

CITY OF DOUGLASS HILLS, KENTUCKY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

CITY OF DOUGLASS HILLS, KENTUCKY MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

As management of the City of Douglass Hills (the 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, 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and accounts payable accrued but unpaid in the current fiscal year).

The governmental activities of the City include general government, public safety, public works (roads, etc.), sanitation, and community development.

The government-wide financial statements can be found on pages 3-4 of this report.

Fund Financial Statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been 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. All of the funds of the City are governmental funds and proprietary funds.

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The governmental statement of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between the *governmental funds and governmental activities*.

The City maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and special revenue fund (municipal road aid), both of which are considered to be major funds. No non-major funds exist.

The City adopts an annual appropriated budget for both funds as required by state statute. Budgetary comparison statements have been provided for the general fund and the special revenue fund (municipal road aid) for the reader to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 5-8 of this report.

Proprietary Fund - The City maintains one proprietary fund. The proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the proprietary fund to account for its pool activities.

The proprietary fund financial statements can be found on pages 9-11 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to 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 12-27 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, total net position decreased by \$99,376 at the close of the most recent fiscal year.

The largest portion of the City's net position \$3,834,758 (76 percent) reflect its investment in capital assets (e.g., land, buildings, equipment, infrastructure, pool and pool accessories), less depreciation, an increase of \$102,580 from prior year's balance of \$3,732,178. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Analysis of the City's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$2,979,807	\$1,723,867	\$ 146,893	\$ 97,727	\$3,126,700	\$1,821,594
Capital assets	3,013,955	2,823,697	820,803	908,481	3,834,758	3,732,178
Total assets	<u>5,993,762</u>	<u>4,547,564</u>	<u>967,696</u>	<u>1,006,208</u>	<u>6,961,458</u>	<u>5,553,772</u>
Deferred outflows of resources:						
Pension deferrals	156,877	91,565	-	-	156,877	91,565
OPEB deferrals	102,515	64,580	-	-	102,515	64,580
Total deferred outflows of resources	<u>259,392</u>	<u>156,145</u>	<u>-</u>	<u>-</u>	<u>259,392</u>	<u>156,145</u>
Current and other liabilities	<u>2,024,442</u>	<u>510,174</u>	<u>6,134</u>	<u>5,564</u>	<u>2,030,576</u>	<u>515,738</u>
Deferred inflows of resources:						
Pension deferrals	74,949	17,850	-	-	74,949	17,850
OPEB deferrals	63,715	25,343	-	-	63,715	25,343
Total deferred inflows of resources	<u>138,664</u>	<u>43,193</u>	<u>-</u>	<u>-</u>	<u>138,664</u>	<u>43,193</u>
Net position:						
Invested in capital assets	3,013,955	2,823,697	820,803	908,481	3,834,758	3,732,178
Restricted	149,129	122,395	-	-	149,129	122,395
Unrestricted	926,964	1,204,250	140,759	92,163	1,067,723	1,296,413
Total net position	<u>\$4,090,048</u>	<u>\$4,150,342</u>	<u>\$ 961,562</u>	<u>\$1,000,644</u>	<u>\$5,051,610</u>	<u>\$5,150,986</u>

