

**CITY OF VILLA HILLS, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2023**

**CITY OF VILLA HILLS, KENTUCKY**  
**ANNUAL FINANCIAL REPORT**  
**June 30, 2023**

**TABLE OF CONTENTS**

	<u>Pages</u>
<b>List of City Officials</b>	1
<b>Financial Section</b>	
Independent Auditor's Report.....	2-4
Management's Discussion and Analysis.....	5-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Notes to Financial Statements.....	14-36
<b>Required Supplementary Section</b>	
Budgetary Comparison Schedule - Budget to Actual - General Fund.....	37
Budgetary Comparison Schedule - Budget to Actual - Road Tax Fund.....	38
Budgetary Comparison Schedule - Budget to Actual - Federal Grant Fund.....	39
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan - Non-Hazardous.....	40
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan - Hazardous.....	41
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan - Non-Hazardous.....	42
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan - Hazardous.....	43
<b>Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds.....	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	45
Budgetary Comparison Schedule - Budget to Actual - Capital Projects Fund.....	46
Budgetary Comparison Schedule - Budget to Actual - Municipal Road Aid Fund.....	47
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 <i>Government Auditing Standards</i> .....	48-49

**CITY OF VILLA HILLS, KENTUCKY**

**CITY OFFICIALS**

**As of June 30, 2023**

**Mayor**

Heather Jansen

**Council Members**

Kyle Walsh

Cathy Stover

Jim Cahill

Seth Thompson

Scott Ringo

Suzanne Wadsworth

**City Administrator**

Craig Bohman

**City Clerk**

Jennifer Lipson

**Police Chief**

Matthew Hall

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

### **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 nonmajor governmental fund financial statements and nonmajor fund budgetary schedules 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 nonmajor governmental fund financial statements and nonmajor fund budgetary schedules 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 6, 2023, 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 6, 2023

## 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, 2023 and 2022 total position, net of depreciation and related debt, exceeded liabilities by \$3,310,534 and \$2,941,031 as follows:

**Table 1 - Net Position**

Assets	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 2,537,586	\$ 2,425,383
Restricted assets	1,773,407	1,666,457
Capital assets, net of depreciation	4,923,269	5,205,463
Total Assets	9,234,262	9,297,303
Deferred Outflow of Resources	1,377,395	1,584,970
Total Assets and Deferred Outflow of Resources	10,611,657	10,882,273
<b>Liabilities</b>		
Current liabilities	1,079,032	1,662,093
Long term liabilities	372,059	498,620
Net pension and OPEB liability	5,446,985	4,922,569
Total Liabilities	6,898,076	7,083,282
Deferred Inflow of Resources	403,047	857,960
Total Liabilities and Deferred Inflow of Resources	7,301,123	7,941,242
<b>Net Position</b>		
Net investment in capital assets	4,605,838	4,757,159
Restricted	931,552	394,297
Unrestricted	(2,226,856)	(2,210,425)
Total Net Position	\$ 3,310,534	\$ 2,941,031

Governmental activities increased the City's net position by \$369,503 in 2023 compared to a \$1,029,841 decrease in FY 2022. This decrease takes into account a non-cash depreciation expense of \$485,897 and a pension expense that is \$277,078 more than was actually contributed to the pension system. The

City saw increases in some revenue sources. Payroll tax collections increased 35%, and insurance premium tax revenues increased 14%. Capital and operational grants increased due ARPA funding related to the Covid-19 pandemic for \$432,976. 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 decrease in public works and road repairs is due to significantly more road repair projects in 2022.

**Table 2 - Governmental Activities**

Revenues		
Program Revenues:	<b>2023</b>	<b>2022</b>
Charges for services	\$ 1,407,889	\$ 1,307,762
Operating grants and contributions	267,629	244,922
Capital grants and contributions	432,976	710,000
Total Program Revenues	<u>2,108,494</u>	<u>2,262,684</u>
General Revenues		
Property taxes	2,494,174	2,307,585
Insurance and franchise taxes	1,209,856	1,064,499
Payroll taxes/gross receipts fees	1,025,439	757,023
Other general revenues	190,081	140,881
Total General Revenues	<u>4,919,550</u>	<u>4,269,988</u>
Total Revenues	<u>7,028,044</u>	<u>6,532,672</u>
Program Expenses		
Legislative and administrative	2,198,335	2,057,643
Public safety	2,798,961	2,531,416
Public works & road repairs	835,051	1,882,496
Parks and recreation	34,783	29,183
Events & beautification	14,190	13,230
Interest on long-term debt	14,246	18,773
Depreciation	485,897	449,210
Pension and OPEB	277,078	580,562
Total Expenses	<u>6,658,541</u>	<u>7,562,513</u>
Net Change in Net Position	<u>\$ 369,503</u>	<u>\$ (1,029,841)</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 \$4,550,047 or 68% of total cost in FY 2023 (compared to 70% in FY 2022), 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 \$369,503 positive 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 increase at year-end was \$797,902 (a \$1,028,717 increase from (\$230,815) in FY 2022). The General Fund had an increase of \$349,668. The Road Tax Fund and Municipal Road Aid Fund also had increases.

