

CITY OF WILDER, KENTUCKY

FINANCIAL STATEMENTS

JUNE 30, 2021

Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	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 to the Statement of Activities	13
Notes to Financial Statements	14-35
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	36
Budgetary Comparison Schedule – Special Revenue Fund	37
Budgetary Comparison Schedule – Capital Fund	38
Budgetary Comparison Schedule – Building Fund	39
Schedule of District’s Proportionate Share of the Net Pension Liability and Schedule of District’s Contributions – County Employees Retirement System Nonhazardous	40
Schedule of District’s Proportionate Share of the Net Pension Liability and Schedule of District’s Contributions – County Employees Retirement System Hazardous	41
Schedule of District’s Proportionate Share of the Net OPEB Liability and Schedule of District’s Contributions – County Employees Retirement System – Nonhazardous	42
Schedule of District’s Proportionate Share of the Net OPEB Liability and Schedule of District’s Contributions – County Employees Retirement System – Hazardous	43
Notes to required supplementary information.....	44-45
 Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	
	46-47

INDEPENDENT AUDITOR'S REPORT

City of Wilder, Kentucky
520 Licking Pike
Wilder, KY 41071

To the Honorable Mayor
and Members of City Council

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

1407 Alexandria Pike
Fort Thomas, KY 41075

3863 Glenmore Ave
Cincinnati, OH 45211

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basis financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

December 13, 2021

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

ACCOMPLISHMENTS AND TRANSPARENCY

- To maintain better internal control, the City utilizes an outside accountant to review our monthly statements.
- The City finalized financing for the new firehouse and park with the \$6.2 million bond issue for new firehouse and park construction.
- Using the paying agent of the U.S. Bank for payment of funds from the construction project. The City began construction on the new firehouse and park.
- Better control over payment of bills as the Mayor is personally signing all checks. The City no longer uses a stamp. The Mayor reviews and signs all checks individually.
- For financial transparency the City posts the final annual audits on the City's website.
- Overall, the City continues to maintain and improve internal controls as well as promote overall transparency to the public.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceed the liabilities and deferred flows by \$1,014,222 at the close of the current fiscal year. The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was a deficit of \$12,213,367. The City is required to provide postemployment benefits to its employees. As a result, the City has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 2021, the City had liabilities of \$10,207,871 for postemployment benefits, which has caused the deficit balance in the unrestricted net position.
- The City's total net position decreased \$177,502 primarily due to postemployment benefit plan expense incurred during the fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$2,671,119, a decrease of \$2,105,200 from the prior year. Of this amount, \$2,143,101 is available for spending at the City's discretion (unassigned fund balance).
- At the close of the current fiscal year, the unassigned fund balance was approximately 28% of total fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

See accompanying notes to financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

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

The government-wide financial statements can be found on pages 8-9 of this report

FUND FINANCIAL STATEMENTS

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road fund, capital fund, and the building fund which are considered to be major funds.

See accompanying notes to financial statements.

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

The governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-35 of this report.

OTHER INFORMATION

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 36-45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

	2021	2020
Assets		
Current and other assets	\$ 2,806,083	\$ 4,969,655
Capital assets	13,142,156	10,356,413
Total assets	15,948,239	15,326,068
Deferred outflows of resources	2,276,585	2,607,001
Liabilities		
Current liabilities	134,704	180,843
Long-term liabilities	16,327,244	15,588,500
Total liabilities	16,461,948	15,769,343
Deferred inflows of resources	748,654	1,844,741
Net position		
Net investment in capital assets	13,142,156	10,356,413
Restricted	85,433	2,796,056
Unrestricted	(12,213,367)	(11,960,743)
Total net position	\$ 1,014,222	\$ 1,191,726

See accompanying notes to financial statements.