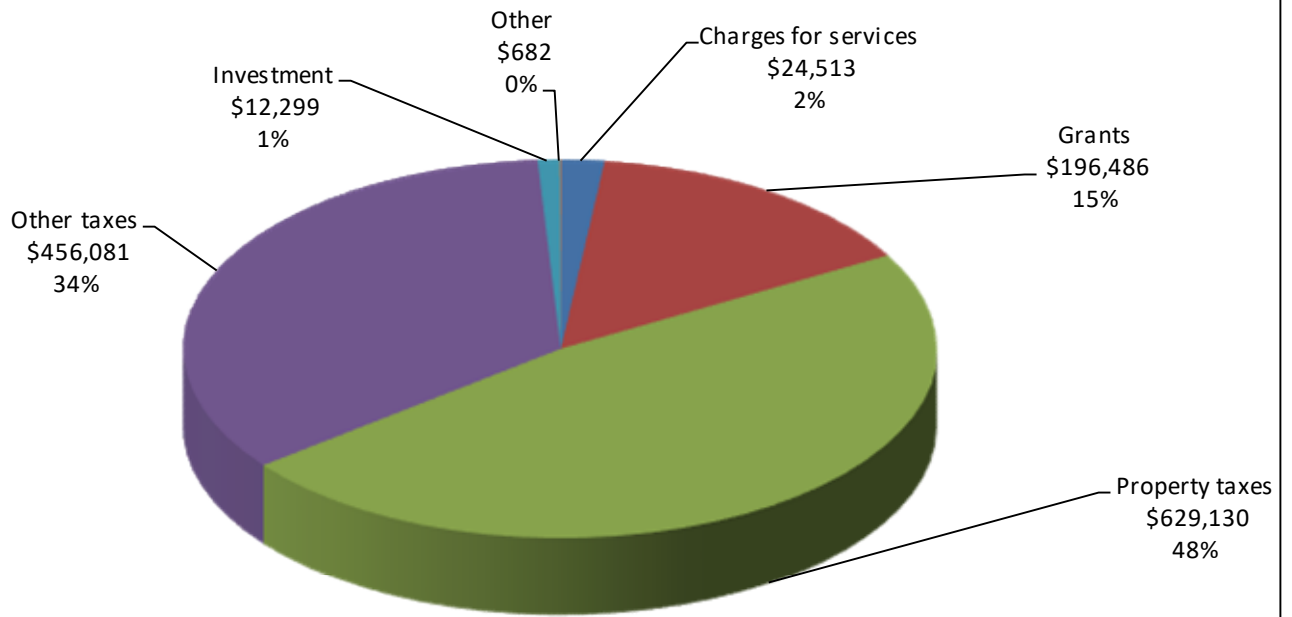
For governmental activities, a portion of the City's net position, \$149,129, represents resources that are subject to external restrictions on how they may be used. Prior year comparison shows \$122,395, an increase of \$26,734. The remaining balance of unrestricted net position, \$926,964, may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of \$277,286 from 2021. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The decrease in the primary government net position of \$99,376 is due to expenditures exceeding revenues. In the current year, the business-type activities' (pool fund) net position decreased by \$39,082, compared to an increase in the prior year of \$111,818.

The following is a more detailed review of the years' operations:

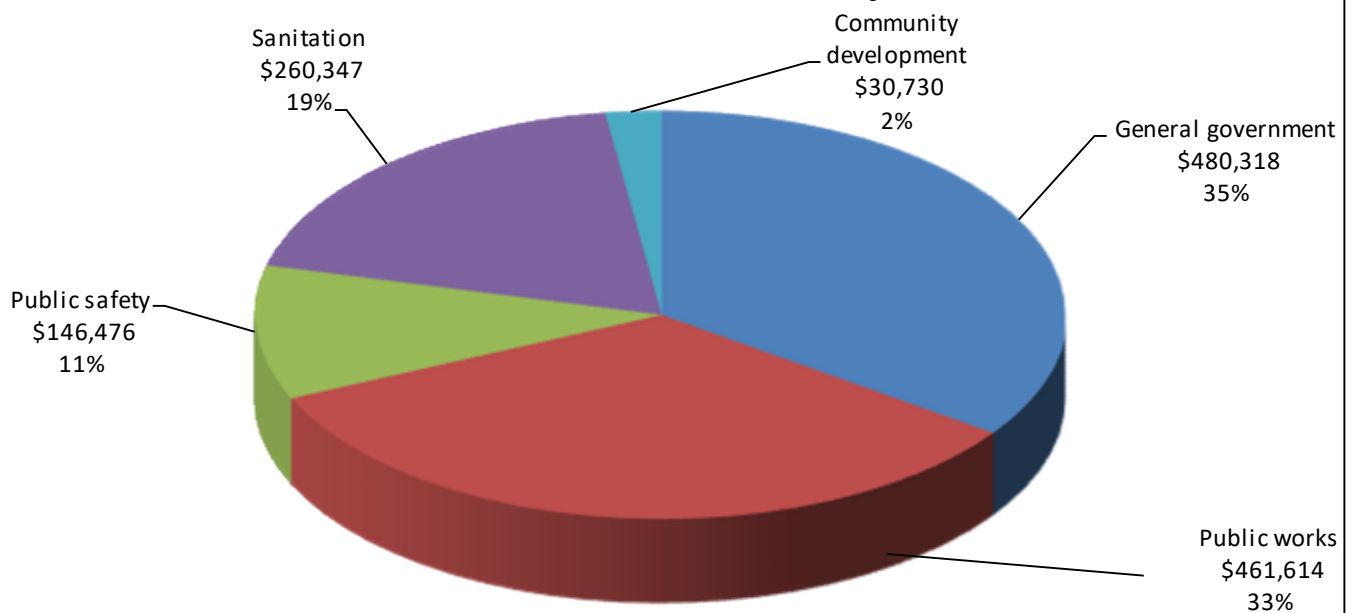
Changes in the City's Operations

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Charges for services	\$ 24,513	\$ 17,659	\$ 173,256	\$ 105,379	\$ 197,769	\$ 123,038
Operating grants and contributions	196,486	273,326	-	-	196,486	273,326
Property taxes	629,130	615,729	-	-	629,130	615,729
Other taxes	456,081	436,521	-	-	456,081	436,521
Investment income	12,299	15,151	-	-	12,299	15,151
Other	682	809	-	-	682	809
Total revenue	<u>1,319,191</u>	<u>1,359,195</u>	<u>173,256</u>	<u>105,379</u>	<u>1,492,447</u>	<u>1,464,574</u>
Expenses:						
General government	480,318	507,024	-	-	480,318	507,024
Public safety	146,476	132,486	-	-	146,476	132,486
Public works	461,614	423,212	-	-	461,614	423,212
Sanitation	260,347	250,943	-	-	260,347	250,943
Community development	30,730	7,397	-	-	30,730	7,397
Pool	-	-	212,338	168,561	212,338	168,561
Total expenses	<u>1,379,485</u>	<u>1,321,062</u>	<u>212,338</u>	<u>168,561</u>	<u>1,591,823</u>	<u>1,489,623</u>
Other financing sources (uses):						
Transfers	-	(175,000)	-	175,000	-	-
Change in net position	(60,294)	(136,867)	(39,082)	111,818	(99,376)	(25,049)
Net position - beginning	4,150,342	4,287,209	1,000,644	888,826	5,150,986	5,176,035
Net position - ending	<u>\$ 4,090,048</u>	<u>\$ 4,150,342</u>	<u>\$ 961,562</u>	<u>\$ 1,000,644</u>	<u>\$ 5,051,610</u>	<u>\$ 5,150,986</u>