**Table 3 - Revenues and Expenditures by Fund**

	<u>2023</u>	(Restated) <u>2022</u>
<b>Revenues</b>		
General Fund revenues	\$ 5,772,012	\$ 5,100,654
Road Tax Fund revenues	561,294	526,979
Municipal Road Aid Fund revenues	156,446	153,133
Federal Grant Fund revenues	463,825	713,063
Minor Governmental Funds revenues	74,467	38,841
<b>Total Revenues</b>	<u>7,028,044</u>	<u>6,532,670</u>
<b>Expenditures</b>		
General Fund expenditures	5,206,792	4,912,092
Road Tax Fund expenditures	186,530	439,984
Municipal Road Aid Fund expenditures	105,893	87,175
Federal Grant Fund expenditures	400,000	710,000
Minor Governmental Funds expenditures	330,927	614,234
<b>Total Expenditures</b>	<u>6,230,142</u>	<u>6,763,485</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>\$ 797,902</u>	<u>\$ (230,815)</u>
<b>Net Change in Fund Balances (including transfers)</b>		
General Fund	\$ 349,668	\$ (674,034)
Road Tax Fund	374,764	242,627
Municipal Road Aid Fund	50,553	65,958
Federal Grant Fund	44	3,063
Minor Governmental Funds	22,873	131,571
<b>Total Change in Fund Balance</b>	<u>\$ 797,902</u>	<u>\$ (230,815)</u>

Actual General Fund revenues were \$1,693,554 more than budgeted revenues. When the City's beginning reserve balance is considered, the amount available for appropriations (\$7,376,728) exceeded the amount expended and transferred (\$5,422,344) by the total fund balance of \$1,954,384, net of budgetary fund balance adjustments.

Actual General Fund expenditures and transfers were under budget by \$229,864. Actual Municipal Road Aid Fund revenues were \$16,446 more than budgeted revenues. Actual Municipal Aid Road Fund expenditures were under budget by \$34,107. Actual Road Tax Fund revenues were \$0 more than budgeted. Actual Road Tax Fund expenditures were under budget by \$9,019. The Special Revenue Fund and TIF Sanctuary Funds are not budgeted.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

At the end of fiscal year 2023, the City had \$16,810,411 invested in various capital assets, including land, buildings and improvements, infrastructure, equipment and vehicles. The City purchased capital assets valued at \$203,703 in 2023. The City also recognized \$485,897 in depreciation expense; leaving a net decrease in total capital assets, net of depreciation of \$282,194.

**Table 4 - Fixed Assets**

	<u>2023</u>	<u>2022</u>
Land	\$ 28,145	\$ 28,145
WIP - Vehicles	137,010	-
Buildings and improvements	1,269,263	1,269,263
Infrastructure	14,121,243	14,912,572
Property and equipment	438,753	478,977
Vehicles	815,997	1,071,008
Accumulated depreciation	<u>(11,887,142)</u>	<u>(12,554,502)</u>
Capital assets, net	<u>\$ 4,923,269</u>	<u>\$ 5,205,463</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, 2023, the City had \$317,431 in long-term debt remaining.

**Table 5 - Long Term Debt**

	<u>2023</u>	<u>2022</u>
2016 Capital Lease - Road Repair	\$ 241,024	\$ 318,669
2019 Capital Lease - Dump Truck	58,877	86,705
2020 Capital Lease - Police Cruiser	-	8,860
2020 Capital Lease - Police Cruisers	17,530	34,070
	<u>\$ 317,431</u>	<u>\$ 448,304</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.

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2023</b>
--

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,243,498
Property taxes receivable - net	35,616
Insurance tax receivable	232,867
Other receivables	19,437
Prepaid expenses	6,168
Restricted assets	
Restricted cash	1,773,407
Capital assets	
Land	28,145
Property, plant and equipment, net of depreciation	4,895,124
<b>Total Assets</b>	<u>9,234,262</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension and post employment health insurance	<u>1,377,395</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>10,611,657</u>
<b>Liabilities</b>	
Accounts payable	89,549
Accrued payroll and payroll taxes	29,873
Capital lease - current portion	126,712
Deferred revenues	832,898
Long-term liabilities	
Capital lease - long term portion	190,719
Compensated absences	181,340
Net pension and post employment health insurance liability	5,446,985
<b>Total Liabilities</b>	<u>6,898,076</u>
<b>Deferred Inflow of Resources</b>	
Deferred inflows related to pension and post employment health insurance	<u>403,047</u>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<u>7,301,123</u>
<b>Net Position</b>	
Net investment in capital assets	4,605,838
Restricted	931,552
Unrestricted	(2,226,856)
<b>Total Net Position</b>	<u><u>\$ 3,310,534</u></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, 2023**

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
<b>Primary Government</b>					
Legislative and administrative	\$ 2,198,335	\$ 26,982	\$ 13,859	\$ 432,976	\$ (1,724,518)
Public safety	2,798,961	775,673	97,324	-	(1,925,964)
Parks and recreation	34,783	11,231	-	-	(23,552)
Public works	758,193	594,003	-	-	(164,190)
Road repair	76,858	-	156,446	-	79,588
Events & beautification	14,190	-	-	-	(14,190)
Interest & fees	14,246	-	-	-	(14,246)
Unallocated depreciation	485,897	-	-	-	(485,897)
Unallocated pension & OPEB	277,078	-	-	-	(277,078)
<b>Total Primary Government</b>	<b>\$ 6,658,541</b>	<b>\$ 1,407,889</b>	<b>\$ 267,629</b>	<b>\$ 432,976</b>	<b>(4,550,047)</b>
<b>General revenues</b>					
Taxes					
Property taxes, levied for general purposes					2,494,174
Insurance and franchise taxes, levied for general purposes					1,209,856
Licenses and permit fees					
Payroll and gross receipts license fees					1,025,439
Licenses and fees					50,323
Miscellaneous					20,789
Gain on disposal of assets					19,360
Unrestricted investment earnings					99,609
<b>Total general revenues and special items</b>					<b>4,919,550</b>
<b>Change in net position</b>					<b>369,503</b>
<b>Net position, beginning</b>					<b>2,941,031</b>
<b>Net position, ending</b>					<b>\$ 3,310,534</b>