Changes in Net Position

	2021	2020
Revenues		
Taxes	\$ 2,508,969	\$ 2,036,830
Licenses and permits	2,073,492	2,126,627
Intergovernmental	161,686	149,182
Charges for services	105,151	94,625
Fines and forfeitures	1,272	2,035
Interest income	9,732	72,945
Other revenue	525,255	73,681
Total revenues	5,385,557	4,555,925
Expenses		
General government	1,212,234	1,634,287
Police	1,666,124	1,802,584
Fire	2,045,948	2,290,500
Public works	317,640	328,175
Recreation	142,421	36,019
Interest	178,692	171,082
Total expenses	5,563,059	6,262,647
Decrease in net position	(177,502)	(1,706,722)
Net position - beginning	1,191,724	2,898,446
Net position - ending	\$ 1,014,222	\$ 1,191,724

CAPITAL ASSETS

Capital Assets Net of Depreciation

	2021	2020
Land	\$ 1,678,397	\$ 1,678,397
Investment in joint venture	112,191	112,191
Buildings	6,330,859	2,313,562
Infrastructure	4,412,479	2,293,205
Vehicles	449,569	505,542
Equipment	158,661	86,018
Construction in progress		3,367,498
Total capital assets	\$ 13,142,156	\$ 10,356,413

See accompanying notes to financial statements.

LONG-TERM DEBT

General Obligation Bonds

	<u>2021</u>	<u>2020</u>
General obligations bonds	\$ 5,950,000	\$ 6,085,000

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Administrator, 520 Licking Pike, Wilder, Kentucky 41071.

City of Wilder, Kentucky
Statement of Net Position
June 30, 2021

	Primary Government	
	Governmental	
	Activities	Total
Assets		
Cash and cash equivalents	\$ 1,466,594	\$ 1,466,594
Restricted cash	85,433	85,433
Investments	442,683	442,683
Receivables:		
Taxes	280,775	280,775
Accounts	511,854	511,854
Assessment	12,513	12,513
Intergovernmental	5,971	5,971
Interest	260	260
Capital assets, net of depreciation	13,142,156	13,142,156
Total assets	15,948,239	15,948,239
Deferred outflows of resources		
Pension related	1,416,620	1,416,620
OPEB related	859,965	859,965
Total deferred outflows of resources	2,276,585	2,276,585
Liabilities		
Accounts payable	9,669	9,669
Payroll related liabilities	125,035	125,035
Noncurrent liabilities:		
Due within one year:		
Accrued interest payable	14,876	14,876
Bonds payable	140,000	140,000
Due in more than one year:		
Bonds payable	5,810,000	5,810,000
Bond premium, net of amortization	98,582	98,582
Compensated absences	55,915	55,915
Net pension liability	7,809,620	7,809,620
Net OPEB liability	2,398,251	2,398,251
Total liabilities	16,461,948	16,461,948
Deferred inflows of resources		
Related to pensions	318,859	318,859
Related to OPEB	429,795	429,795
Total deferred inflows of resources	748,654	748,654
Net position		
Net investment in capital assets	13,142,156	13,142,156
Restricted	85,433	85,433
Unrestricted	(12,213,367)	(12,213,367)
Total net position	\$ 1,014,222	\$ 1,014,222

See accompanying notes to financial statements.

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Operating	Capital	
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ 1,212,234	\$ 105,151	\$ 298,980	\$ 0	\$ (808,103)
Police	1,666,124		102,696		(1,563,428)
Fire	2,045,948				(2,045,948)
Public works	317,640		58,990		(258,650)
Recreation	142,421				(142,421)
Interest	178,692				(178,692)
Total governmental activities	5,563,059	105,151	460,666	-	(4,997,242)
Total primary government	\$ 5,563,059	\$ 105,151	\$ 460,666	\$ 0	(4,997,242)
General revenues					
					2,508,969
Taxes					2,073,492
Licenses and permits					1,272
Fines and forfeitures					94,025
Other revenues					9,732
Investment income					132,250
Gain on sale of capital assets					4,819,740
Total general revenues					(177,502)
Change in net position					1,191,724
Net position - beginning					\$ 1,014,222
Net position - ending					

See accompanying notes to financial statements.

City of Wilder, Kentucky
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Municipal Road Aid Fund	Capital Fund	Building Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 841,816	\$	\$ 624,778	\$	\$ 1,466,594
Restricted cash	98	85,335			85,433
Investments				442,683	442,683
Receivables:					
Taxes	280,775				280,775
Assessment	12,513				12,513
Licenses	511,854				511,854
Intergovernmental	5,971				5,971
Total assets	\$ 1,653,027	\$ 85,335	\$ 624,778	\$ 442,683	\$ 2,805,823
Liabilities					
Accounts payable	\$ 9,669	\$	\$	\$	\$ 9,669
Payroll liabilities	125,035				125,035
Total liabilities	134,704	0	0	0	134,704
Fund balances					
Restricted		85,335		442,683	528,018
Unassigned	1,518,323		624,778		2,143,101
Total fund balances	1,518,323	85,335	624,778	442,683	2,671,119
Total liabilities and fund balances	\$ 1,653,027	\$ 85,335	\$ 624,778	\$ 442,683	\$ 2,805,823

See accompanying notes to financial statements.