City of Douglass Hills Governmental Activities 2022 Revenues



City of Douglass Hills Governmental Activities 2022 Expenses

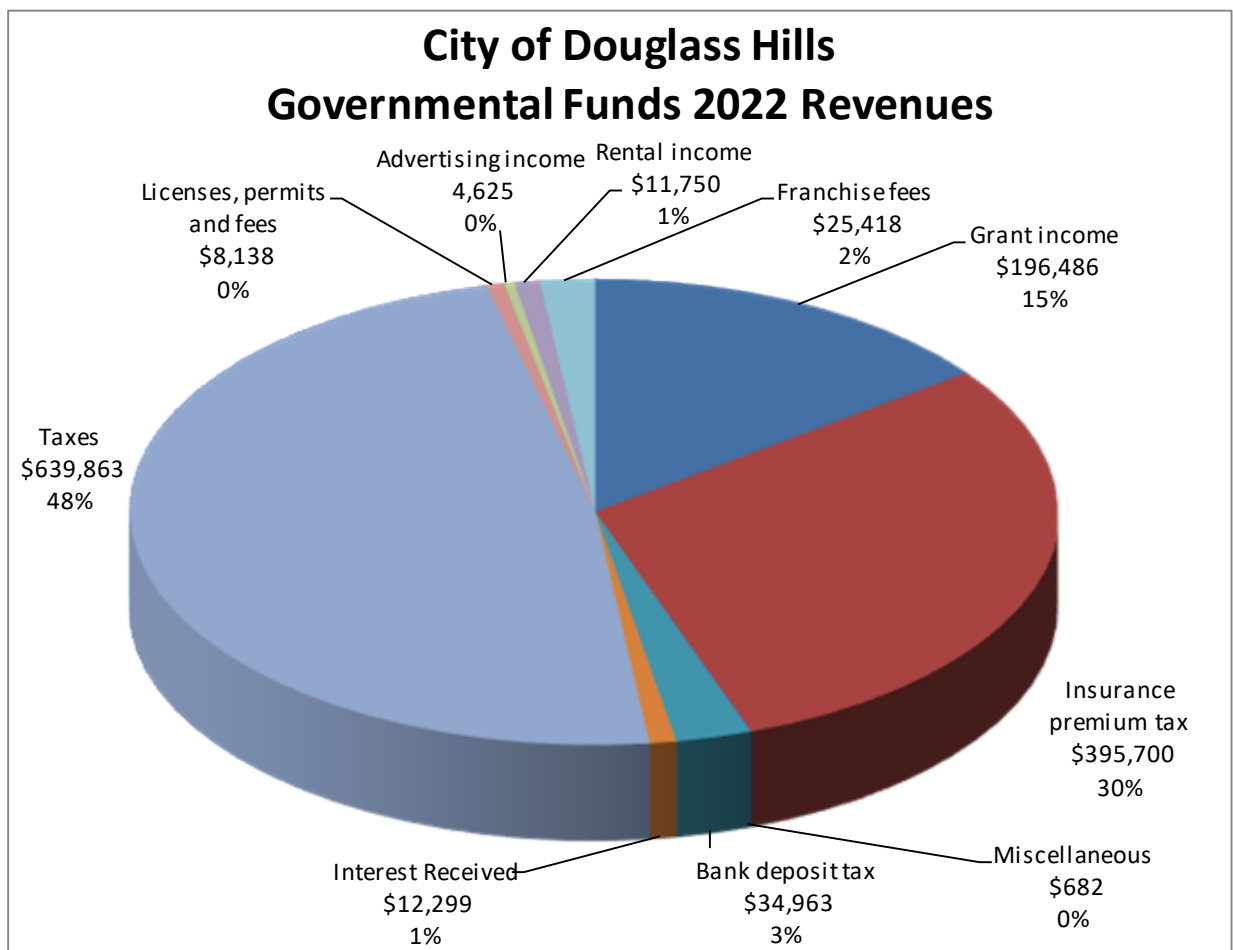


Financial Analysis of the Government Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