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

**CITY OF VILLA HILLS, KENTUCKY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2023**

<b>Assets</b>	<b>General Fund</b>	<b>Road Tax Fund</b>	<b>Federal Grant Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Unrestricted Assets					
Cash and cash equivalents	\$ 1,863,107	\$ -	\$ -	\$ 380,391	\$ 2,243,498
Property taxes receivable - net	35,616	-	-	-	35,616
Insurance tax receivable	232,867	-	-	-	232,867
Accounts receivable	19,437	-	-	-	19,437
Prepaid expenses	6,168	-	-	-	6,168
Due from other funds	-	-	-	-	-
<b>Total Unrestricted Assets</b>	<u>2,157,195</u>	<u>-</u>	<u>-</u>	<u>380,391</u>	<u>2,537,586</u>
Restricted Assets					
Restricted cash	8,957	567,780	836,005	360,665	1,773,407
<b>Total Assets</b>	<u>\$ 2,166,152</u>	<u>\$ 567,780</u>	<u>\$ 836,005</u>	<u>\$ 741,056</u>	<u>\$ 4,310,993</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 555	\$ -	\$ -	\$ 88,994	\$ 89,549
Accrued liabilities	29,873	-	-	-	29,873
Deferred revenue	-	-	832,898	-	832,898
Due to other funds	-	-	-	-	-
Compensated absences	181,340	-	-	-	181,340
<b>Total Liabilities</b>	<u>211,768</u>	<u>-</u>	<u>832,898</u>	<u>88,994</u>	<u>1,133,660</u>
<b>Fund Balances</b>					
Restricted	-	567,780	3,107	360,665	931,552
Committed	-	-	-	291,397	291,397
Assigned	53,000	-	-	-	53,000
Unassigned	1,901,384	-	-	-	1,901,384
<b>Total Fund Balances</b>	<u>1,954,384</u>	<u>567,780</u>	<u>3,107</u>	<u>652,062</u>	<u>3,177,333</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,166,152</u>	<u>\$ 567,780</u>	<u>\$ 836,005</u>	<u>\$ 741,056</u>	<u>\$ 4,310,993</u>
Total governmental fund balances					\$ 3,177,333
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets of \$16,810,411, net of accumulated depreciation of (\$11,887,142), used in governmental activities are not financial resources and are not reported in the funds.					4,923,269
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Capital leases					(317,431)
Net pension and post employment health insurance liability					(5,446,985)
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					1,377,395
Deferred inflows related to pension and post employment health insurance					(403,047)
Net position of governmental activities					<u>\$ 3,310,534</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, 2023**

	General Fund	Road Tax Fund	Federal Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes					
Property	\$ 1,889,004	\$ -	\$ -	\$ -	\$ 1,889,004
Insurance premium	895,146	-	-	-	895,146
Payroll and gross receipts	1,025,439	-	-	-	1,025,439
Franchise	314,710	-	-	-	314,710
Licenses and fees	50,323	-	-	-	50,323
Intergovernmental	111,183	-	432,976	-	544,159
Charges for services	1,396,658	-	-	11,231	1,407,889
Fines and forfeitures	1,962	-	-	-	1,962
Interest	68,760	-	30,849	-	99,609
Investment gains/(losses)	-	-	-	-	-
Sale of surplus property	-	-	-	19,360	19,360
TIF proceeds	-	-	-	43,876	43,876
Kentucky municipal road aid	-	-	-	156,446	156,446
Road tax	-	561,294	-	-	561,294
Miscellaneous	18,827	-	-	-	18,827
<b>Total Revenues</b>	<b>5,772,012</b>	<b>561,294</b>	<b>463,825</b>	<b>230,913</b>	<b>7,028,044</b>
<b>Expenditures</b>					
Legislative and administrative	855,812	-	-	-	855,812
Contracted Services	1,534,994	-	400,000	16,770	1,951,764
Public safety	2,169,287	-	-	20,433	2,189,720
Parks and recreation	34,783	-	-	-	34,783
Public works	520,868	186,530	-	50,795	758,193
Events & beautification	14,190	-	-	-	14,190
Road repair	76,858	-	-	-	76,858
Capital outlay	-	-	-	203,703	203,703
TIF expenses	-	-	-	-	-
Debt service:					
Principal	-	-	-	130,873	130,873
Interest	-	-	-	14,246	14,246
<b>Total Expenditures</b>	<b>5,206,792</b>	<b>186,530</b>	<b>400,000</b>	<b>436,820</b>	<b>6,230,142</b>
Excess (deficit) of revenues over (under) expenditures	565,220	374,764	63,825	(205,907)	797,902
<b>Other Financing Sources (Uses)</b>					
Transfers In	30,805	-	-	279,333	310,138
Transfers Out	(246,357)	-	(63,781)	-	(310,138)
<b>Net Change in Fund Balances</b>	<b>349,668</b>	<b>374,764</b>	<b>44</b>	<b>73,426</b>	<b>797,902</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,604,716</b>	<b>193,016</b>	<b>3,063</b>	<b>578,636</b>	<b>2,379,431</b>
<b>Fund Balances, End of Year</b>	<b>\$ 1,954,384</b>	<b>\$ 567,780</b>	<b>\$ 3,107</b>	<b>\$ 652,062</b>	<b>\$ 3,177,333</b>