City of Wilder, Kentucky
Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position
June 30, 2021

Total governmental fund balances	\$ 2,671,119
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets of \$18,317,592, net of accumulated depreciation of \$5,175,437 used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,142,156
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Deferred outflows and inflows of resources related to postretirement benefits (pension and OPEB) are applicable to future periods and, therefore, not reported in the funds.

Deferred outflows - pension related	1,416,620	
Deferred outflows - OPEB related	859,965	
Deferred inflows - pension related	(318,859)	
Deferred inflows - OPEB related	(429,795)	
Total deferred outflow and inflow related to postretirement benefits		1,527,931

Assets not currently available and are not recognized in the funds, whereas these amounts are reported in the statement of activities.	260
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds

Accrued interest payable	(14,876)	
Bonds payable	(5,950,000)	
Compensated absences	(55,915)	
Net pension liability	(7,809,620)	
Net OPEB liability	(2,398,251)	
Total long-term liabilities		(16,228,662)

Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(98,582)
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Net position of governmental activities	\$ 1,014,222
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City of Wilder, Kentucky
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
June 30, 2021

	General Fund	Road Aid Fund	Capital Fund	Building Fund	Total Governmental Funds
Revenues					
Taxes	\$ 2,513,993	\$	\$	\$	\$ 2,513,993
Licenses and permits	2,073,492				2,073,492
Intergovernmental	102,696	58,990			161,686
Charges for services	105,151				105,151
Grants	298,980				298,980
Fines and forfeitures	1,272				1,272
Interest income	1,212	56	629	15,045	16,942
Other revenue	94,025		17,267		111,292
Total revenues	5,190,821	59,046	17,896	15,045	5,282,808
Expenditures					
Current					
General government	1,047,196	182	1,990		1,049,368
Public safety - police	1,182,525				1,182,525
Public safety - fire	1,395,865				1,395,865
Public works	218,521				218,521
Recreation	50,069				50,069
Debt service					
Principal	135,000				135,000
Interest	182,550				182,550
Capital outlay	2,358,895		947,465		3,306,360
Total expenditures	6,570,621	182	949,455	0	7,520,258
Excess of revenues over (under) expenditures	(1,379,800)	58,864	(931,559)	15,045	(2,237,450)
Other financing sources (uses)					
Transfers in			952,944		952,944
Transfers out	(802,215)			(150,729)	(952,944)
Bond proceeds					0
Bond issue premium					0
Sale of assets			132,250		132,250
Total other financing sources (uses)	(802,215)	0	1,085,194	(150,729)	132,250
Net change in fund balances	(2,182,015)	58,864	153,635	(135,684)	(2,105,200)
Fund balances - beginning	3,700,338	26,471	471,143	578,367	4,776,319
Fund balances - ending	\$ 1,518,323	\$ 85,335	\$ 624,778	\$ 442,683	\$ 2,671,119

See accompanying notes to financial statements.

City of Wilder, Kentucky
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds to Statement of Activities
June 30, 2021

Net change in fund balances - total governmental funds	\$ (2,105,200)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,256,562	
Depreciation expense	(470,819)	
Total capital asset activities	2,785,743	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	(12,234)
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Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effects of bond issuance premiums with debt is first issued, whereas these amounts are deferred and amortized in statement of activities.

Amortization of bond premiums	3,521	
Principal paid on bonds	135,000	
Total bond activities	138,521	

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, not reported as expenditures in the governmental funds.

Accrued interest payable	339	
Compensated absences	5,536	
Changes in pension liabilities and related deferred outflows and inflows	(762,265)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(227,942)	
Total expense activities	(984,332)	

Change in net position of governmental activities	\$ (177,502)
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NOTE 1: ACCOUNTING POLICIES

Kentucky Revised Statutes and Ordinances of the City Council of the City of Wilder, Kentucky (City) designate the purpose, function and restrictions of the various funds.