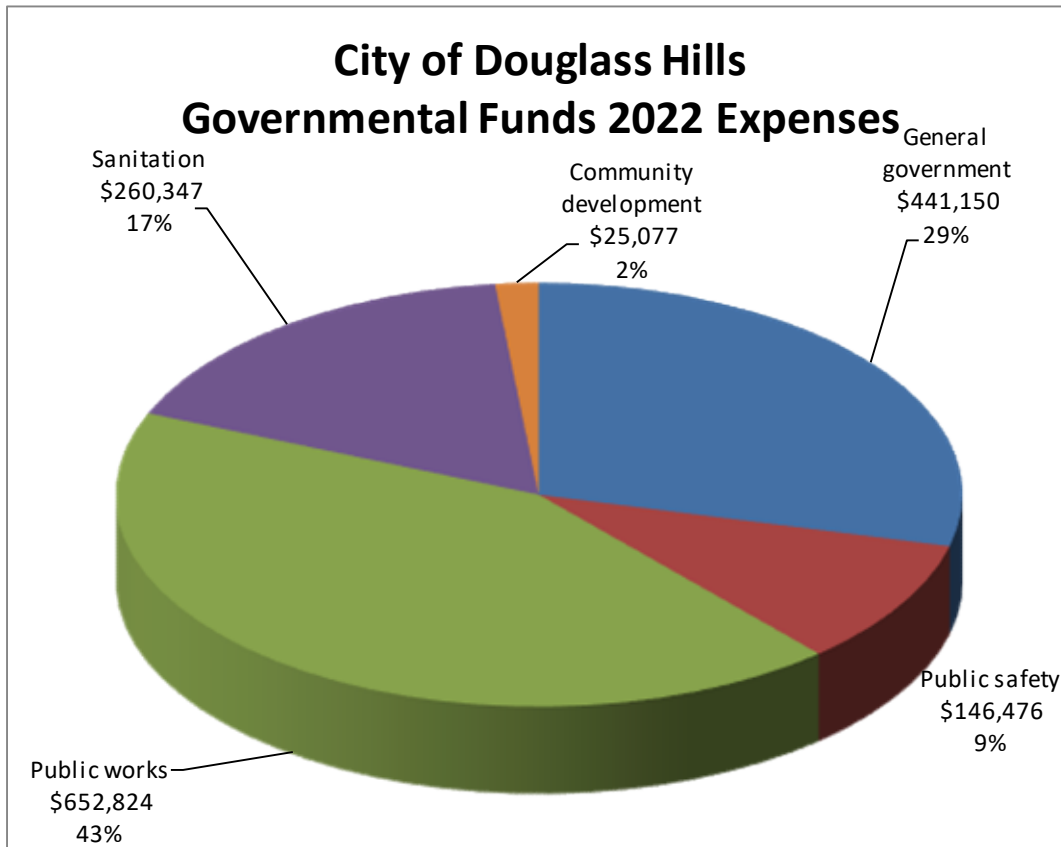
Governmental funds. The financial reporting focus of the City *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information, particularly *unassigned fund balance*, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,444,821, a decrease of \$195,951 in comparison with the prior year. Of this total amount, \$427,609 constitutes the unassigned fund balance, which is available to meet the future financial needs of the City. The remainder of the fund balance is restricted to indicate that it is not available for new spending or assigned.



Revenues for governmental fund functions totaled \$1,329,924 (see Statement of Revenues, Expenditures, and Changes in Fund Balances on page 7 of this report) in the fiscal year ended June 30, 2022.

Property taxes represent the City's largest revenue source, with \$639,863 or 48 percent of all Governmental Fund revenues. The City property tax rate remained steady at .134 in FY 2022. Total grant income of \$196,486 was received during the current fiscal year.