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

<p><b>CITY OF VILLA HILLS, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND</b>  <b>CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE</b>  <b>STATEMENT OF ACTIVITIES</b>  <b>For the Year Ended June 30, 2023</b></p>
--

Net change in fund balances-total governmental funds \$ 797,902

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	203,703
Depreciation expense, net of adjustment	(485,897)

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	(107,865)
Cost of post employment health insurance benefits earned	(169,213)

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	130,873
---------------------------	---------

Change in net position of governmental activities	\$ 369,503
---	------------

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

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The Reporting Entity

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30,



<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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

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

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

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

#### Fund Types

The City reports the following governmental funds:

##### *General Fund*

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

##### *Road Tax Fund*

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

##### *Municipal Road Aid Fund*

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

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

*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, 2023, there were no inter-fund receivables/payables.

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.

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

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 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.

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

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.

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.

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

**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 1<sup>st</sup>. Taxes were payable by October 1, 2022, and are delinquent after November 30, 2022. The City bills and collects its own property taxes and waste fees. The City had property taxes and waste fees receivable of \$35,616 at June 30, 2023. The City feels that all property tax and waste fees are collectible.

**NOTE D – CAPITAL ASSETS AND DEPRECIATION**

The following is a summary of changes in capital assets for the year ended June 30, 2023:

Asset Type	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Land	\$ 28,145	\$ -	\$ -	\$ 28,145
Buildings and improvements	1,269,263	-	-	1,269,263
Infrastructure	14,912,572	-	(791,329)	14,121,243
WIP -Vehicles	-	137,010	-	137,010
Property and equipment	478,977	17,794	(58,018)	438,753
Vehicles	1,071,008	48,899	(303,910)	815,997
Subtotal	17,759,965	203,703	(1,153,257)	16,810,411
Less: accum. depreciation	(12,554,502)	(485,897)	1,153,257	(11,887,142)
Fixed assets, net	\$ 5,205,463	\$ (282,194)	\$ -	\$ 4,923,269

Depreciation expense is not allocated across governmental activities.

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

**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. On January 1, 2023 the monthly cost increased to \$1,000.

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.

**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
2024	\$ 80,294	\$ 5,661	\$ 85,955
2025	82,559	3,396	85,955
2026	78,171	1,094	79,265
Total	<u>\$ 241,024</u>	<u>\$ 10,151</u>	<u>\$ 251,175</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 lease was paid in full during fiscal year 2023.

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

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
2024	\$ 28,888	\$ 2,242	\$ 31,130
2025	29,989	1,141	31,130
Total	<u>\$ 58,877</u>	<u>\$ 3,383</u>	<u>\$ 62,260</u>

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
2024	\$ 17,530	\$ 1,050	\$ 18,580
Total	<u>\$ 17,530</u>	<u>\$ 1,050</u>	<u>\$ 18,580</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.

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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

Grant type	Balance at June 30, 2022	Additions	Grant Payments	Balance at June 30, 2023	Current Portion
General Fund - CVFA Firehouse	\$ 2,817,049	\$ -	\$ (94,250)	\$ 2,722,799	\$ 97,250
Totals	\$ 2,817,049	\$ -	\$ (94,250)	\$ 2,722,799	\$ 97,250

The remaining grant payments are as follows:

Year Ending June 30,	Principal	Interest & Fees	Total Grant Contribution
2024	\$ 97,250	\$ 104,748	\$ 201,998
2025	101,500	101,582	203,082
2026	106,250	98,283	204,533
2027	109,250	94,830	204,080
2028	112,250	91,280	203,530
2029-2033	617,750	399,311	1,017,061
2034-2038	725,750	292,061	1,017,811
2039-2043	848,250	166,416	1,014,666
2044	4,549	-	4,549
	\$ 2,722,799	\$ 1,348,511	\$ 4,071,310

**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	\$ 8,957	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grant checking	-	836,005	-	-	-	-
Road tax checking	-	-	567,780	-	-	-
Municipal road aid	-	-	-	186,322	-	-
Adopt-a-unit	-	-	-	-	5,223	-
Shop with a cop	-	-	-	-	7,908	-
TIF sanctuary	-	-	-	-	-	161,212
Total Restricted Cash	\$ 8,957	\$ 836,005	\$ 567,780	\$ 186,322	\$ 13,131	\$ 161,212

**NOTE I – ECONOMIC DEPENDENCY**

The City's general fund receives 15.5% 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.



**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE J – COUNTY EMPLOYEES’ RETIREMENT SYSTEM**

*Plan description* – City employees are covered by CERS (County Employees’ Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, 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 Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority 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 Duty* employees.