Reporting Entity

The City operates under a City Council government comprised of the Mayor and six council members. The financial statements of the City include all of the funds for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

Fund Accounting

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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

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

Capital Fund – The civic center fund is a city designated fund used for capital projects.

Building Fund – The building fund is a city designated fund for used for savings purposes.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. The City's infrastructure consists of sidewalks, streets, and traffic signals. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported.

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

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

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

Deferred Outflows of Resources – Pension, OPEB, and Debt Refunding

The City reports decreases in net position that relates to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred outflows of resources reported in the financial statements include (1) deferred amount arising from the refunding of bonds, (2) deferred outflows of resources for contributions made to the City's defined benefit pension plan between the measurement date of the plan net pension liabilities and the end of City's fiscal year, and (3) deferred outflows of resources related to the changes between the expected and actual experiences for the plan and changes in actuarial assumptions. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to experience and assumption changes will be recognized in future periods.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources – Pension and OPEB

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

Net Pension Liability

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

Net OPEB Liability

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Fund Balances

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

Nonspendable - includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - amounts are intended to be used by the City Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council.

Unassigned - the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Revenues

Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year end.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions

Transactions in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measureable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Interfund Activity

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

Interfund Balances

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

Extraordinary and Special Items

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Budgetary Process

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

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

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

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

Subsequent Events

The City evaluated subsequent events for potential recognition and disclosure through December 13, 2021, the date the financial statements were available to be issued.

NOTE 2: CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City's cash and cash equivalents was covered by Federal Deposit Insurance Corporation (FDIC) and by collateral agreements and collateral held by the pledging bank's trust department in the City's name.

Custodial Credit Risk – Deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

NOTE 3: CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Governmental activities				
Land	\$ 1,678,397	\$	\$	\$ 1,678,397
Investment in joint venture	112,191			112,191
Buildings	3,594,347	4,172,637		7,766,984
Infrastructure and improvements	3,426,890	2,302,914		5,729,804
Vehicles	1,603,561	37,931		1,641,492
Equipment	1,278,145	110,578		1,388,723
Construction in progress	3,367,498		3,367,498	0
Total capital assets	15,061,029	6,624,060	3,367,498	18,317,591
Accumulated depreciation				
Buildings	1,280,785	155,340		1,436,125
Infrastructure and improvements	1,133,685	183,640		1,317,325
Vehicles	1,098,019	93,904		1,191,923
Equipment	1,192,127	37,935		1,230,062
Total accumulated depreciation	4,704,616	470,819	0	5,175,435
Net governmental capital assets	\$ 10,356,413	\$ 6,153,241	\$ 3,367,498	\$ 13,142,156

Depreciation was charged to the following government funds:

Administration	\$ 121,570
Police	63,210
Fire	142,990
Public Works	69,150
Parks and Recreation	73,899
	<u>\$ 470,819</u>

NOTE 4: LONG-TERM LIABILITIES

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds outstanding at June 30, 2021, are as follows:

Loan	Issue Amount	Date Issued	Coupon Rate	Maturity Date	June 30, 2021
Series 2019 Bonds	\$6,210,000	7/23/20019	3.00%	6/1/2049	\$5,950,000

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Changes in the City's long-term liabilities are as follows:

	Balance			Balance	Amount
	June 30, 2020	Increases	Decreases	June 30, 2021	Due Within One Year
Series 2019 Bonds	\$ 6,085,000	\$ 0	\$ (135,000)	\$ 5,950,000	\$ 140,000
Bond premiums	102,103		(3,521)	98,582	3,521
Interest payable	15,213		(337)	14,876	14,876
Compensated absences	61,452		(5,537)	55,915	
Net pension liability	7,365,714	443,906		7,809,620	
Net OPEB liability	1,959,018	497,016		2,456,034	
	<u>\$ 15,588,500</u>	<u>\$ 940,922</u>	<u>\$ (144,395)</u>	<u>\$ 16,385,027</u>	<u>\$ 158,397</u>

Future minimum principal and interest payments are as follows:

Year ended June 30:	Series 2019 Bonds		
	Principal	Interest	Total
2022	\$ 140,000	\$ 178,500	\$ 318,500
2023	145,000	174,300	319,300
2024	145,000	169,950	314,950
2025	150,000	165,600	315,600
2026	155,000	161,100	316,100
2027 - 2031	850,000	732,750	1,582,750
2032 - 2036	990,000	597,300	1,587,300
2037 - 2041	1,145,000	439,800	1,584,800
2042 - 2046	1,330,000	256,950	1,586,950
2047 - 2049	900,000	54,600	954,600
	<u>\$ 5,950,000</u>	<u>\$ 2,930,850</u>	<u>\$ 8,880,850</u>

NOTE 5: COMPENSATED ABSENCES

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also accrue sick days based on length of service. Sick days are not paid out at retirement or termination. At June 30, 2021, accrued compensated absences are \$55,915.

NOTE 6: RETIREMENT PLANS

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

NOTE 6: RETIREMENT PLANS (CONTINUED)

Plan description

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

Benefits provided

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old, or 25 years service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal
	Reduced retirement	Not available

NOTE 6: RETIREMENT PLANS (CONTINUED)

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

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

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

Contributions

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

Employers - For the year ended June 30, 2021 participating employers contributed 19.30% of wages for non-hazardous covered employees and 30.06% of wages for hazardous covered employees. The City made all required contributions for fiscal year in the amount of \$91,576 for non-hazardous and \$548,866 for hazardous.

NOTE 6: RETIREMENT PLANS (CONTINUED)

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

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

Non-hazardous	Hazardous	Total Net Pension Liability
\$ 644,887	\$ 7,164,733	\$ 7,809,620

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

Non-hazardous	Hazardous	Proportionate Share
0.0084%	0.2376%	0.0731%

For the year ended June 30, 2031, the City recognized pension expense of \$762,265. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Nonhazardous Deferred Inflow	Net Deferral
Change in liability experience	\$ 16,081	\$	
Change of assumptions	25,182		
Change in investment experience	27,954	11,816	
Change in proportionate share of contributions	13,678	14,792	
	82,895	<u>\$ 26,608</u>	<u>\$ 56,287</u>
Subsequent contributions	73,603		
Total	<u>\$ 156,498</u>		

NOTE 6: RETIREMENT PLANS (CONTINUED)

	Hazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 222,206	\$	
Change of assumptions	271,727		
Change in investment experience	271,320	109,915	
Change in proportionate share of contributions	78,019	182,336	
	843,272	\$ 292,251	\$ 551,021
Subsequent contributions	416,850		
Total	\$ 1,260,122		

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 238,287	\$	
Change of assumptions	296,909		
Change in investment experience	299,274	121,731	
Change in proportionate share of contributions	91,697	197,128	
	926,167	\$ 318,859	\$ 607,308
Subsequent contributions	490,453		
Total	\$ 1,416,620		

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The contributions subsequent to the measurement date of \$490,543 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The net deferral of \$607,308 will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2022	\$ 292,190
2023	170,323
2024	75,789
2025	69,006
	\$ 607,308

NOTE 6: RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

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

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

The actuarial assumptions are:

Inflation	2.30%
Payroll growth rate	2.00% for non-hazardous 2.00% for hazardous
Salary increase	3.30% to 11.05% for non-hazardous 3.05% to 18.55% for hazardous
Investment rate of return	6.25%

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

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

NOTE 6: RETIREMENT PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	100.00%	3.96%

Discount rate

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

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

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

	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non hazardous	\$ 795,286	\$ 644,887	\$ 520,351
Hazardous	8,854,589	7,164,733	5,785,363
	\$ 9,649,875	\$ 7,809,620	\$ 6,305,714

Pension plan fiduciary net position

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

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan description

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

Benefits provided

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

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

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

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

Contributions

For the year ending June 30, 2021, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% for hazardous classifications. Participating employers were required to contribute at an actuarially determined rate. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Implicit Subsidy

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

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

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

<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Total Net OPEB Liability</u>
\$ 202,955	\$ 2,195,296	\$ 2,398,251

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

<u>Non-hazardous</u>	<u>Hazardous</u>	<u>Proportionate Share</u>
0.0084%	0.2376%	0.0718%