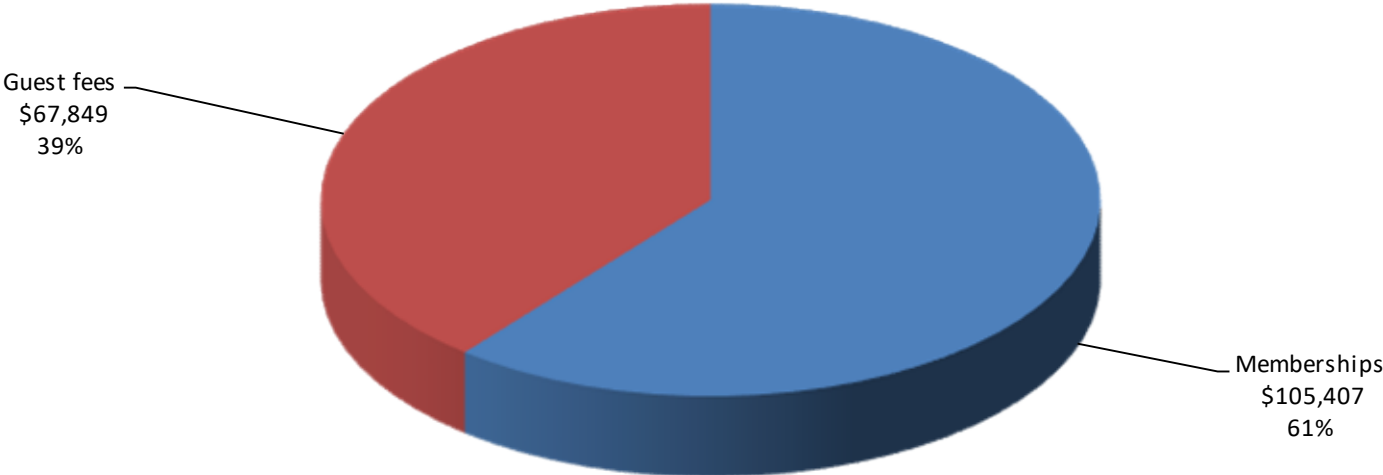


Expenses for governmental fund functions totaled \$1,525,875 (see Statement of Revenues, Expenditures, and Changes in Fund Balances on page 7 of this report) in the fiscal year ended June 30, 2022.

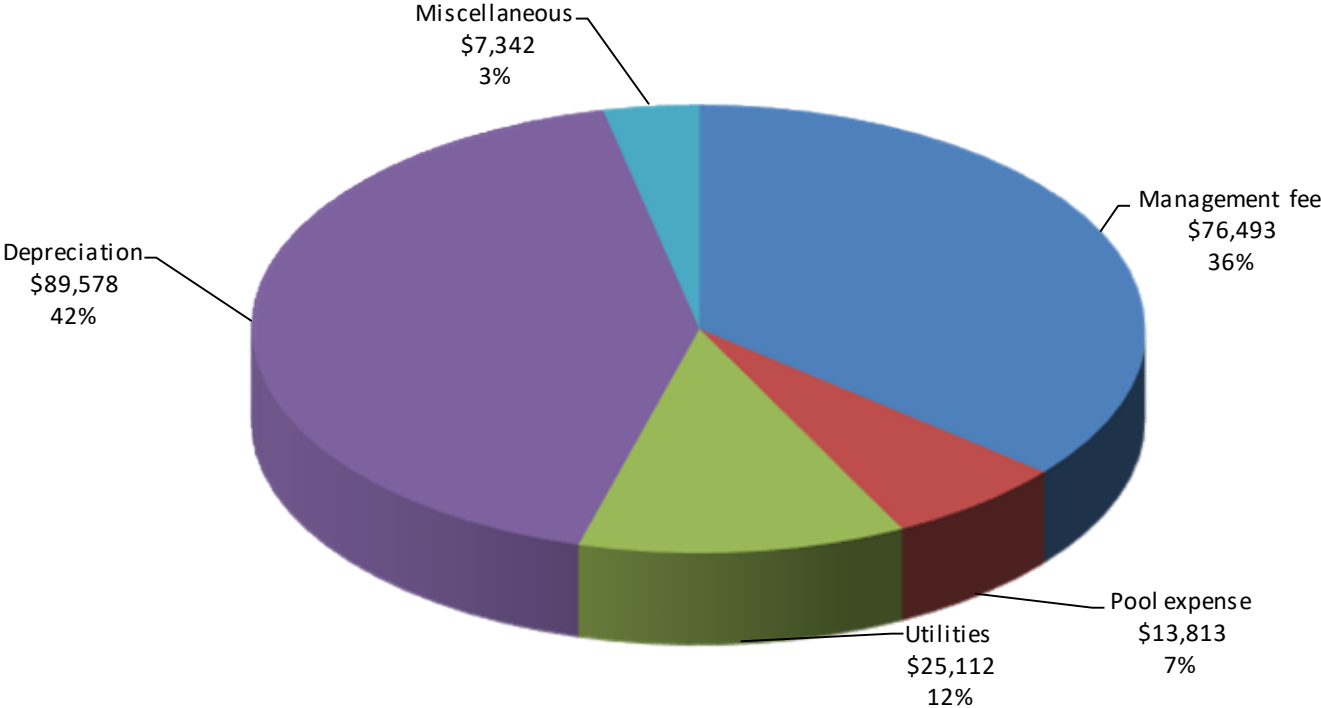
General government expenses represent the City's largest expense, with \$441,150 or 29 percent of all Governmental Fund expenses.

Proprietary fund. The proprietary fund (pool fund) accounts for revenues collected from the sale of pool memberships and day passes. This year net position decreased from \$1,000,644 to \$961,562, a decrease of \$39,082.