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

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,367	76,946	9,173	9,109
Inactive Plan Members	100,738	28,719	3,895	883
Retired Members	67,206	37,584	10,858	7,655
	<u>245,311</u>	<u>143,249</u>	<u>23,926</u>	<u>17,647</u>
Number of participating employers		<u>1,101</u>		<u>245</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

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive health insurance benefits 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 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 and 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 health insurance benefits 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.

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

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

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

**Contributions**

For non-hazardous duty employees, the City contributed 26.79% of covered-employee’s compensation, of which 23.40% was for the pension fund and 3.39% was for the health insurance fund.

For hazardous duty employees, the City contributed 49.59% of covered-employee’s compensation, of which 42.81% was for the pension fund and 6.78% 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 \$118,991, of which \$103,934 was for the pension fund and \$15,057 was for the health insurance fund.

The City made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$420,686, of which \$363,169 was for the pension fund and \$57,517 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, 2023, the City reported a liability of \$4,263,814 (\$1,061,798 for the non-hazardous plan and \$3,202,016 for the hazardous duty Plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.01469% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.104934% of the total CERS hazardous duty employees. For the year ended June 30, 2023, the City recognized pension expense of \$107,865 in addition to its \$467,103 pension contribution.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 1,135	\$ (9,456)	\$ 91,807	\$ -	\$ 92,942	\$ (9,456)
Net difference between projected actual earnings on plan investments	27,221	-	73,957	-	101,178	-
Changes of assump.	-	-	-	-	-	-
Changes in proportion, differences between contributions and proportionate share of contributions	64,602	-	170,430	(53,549)	235,032	(53,549)
Contributions subsequent to the measurement date	103,934	-	363,169	-	467,103	-
	<u>\$ 196,892</u>	<u>\$ (9,456)</u>	<u>\$ 699,363</u>	<u>\$ (53,549)</u>	<u>\$ 896,255</u>	<u>\$ (63,005)</u>

The City's contributions subsequent to the measurement date of \$467,103 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2023	\$ 155,288
2024	102,302
2025	3,541
2026	105,015
2027	-
Thereafter	-
	<u>\$ 366,146</u>

**Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability**

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

<p><b>CITY OF VILLA HILLS, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2023</b></p>
---

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**Changes of Assumptions**

There have been no changes in actuarial assumptions since June 30, 2021.

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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	Long Term
	Non-Hazardous Target Allocation	Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	\$ 1,327,115	\$ 1,061,798	\$ 842,358
Hazardous	3,988,635	3,202,016	2,561,364
Total	\$ 5,315,750	\$ 4,263,814	\$ 3,403,722

**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.

<p><b>CITY OF VILLA HILLS, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2023</b></p>
---

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

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

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

**Hazardous OPEB Plan Description**

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

<p><b>CITY OF VILLA HILLS, KENTUCKY</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>June 30, 2023</b></p>
---

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	\$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.

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

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

**Contributions**

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KPPA Trustees.

For non-hazardous employees, the City contributed 5.78% of covered employees' compensation for the health insurance fund.

For hazardous duty 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 \$15,057.

The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$57,517.



**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

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 accrued liability. For the year ended June 30, 2023, the City recognized OPEB expense of \$169,213 in addition to its \$72,574 OPEB contribution.

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

At June 30, 2023, the City reported a liability of \$1,183,171 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of 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, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.01469% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.104881% 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	\$ 29,172	\$ (66,460)	\$ 19,739	\$ (52,910)	\$ 48,911	\$ (119,370)
Net difference between projected actual earnings on plan investments	11,763	-	32,608	-	44,371	-
Changes of assump.	45,836	(37,768)	149,128	(153,715)	194,964	(191,483)
Changes in proportion, differences between contributions and proportionate share of contributions	30,131	(3,409)	90,190	(25,780)	120,321	(29,189)
Contributions subsequent to the measurement date	15,057	-	57,517	-	72,574	-
	<u>\$ 131,959</u>	<u>\$ (107,637)</u>	<u>\$ 349,182</u>	<u>\$ (232,405)</u>	<u>\$ 481,141</u>	<u>\$ (340,042)</u>

The City's contributions subsequent to the measurement date of \$72,574 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2023</b>
--

Measurement Year Ending June 30,	Net Deferral
2023	\$ 59,443
2024	20,834
2025	(14,690)
2026	33,430
2027	(30,492)
Thereafter	-
	<u>\$ 68,525</u>

**Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability**

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

Post-retirement (non- disabled) System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Post-retirement (disabled) PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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

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

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

**Changes of Assumptions**

The discount rates used to calculate the total OPEB liability increased from 5.20% to 5.70% for the non-hazardous Plan and from 5.05% to 5.61% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 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**

Single discount rates of 5.70% for CERS Nonhazardous and 5.61% for CERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy

**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	Long Term
	Non-Hazardous Target Allocation	Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

**Sensitivity of the 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 5.70% for the non-hazardous Plan and 5.61% for the hazardous Plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.70%	5.70%	6.70%
Net OPEB liability, Non-Haz	\$ 387,430	\$ 289,810	\$ 209,111
Discount Rate, Hazardous	4.61%	5.61%	6.61%
Net OPEB liability, Haz	\$ 1,241,299	\$ 893,361	\$ 610,771
Total	\$ 1,628,729	\$ 1,183,171	\$ 819,882

**Sensitivity of the 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:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 215,468	\$ 289,810	\$ 379,082
Net OPEB liability, hazardous	623,823	893,361	1,221,914
Total	\$ 839,291	\$ 1,183,171	\$ 1,600,996

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**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 Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE K – CONTINGENCIES**

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, 2023 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.

