Covered payroll in year of measurement	369,782	318,361	298,058	306,740	383,240	540,548	389,475	366,601		
Share of the net pension liability (asset) as a percentage of its covered payroll	249.61%	299.29%	281.76%	197.44%	179.54%	106.95%	125.34%	101.41%		
Plan fiduciary net position as a percentage of total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%		

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 85,983	\$ 71,368	\$ 61,444	\$ 48,345	\$ 44,416	\$ 53,462	\$ 67,136	\$ 49,658	\$ 50,371	
Actual contribution	85,983	71,368	61,444	48,345	44,416	53,462	67,136	49,658	50,371	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
City's covered payroll	406,155	369,782	318,361	298,058	306,740	383,240	540,548	389,475	366,601	
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%	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, 2022, is based on the June 30, 2021, 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 J 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, 2022 - Last Ten Years****Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.10725%	0.09612%	0.09785%	0.05346%	0.04417%	0.04976%	0.05459%	0.06000%		
Proportionate share of the net pension liability (asset)	\$ 2,855,246	\$ 2,898,045	\$ 2,702,768	\$ 1,292,786	\$ 988,161	\$ 853,915	\$ 838,062	\$ 721,131		
Covered payroll in year of measurement	638,454	555,669	561,746	295,207	331,967	479,165	472,754	506,955		
Share of the net pension liability (asset) as a percentage of its covered payroll	447.21%	521.54%	481.14%	389.43%	297.67%	178.21%	177.27%	142.25%		
Plan fiduciary net position as a percentage of total pension liability	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%		

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 233,182	\$ 191,919	\$ 167,034	\$ 139,650	\$ 65,536	\$ 72,070	\$ 96,935	\$ 108,497	\$ 110,364	
Actual contribution	233,182	191,919	167,034	139,650	65,536	72,070	96,935	108,497	110,364	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	688,666	638,454	555,669	561,746	295,207	331,967	479,165	472,754	506,955	
Contributions as a percentage of covered payroll	33.86%	30.06%	30.06%	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, 2022, is based on the June 30, 2021, 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 J 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, 2022 - Last Ten Years**

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.01447%	0.01242%	0.01194%	0.01242%	0.01176%					
Proportionate share of the net OPEB liability (asset)	\$ 277,097	\$ 299,881	\$ 200,792	\$ 220,568	\$ 236,316					
Covered payroll in year of measurement	369,782	318,361	298,058	306,740	383,240					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	74.94%	94.20%	67.37%	57.55%	61.66%					
Plan fiduciary net position as a percentage of total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%					

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 23,476	\$ 17,602	\$ 15,154	\$ 15,678	\$ 14,417	\$ 18,127				
Actual contribution	23,476	17,602	15,154	15,678	14,417	18,127				
Contribution deficiency (excess)	-	-	-	-	-	-				
City's covered payroll	406,155	369,782	318,361	298,058	306,740	383,240				
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%				

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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 J 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, 2022 - Last Ten Years**

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.10725%	0.09609%	0.09783%	0.05346%	0.04417%					
Proportionate share of the net OPEB liability (asset)	\$ 867,204	\$ 887,973	\$ 723,775	\$ 381,134	\$ 365,124					
Covered payroll in year of measurement	638,454	555,669	561,746	295,207	331,967					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	135.83%	159.80%	128.84%	114.81%	109.99%					
Plan fiduciary net position as a percentage of total OPEB liability	66.81%	58.84%	64.44%	64.24%	59.00%					

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 72,103	\$ 60,781	\$ 52,900	\$ 58,815	\$ 27,602	\$ 31,039				
Actual contribution	72,103	60,781	52,900	58,815	27,602	31,039				
Contribution deficiency (excess)	-	-	-	-	-	-				
City's covered payroll	688,666	638,454	555,669	561,746	295,207	331,967				
Contributions as a percentage of covered payroll	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%				

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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 J in the Notes to the Financial Statements.

CITY OF VILLA HILLS, KENTUCKY
COMBINING BALANCE SHEET - MINOR GOVERNMENTAL FUNDS
June 30, 2022

	Road Tax Fund	Municipal Road Aid Fund	Special Revenue Fund	TIF Sanctuary Fund	Total Minor Governmental Funds
Assets					
Cash and cash equivalents-restricted	\$ 193,016	\$ 135,769	\$ 18,670	\$ 43,779	\$ 391,234
Due from other funds	-	-	-	-	-
Total Assets	<u>\$ 193,016</u>	<u>\$ 135,769</u>	<u>\$ 18,670</u>	<u>\$ 43,779</u>	<u>\$ 391,234</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to General Fund	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	193,016	135,769	18,670	43,779	391,234
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total Fund Balances	<u>193,016</u>	<u>135,769</u>	<u>18,670</u>	<u>43,779</u>	<u>391,234</u>
Total Liabilities and Fund Balances	<u>\$ 193,016</u>	<u>\$ 135,769</u>	<u>\$ 18,670</u>	<u>\$ 43,779</u>	<u>\$ 391,234</u>

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 - MINOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	Road Tax Fund	Municipal Road Aid Fund	Special Revenue Fund	TIF Sanctuary Fund	Total Minor Governmental Funds
Revenues					
Road tax	\$ 526,979	\$ -	\$ -	\$ -	\$ 526,979
Kentucky municipal road aid	-	153,133	-	-	153,133
Special revenue contributions	-	-	8,024	-	8,024
TIF proceeds	-	-	-	23,876	23,876
Total Revenues	526,979	153,133	8,024	23,876	712,012
Expenditures					
Current					
Administration	-	-	-	-	-
Police	-	-	-	-	-
Public works	439,984	862	-	-	440,846
Parks and recreation	-	-	-	-	-
Special revenue expenditures	-	-	7,443	-	7,443
TIF expenses	-	-	-	10,281	10,281
Debt service	-	86,313	-	-	86,313
Total Expenditures	439,984	87,175	7,443	10,281	544,883
Excess of Revenues Over Expenditures Before Other Sources	86,995	65,958	581	13,595	167,129
Other Financing Sources					
Transfers in	-	-	216	30,184	30,400
Transfers out	-	-	-	-	-
Total Other Financing Sources	-	-	216	30,184	30,400
Excess (Deficit) of Revenues Over (Under) Expenditures	86,995	65,958	797	43,779	197,529
Fund Balances, Beginning of Year	106,021	69,811	17,873	-	193,705
Fund Balances, End of Year	\$ 193,016	\$ 135,769	\$ 18,670	\$ 43,779	\$ 391,234

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

**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, each major fund, and the aggregate remaining fund information of the City of Villa Hills, Kentucky, as of June 30, 2022 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 17, 2022.

Internal Control over Financial Reporting

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

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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

October 17, 2022