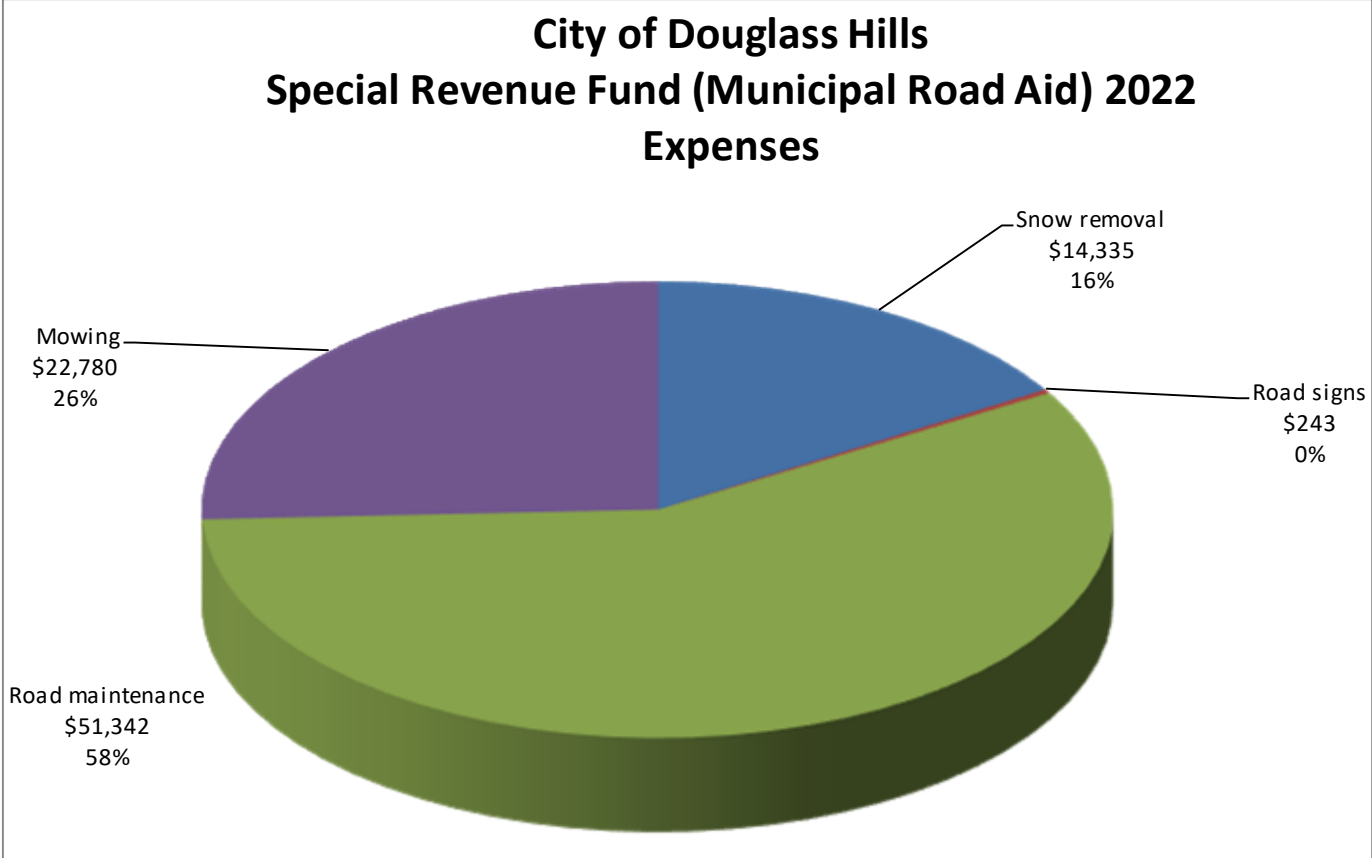
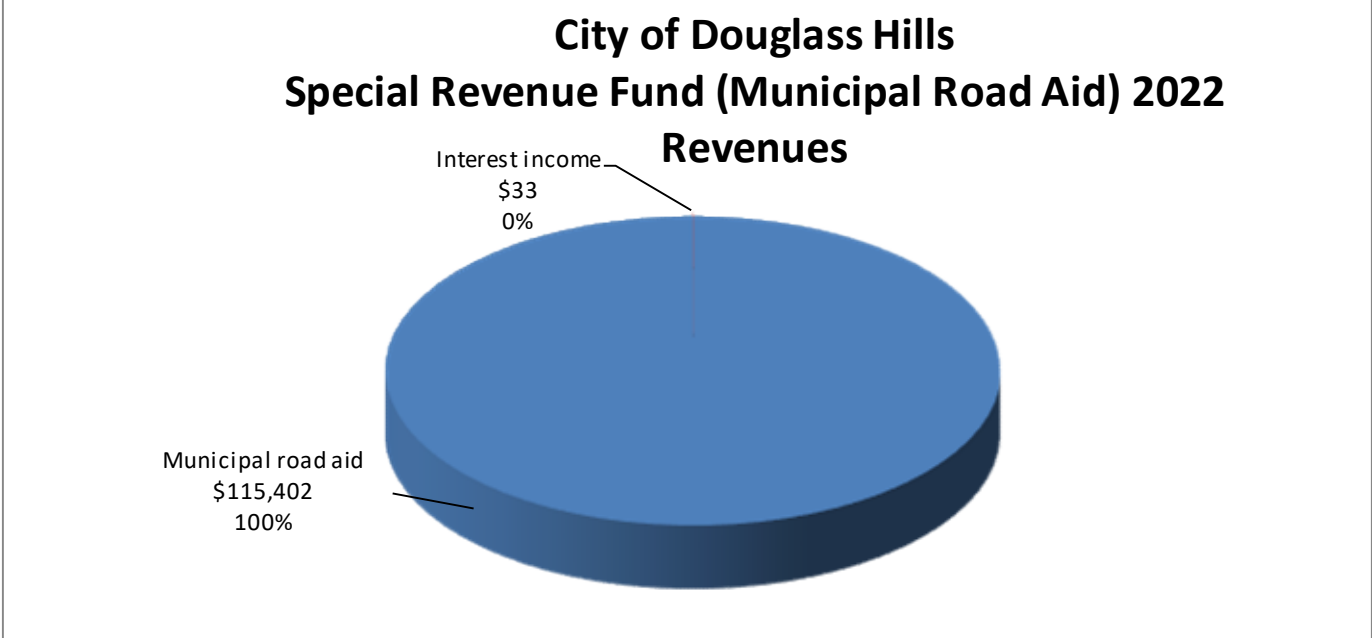
City of Douglass Hills Proprietary Fund (Pool) 2022 Revenues