**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 \$432,976 as income during the year ended June 31, 2023. The remaining \$832,898 is in Deferred Revenue at June 30, 2023.

**CITY OF VILLA HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE N – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2023 – This Standard has no impact on the City.

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023 – This Standard has no impact on the City.

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023 – This Standard has no impact on the City.

Statement No. 99 – *Omnibus 2020* – FY 2023 – This Standard affected a portion of Statements No. 87, 91, 94, and 96.

**NOTE O – FUTURE ACCOUNTING STANDARDS**

Statement No. 100 – *Accounting Changes and Error Corrections* – Implementation in FY 2024

Statement No. 101 – *Compensated Absences* – Implementation in FY 2024

**NOTE P – SUBSEQUENT EVENTS**

Management has evaluated events through October 6, 2023, the date on which the financial statements were available for issue. The City does not have any events subsequent to June 30, 2023 through October 6, 2023 to disclose.

**CITY OF VILLA HILLS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts			Actual	Variance Favorable / (Unfavorable)
	Original	Revisions	Final		
<b>Prior year funds available for use</b>	\$ 87,145	\$ (87,145)	\$ -	\$ 1,604,716	\$ 1,604,716
<b>Resources (inflows)</b>					
Taxes and fees	4,332,300	543,300	4,875,600	4,984,454	108,854
Interlocal contract	775,574	5,000	780,574	775,673	(4,901)
Grants	27,000	-	27,000	11,885	(15,115)
Transfer in from unrestricted reserves	400,000	(400,000)	-	-	-
<b>Amounts available for appropriation</b>	<u>5,622,019</u>	<u>61,155</u>	<u>5,683,174</u>	<u>7,376,728</u>	<u>1,693,554</u>
<b>Charges to appropriations (outflows)</b>					
Administration	439,827	425,000	864,827	855,812	9,015
Contracted services	1,599,476	(15,000)	1,584,476	1,534,994	49,482
Events and beautification	13,700	-	13,700	14,190	(490)
Police	2,085,672	115,000	2,200,672	2,169,287	31,385
Public Works	559,290	(30,000)	529,290	520,868	8,422
Recreation	48,691	-	48,691	34,783	13,908
Road repair designation	195,000	-	195,000	76,858	118,142
<b>Total departmental charges to appropriations</b>	<u>4,941,656</u>	<u>495,000</u>	<u>5,436,656</u>	<u>5,206,792</u>	<u>229,864</u>
<b>Transfer in (out) -</b>					
Transfer to Capital fund	(172,800)	-	(172,800)	(172,800)	-
Transfer to Sanctuary TIF	(67,177)	(6,380)	(73,557)	(73,557)	-
Transfer from Federal grant	400,000	(400,000)	-	30,805	30,805
Transfer to Special revenue	-	-	-	-	-
<b>Total transfers to other funds</b>	<u>160,023</u>	<u>(406,380)</u>	<u>(246,357)</u>	<u>(215,552)</u>	<u>30,805</u>
<b>Total General Fund Expenses</b>	<u>4,781,633</u>	<u>901,380</u>	<u>5,683,013</u>	<u>5,422,344</u>	<u>(260,669)</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 840,386</u>	<u>\$ (840,225)</u>	<u>\$ 161</u>	<u>\$ 1,954,384</u>	<u>\$ 1,954,223</u>

**CITY OF VILLA HILLS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**ROAD TAX FUND**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts			Actual	Variance Favorable / (Unfavorable)
	Original	Revisions	Final		
<b>Prior year funds available for use</b>	\$ -	33,265	\$ 33,265	\$ 193,016	\$ 159,751
<b>Resources (inflows)</b>					
Road tax	533,500	27,794	561,294	561,294	-
<b>Amounts available for appropriation</b>	<u>533,500</u>	<u>61,059</u>	<u>594,559</u>	<u>754,310</u>	<u>159,751</u>
<b>Charges to appropriations (outflows)</b>					
Capital outlay	403,500	(383,500)	20,000	11,000	9,000
City engineer	80,000	69,900	149,900	145,449	4,451
Road salt	50,000	(19,900)	30,100	30,081	19
<b>Total charges to appropriations</b>	<u>453,500</u>	<u>(383,500)</u>	<u>200,000</u>	<u>186,530</u>	<u>13,470</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 80,000</u>	<u>\$ 444,559</u>	<u>\$ 394,559</u>	<u>\$ 567,780</u>	<u>\$ 173,221</u>