For the year ended June 30, 2021, the City recognized OPEB expense of \$285,725. At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Nonhazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 33,910	\$ 33,936	
Change of assumptions	35,302	215	
Change in investment experience	10,887	4,141	
Change in proportionate share of contributions	3,646	10,259	
	83,745	<u>\$ 48,551</u>	<u>\$ 35,194</u>
Subsequent contributions	18,153		
Total	<u>\$ 101,898</u>		

	Hazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 75,334	\$ 219,224	
Change of assumptions	358,136	2,023	
Change in investment experience	162,555	65,106	
Change in proportionate share of contributions	30,025	94,891	
	626,050	<u>\$ 381,244</u>	<u>\$ 244,806</u>
Subsequent contributions	132,017		
Total	<u>\$ 758,067</u>		

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 109,244	\$ 253,160	
Change of assumptions	393,438	2,238	
Change in investment experience	173,442	69,247	
Change in proportionate share of contributions	33,671	105,150	
	709,795	<u>\$ 429,795</u>	<u>\$ 280,000</u>
Subsequent contributions	150,170		
Total	<u>\$ 859,965</u>		

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

The contributions subsequent to the measurement date of \$150,170 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The net deferral of \$280,000 will be recognized in OPEB expense as follows:

Year ending June 30	Net Deferral
2022	\$ 75,152
2023	33,829
2024	82,047
2025	68,906
2026	20,066
Thereafter	-
	<u>\$ 280,000</u>

Actuarial Assumptions

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

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

The actuarial assumptions are:

Inflation	2.30%
Payroll growth rate	2.00% for non-hazardous 2.00% for hazardous
Salary increase	3.30% to 11.55% for non-hazardous 3.05% to 18.55% for hazardous
Investment rate of return	6.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the mortality table used is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back four years for males).

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

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	100.00%	3.96%

Discount rate

The projection of cash flows used to determine the discount rate of 5.34% for non-hazardous and 5.30% for hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit study will not be paid out of KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

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

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.34% for non-hazardous and 5.30% for hazardous as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate :

	1% Decrease 4.34%	Current Rate 5.34%	1% Increase 6.34%
Non hazardous	\$ 260,738	\$ 202,955	\$ 155,496
Hazardous	2,980,057	2,195,296	1,562,938
Total	<u>\$ 3,240,795</u>	<u>\$ 2,398,251</u>	<u>\$ 1,718,434</u>

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

The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Non hazardous	\$ 157,438	\$ 202,955	\$ 258,555
Hazardous	1,568,923	2,195,296	2,965,491
Total	<u>\$ 1,726,361</u>	<u>\$ 2,398,251</u>	<u>\$ 3,224,046</u>

OPEB plan fiduciary net position

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

NOTE 8: CONTINGENCIES

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

NOTE 9: RISK MANAGEMENT

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

Management estimates that the amount of actual or potential claims against the City as of June 30, 2021, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

City of Wilder, Kentucky
Budget Comparison Schedule
General Fund
June 30, 2021

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Budgetary fund balance, July 1, 2020	\$ 100,000	\$ 100,000	\$ 3,760,007	\$ 3,660,007
Revenues				
Taxes	1,825,000	1,825,000	2,413,692	588,692
Licenses and permits	2,227,400	2,227,400	2,068,010	(159,390)
Intergovernmental	324,753	324,753	105,193	(219,560)
Fines and forfeitures	3,150	3,150	1,272	(1,878)
Charges for services	101,820	101,820	105,151	3,331
Interest income	0	0	1,212	1,212
Other revenue	43,800	43,800	94,024	50,224
Grants			298,980	298,980
Total resources available for appropriation	4,625,923	4,625,923	8,847,541	262,631
Appropriations				
General government	1,073,475	1,073,475	1,094,953	(21,478)
Public safety - police	1,323,481	1,323,481	1,216,410	107,071
Public safety - fire	1,793,230	1,793,230	3,685,926	(1,892,696)
Public works	264,114	264,114	227,509	36,605
Parks and recreation	171,623	171,623	53,179	118,444
Debt service - principal			135,000	(135,000)
Debt service - interest			182,550	(182,550)
Interfund transfers			802,215	(802,215)
Total appropriations	4,625,923	4,625,923	7,397,742	(2,771,819)
Budgetary fund balance, June 30, 2021	\$ 0	\$ 0	\$ 1,449,799	\$ 1,449,799