**CITY OF VILLA HILLS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**FEDERAL GRANT FUND**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts			Actual	Variance Favorable / (Unfavorable)
	Original	Revisions	Final		
<b>Prior year funds available for use</b>	\$ 1,238,338	\$ (1,238,338)	\$ -	\$ 3,063	\$ 3,063
<b>Resources (inflows)</b>					
Grants	30,000	402,976	432,976	432,976	-
Interest	-	-	-	30,849	30,849
<b>Amounts available for appropriation</b>	<u>1,268,338</u>	<u>(835,362)</u>	<u>432,976</u>	<u>466,888</u>	<u>33,912</u>
<b>Charges to appropriations (outflows)</b>					
Grant expenditures	680,000	(247,024)	432,976	432,976	-
<b>Total charges to appropriations</b>	<u>680,000</u>	<u>(247,024)</u>	<u>432,976</u>	<u>432,976</u>	<u>-</u>
<b>Transfer in (out) -</b>					
Transfer to General fund				(30,805)	
Transfer to Capital projects	-	-	-	(32,976)	32,976
<b>Total Federal Grant Expenses</b>	<u>680,000</u>	<u>(247,024)</u>	<u>432,976</u>	<u>465,952</u>	<u>(32,976)</u>
<b>Budgetary fund balance, June 30</b>	<u>588,338</u>	<u>(588,338)</u>	<u>-</u>	<u>\$ 936</u>	<u>\$ 936</u>

**CITY OF VILLA HILLS, KENTUCKY**

**Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure-NON-HAZARDOUS**

**Last Ten Fiscal Years**

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.01469%	0.01448%	0.01242%	0.01194%	0.01242%	0.01176%	0.01174%	0.01135%	0.01146%	
Proportionate share of the net pension liability (asset)	\$ 1,061,798	\$ 923,022	\$ 952,834	\$ 839,816	\$ 756,659	\$ 688,056	\$ 578,110	\$ 488,159	\$ 371,759	
Covered payroll in year of measurement	406,155	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	261.43%	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	52.42%	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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 103,934	\$ 85,983	\$ 71,368	\$ 61,444	\$ 48,345	\$ 44,416	\$ 53,462	\$ 67,136	\$ 49,658	\$ 50,371
Actual contribution	103,934	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	444,161	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	23.40%	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, 2023, is based on the June 30, 2022, 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****Last Ten Fiscal Years****Schedule of the City's Proportionate Share of the Net Pension Liability  
County Employees' Retirement System (CERS)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.10493%	0.10725%	0.09612%	0.09785%	0.05346%	0.04417%	0.04976%	0.05459%	0.06000%	
Proportionate share of the net pension liability (asset)	\$ 3,202,016	\$ 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	688,666	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	464.96%	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	47.11%	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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 363,169	\$ 233,182	\$ 191,919	\$ 167,034	\$ 139,650	\$ 65,536	\$ 72,070	\$ 96,935	\$ 108,497	\$ 110,364
Actual contribution	363,169	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	848,327	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	42.81%	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, 2023, is based on the June 30, 2022, 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**

**Last Ten Fiscal Years**

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.01469%	0.01447%	0.01242%	0.01194%	0.01242%	0.01176%				
Proportionate share of the net OPEB liability (asset)	\$ 289,810	\$ 277,097	\$ 299,881	\$ 200,792	\$ 220,568	\$ 236,316				
Covered payroll in year of measurement	406,155	369,782	318,361	298,058	306,740	383,240				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	71.35%	74.94%	94.20%	67.37%	57.55%	61.66%				
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 15,057	\$ 23,476	\$ 17,602	\$ 15,154	\$ 15,678	\$ 14,417	\$ 18,127			
Actual contribution	15,057	23,476	17,602	15,154	15,678	14,417	18,127			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
City's covered payroll	444,161	406,155	369,782	318,361	298,058	306,740	383,240			
Contributions as a percentage of covered payroll	3.39%	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, 2023, is based on the June 30, 2022, 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**

**Last Ten Fiscal Years**

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.10488%	0.10725%	0.09609%	0.09783%	0.05346%	0.04417%				
Proportionate share of the net OPEB liability (asset)	\$ 893,361	\$ 867,204	\$ 887,973	\$ 723,775	\$ 381,134	\$ 365,124				
Covered payroll in year of measurement	688,666	638,454	555,669	561,746	295,207	331,967				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	129.72%	135.83%	159.80%	128.84%	114.81%	109.99%				
Plan fiduciary net position as a percentage of total OPEB liability	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 57,517	\$ 72,103	\$ 60,781	\$ 52,900	\$ 58,815	\$ 27,602	\$ 31,039			
Actual contribution	57,517	72,103	60,781	52,900	58,815	27,602	31,039			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
City's covered payroll	848,327	688,666	638,454	555,669	561,746	295,207	331,967			
Contributions as a percentage of covered payroll	6.78%	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, 2023, is based on the June 30, 2022, 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.

<b>CITY OF VILLA HILLS, KENTUCKY</b> <b>COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS</b> <b>June 30, 2023</b>
--

	<u>Capital Projects Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Special Revenue Fund</u>	<u>TIF Sanctuary Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents-restricted	\$ 380,391	\$ 186,322	\$ 13,131	\$ 161,212	\$ 741,056
Due from other funds	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 380,391</u>	<u>\$ 186,322</u>	<u>\$ 13,131</u>	<u>\$ 161,212</u>	<u>\$ 741,056</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 88,994	\$ -	\$ -	\$ -	\$ 88,994
Due to General Fund	-	-	-	-	-
<b>Total Liabilities</b>	<u>88,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,994</u>
<b>Fund Balances</b>					
Restricted	-	186,322	13,131	161,212	360,665
Committed	291,397	-	-	-	291,397
Assigned	-	-	-	-	-
<b>Total Fund Balances</b>	<u>291,397</u>	<u>186,322</u>	<u>13,131</u>	<u>161,212</u>	<u>652,062</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 380,391</u>	<u>\$ 186,322</u>	<u>\$ 13,131</u>	<u>\$ 161,212</u>	<u>\$ 741,056</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 - NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2023**

	<b>Capital Projects Fund</b>	<b>Municipal Road Aid Fund</b>	<b>Special Revenue Fund</b>	<b>TIF Sanctuary Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>					
Sale of surplus property	\$ 19,360	\$ -	\$ -	\$ -	\$ 19,360
Kentucky municipal road aid	-	156,446	-	-	156,446
Special revenue contributions	-	-	11,231	-	11,231
TIF proceeds	-	-	-	43,876	43,876
<b>Total Revenues</b>	<b>19,360</b>	<b>156,446</b>	<b>11,231</b>	<b>43,876</b>	<b>230,913</b>
<b>Expenditures</b>					
<b>Current</b>					
Administration	9,027	-	-	-	9,027
Police	181,342	-	-	-	181,342
Public works	64,624	19,938	-	-	84,562
Parks and recreation	-	-	-	-	-
Special revenue expenditures	-	-	16,770	-	16,770
TIF expenses	-	-	-	-	-
Debt service	59,164	85,955	-	-	145,119
<b>Total Expenditures</b>	<b>314,157</b>	<b>105,893</b>	<b>16,770</b>	<b>-</b>	<b>436,820</b>
<b>Excess of Revenues Over Expenditures Before Other Sources</b>	<b>(294,797)</b>	<b>50,553</b>	<b>(5,539)</b>	<b>43,876</b>	<b>(205,907)</b>
<b>Other Financing Sources</b>					
Transfers in	205,776	-	-	73,557	279,333
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources</b>	<b>205,776</b>	<b>-</b>	<b>-</b>	<b>73,557</b>	<b>279,333</b>
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	<b>(89,021)</b>	<b>50,553</b>	<b>(5,539)</b>	<b>117,433</b>	<b>73,426</b>
<b>Fund Balances, Beginning of Year</b>	<b>380,418</b>	<b>135,769</b>	<b>18,670</b>	<b>43,779</b>	<b>578,636</b>
<b>Fund Balances, End of Year</b>	<b>\$ 291,397</b>	<b>\$ 186,322</b>	<b>\$ 13,131</b>	<b>\$ 161,212</b>	<b>\$ 652,062</b>

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

**CITY OF VILLA HILLS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL PROJECTS FUND**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts			Actual	Variance Favorable / (Unfavorable)
	Original	Revisions	Final		
<b>Prior year funds available for use</b>	\$ 308,471	\$ 71,947	\$ 380,418	\$ 380,418	\$ -
<b>Resources (inflows)</b>					
Sale of surplus property	2,000	17,360	19,360	19,360	-
<b>Amounts available for appropriation</b>	<u>310,471</u>	<u>89,307</u>	<u>399,778</u>	<u>399,778</u>	<u>-</u>
<b>Charges to appropriations (outflows)</b>					
Police	\$ 175,000	\$ 15,000	\$ 190,000	\$ 190,369	\$ (369)
Public works	40,300	(7,004)	33,296	64,624	(31,328)
Debt service	59,230	-	59,230	59,164	66
<b>Total charges to appropriations</b>	<u>274,530</u>	<u>7,996</u>	<u>282,526</u>	<u>314,157</u>	<u>(31,631)</u>
<b>Transfer in (out) -</b>					
Transfer from Federal grants	\$ -	\$ -	\$ -	\$ 32,976	\$ (32,976)
Transfer from General fund	<u>172,800</u>	<u>-</u>	<u>172,800</u>	<u>172,800</u>	<u>-</u>
<b>Total Capital Projects Expenses</b>	<u>101,730</u>	<u>7,996</u>	<u>109,726</u>	<u>108,381</u>	<u>(31,631)</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 208,741</u>	<u>\$ 81,311</u>	<u>\$ 290,052</u>	<u>\$ 291,397</u>	<u>\$ 1,345</u>



**CITY OF VILLA HILLS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**MUNICIPAL ROAD AID FUND**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts			Actual	Variance Favorable / (Unfavorable)
	Original	Revisions	Final		
<b>Prior year funds available for use</b>	\$ -	\$ -	\$ -	\$ 135,769	\$ 135,769
<b>Resources (inflows)</b>					
Kentucky Municipal Road Aid	140,000	-	140,000	156,446	16,446
<b>Amounts available for appropriation</b>	<u>140,000</u>	<u>-</u>	<u>140,000</u>	<u>292,215</u>	<u>152,215</u>
<b>Charges to appropriations (outflows)</b>					
Capital outlay	33,600	-	33,600	-	33,600
Road repair	-	-	-	-	-
City Engineer	20,000	-	20,000	19,938	62
Debt service and bond costs	<u>86,400</u>	<u>-</u>	<u>86,400</u>	<u>85,955</u>	<u>445</u>
<b>Total charges to appropriations</b>	<u>140,000</u>	<u>-</u>	<u>140,000</u>	<u>105,893</u>	<u>34,107</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,322</u>	<u>\$ 186,322</u>

**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, 2023 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 6, 2023.

**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 6, 2023