Notes to Supplementary Information

Reconciling budgetary fund balance to balance sheet fund balance

GAAP basis	\$ 1,518,323
Net adjustment for revenue accruals	(103,285)
Net adjustment for expenditure accruals	34,761
Budgetary basis	<u>\$ 1,449,799</u>

City of Wilder, Kentucky
Budget Comparison Schedule
Road Fund
June 30, 2021

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Budgetary fund balance, July 1, 2020	\$ 28,192	\$ 28,192	\$ 26,471	\$ (1,721)
Resources				
Intergovernmental	51,000	51,000	58,990	7,990
Interest income			56	56
Total resources available for appropriation	79,192	79,192	85,517	6,325
Appropriations				
Public works	50,000	50,000	182	49,818
Interfund transfers				0
Total appropriations	50,000	50,000	182	49,818
Budgetary fund balance, June 30, 2021	\$ 29,192	\$ 29,192	\$ 85,335	\$ 56,143

City of Wilder, Kentucky
Budget Comparison Schedule
Capital Fund
June 30, 2021

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Budgetary fund balance, July 1, 2020	\$ 620,821	\$ 620,821	\$ 471,143	\$ 0
Resources				
Interest income			629	629
Intergovernmental	250,000	250,000		
Sale of assets	930,000	930,000	132,250	
Other revenue	347,000	347,000	970,211	623,211
Total resources available for appropriation	2,147,821	2,147,821	1,574,233	623,840
Appropriations				
General government	279,030	279,030	1,990	277,040
Police	48,500	48,500		48,500
Fire	100,000	100,000		100,000
Recreation	1,540,427	1,540,428		1,540,428
Capital outlay			947,465	(947,465)
Total appropriations	1,967,957	1,967,958	949,455	1,018,503
Budgetary fund balance, June 30, 2021	\$ 179,864	\$ 179,863	\$ 624,778	\$ 444,915

City of Wilder, Kentucky
Budget Comparison Schedule
Building Fund
June 30, 2021

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Budgetary fund balance, July 1, 2020	\$ 587,754	\$ 587,751	\$ 578,367	\$ (9,384)
Resources				
Interest income	1,500	1,500	15,045	13,545
Total resources available for appropriation	589,254	589,251	593,412	4,161
Appropriations				
Public works	50,000	50,000	150,729	(100,729)
Total appropriations	50,000	50,000	150,729	(100,729)
Budgetary fund balance, June 30, 2021	\$ 539,254	\$ 539,251	\$ 442,683	\$ (96,568)

City of Wilder, Kentucky
Schedule of City's Share of Net Pension Liability and Contributions - Nonhazardous
June 30, 2021

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

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement period as of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.0084%	0.0081%	0.0087%	0.0089%	0.0093%	0.0101%	0.0104%
City's proportionate share of the net pension liability	\$ 644,887	\$ 570,661	\$ 531,927	\$ 523,871	\$ 459,900	\$ 434,023	\$ 336,222
City's covered payroll	\$ 376,309	\$ 264,458	\$ 317,192	\$ 304,098	\$ 290,260	\$ 150,181	\$ 159,550
City's proportionate share of the net pension liability as a percentage of its covered payroll	171.37%	215.79%	167.70%	172.27%	158.44%	289.00%	210.73%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Schedule of City's Contributions - CERS

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 73,603	\$ 72,627	\$ 42,895	\$ 45,929	\$ 42,421	\$ 36,050	\$ 19,148	\$ 21,922
Actual contribution	<u>73,603</u>	<u>72,627</u>	<u>42,895</u>	<u>45,929</u>	<u>42,421</u>	<u>36,050</u>	<u>19,148</u>	<u>21,922</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 381,363	\$ 376,309	\$ 264,458	\$ 317,192	\$ 304,098	\$ 290,260	\$ 150,181	\$ 159,550
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

City of Wilder, Kentucky
Schedule of City's Share of Net Pension Liability and Contributions - Hazardous
June 30, 2021

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

As of June 30,	2021	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.2376%	0.2460%	0.2370%	0.2555%	0.2465%	0.2322%	0.2169%
City's proportionate share of the net pension liability	\$ 7,164,733	\$ 6,795,053	\$ 5,731,283	\$ 5,716,068	\$ 4,229,536	\$ 3,564,744	\$ 2,606,987
City's covered payroll	\$ 1,470,102	\$ 1,200,551	\$ 1,357,981	\$ 1,365,984	\$ 1,266,497	\$ 1,351,177	\$ 702,957
City's proportionate share of the net pension liability as a percentage of its covered payroll	487.36%	565.99%	422.04%	418.46%	333.96%	263.83%	370.86%
Plan fiduciary net position as a percentage of the total pension liability	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

Schedule of City's Contributions - CERS

As of June 30,	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 416,850	\$ 441,912	\$ 298,456	\$ 301,471	\$ 296,555	\$ 256,592	\$ 310,095
Actual contribution	416,850	441,912	298,456	301,471	296,555	256,592	310,095
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,386,728	\$ 1,470,102	\$ 1,200,551	\$ 1,357,981	\$ 1,365,984	\$ 1,266,496	\$ 1,351,177
Contributions as a percentage of covered payroll	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%

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

As of June 30, Measurement period as of June 30,	<u>2021</u> 2020	<u>2020</u> 2019	<u>2019</u> 2018	<u>2018</u> 2017
City's proportion of the net OPEB liability	0.0084%	0.0081%	0.0087%	0.0090%
City's proportionate share of the net OPEB liability	\$ 202,995	\$ 136,440	\$ 155,070	\$ 179,926
City's covered payroll	\$ 376,309	\$ 264,458	\$ 317,192	\$ 304,098
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	53.94%	51.59%	48.89%	59.17%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.39%

Schedule of City's Contributions - CERS

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 18,153	\$ 17,912	\$ 13,910	\$ 14,908	\$ 14,384
Actual contribution	<u>18,153</u>	<u>17,912</u>	<u>13,910</u>	<u>14,908</u>	<u>14,384</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 381,367	\$ 376,309	\$ 264,458	\$ 317,192	\$ 304,098
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%

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

As of June 30,	2021	2020	2019	2018
Measurement period as of June 30,	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.2376%	0.2463%	0.2370%	0.2555%
City's proportionate share of the net OPEB liability	\$ 2,195,296	\$ 1,822,578	\$ 1,689,671	\$ 2,112,080
City's covered payroll	\$ 1,470,102	\$ 1,200,551	\$ 1,357,981	\$ 1,365,984
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	149.33%	151.81%	124.43%	154.62%
Plan fiduciary net position as a percentage of the total OPEB liability	58.84%	64.44%	64.24%	58.99%

Schedule of City's Contributions - CERS

As of June 30,	2021	2020	2019	2018	2017
Contractually required contribution	\$ 132,017	\$ 139,953	\$ 125,697	\$ 126,971	\$ 127,719
Actual contribution	132,017	139,953	125,697	126,971	127,719
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,386,728	\$ 1,470,102	\$ 1,200,551	\$ 1,357,981	\$ 1,365,984
Contributions as a percentage of covered payroll	9.52%	9.52%	10.47%	9.35%	9.35%

Benefits	2021	2020
	no change	no change
Assumptions	2021	2020
Valuation date	6/30/2019	6/30/2018
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	20% of difference	20% of difference
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed
Payroll growth rate	2.00%	2.00%
Investment return	6.25%	6.25%
Inflation	2.30%	2.30%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%

Benefits	2021	2020
	no change	no change
Assumptions		
	2021	2020
Valuation date	6/30/2018	6/30/2017
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	25 years, closed	26 years, closed
Payroll growth rate	2.00%	2.00%
Investment rate of return	6.25%	6.25%
Inflation	2.30%	2.30%
Salary increase rate - nonhazardous	3.30% - 11.55%	3.30% - 11.55%
Salary increase rate - hazardous	3.05% - 18.55%	3.05% - 18.55%
Health care cost trends:		
Pre-65	7.00% decreasing to an ultimate rate of 4.05% in 12 years	7.00% decreasing to an ultimate rate of 4.05% in 12 years
Post-65	5.00% decreasing to an ultimate rate of 4.05% in 12 years	5.00% decreasing to an ultimate rate of 4.05% in 12 years

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*

Honorable Mayor
Members of the City Council
City of Wilder, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Wilder, Kentucky (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maddox & Associates CPAs Inc.

December 13, 2021

Fort Thomas, Kentucky