City of Douglass Hills Proprietary Fund (Pool) 2022 Expenses



Special revenue fund (municipal road aid). The special revenue fund (municipal road aid) accounts for revenues collected from the Kentucky Transportation Cabinet municipal road aid payments. This year the fund balance increased from \$122,395 to \$149,129, an increase of \$26,734.



General Fund Budgetary Highlights

Actual charges to appropriations (expenditures) were \$20,845 less than the final budgeted amounts. The most significant positive variance occurred in the City's general government expenses which was under budget by \$86,293. The most significant negative variance occurred in the City's public works which was over budget by \$26,798.

In addition, resources available for appropriation were \$112,893 more than the final budgeted amounts. The final budget included \$607,146 of property tax revenue in comparison to the \$639,863 collected. The most significant positive variance occurred in grant income which was over budget by \$81,084. The most significant negative variance occurred in insurance premiums taxes which was under budget by \$4,300.

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2022 is \$3,834,758 (net of accumulated depreciation):

	Governmental Activities			
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2022</u>
Fencing, water heater, lighting	\$ 10,233	\$ -	\$ -	\$ 10,233
Land	15,000	-	-	15,000
Office equipment - admin	42,433	-	-	42,433
Public works – utility vehicle	11,225	-	-	11,225
Maintenance fixed assets	61,656	105,969	-	167,625
Storage building	95,122	-	-	95,122
City Hall fixed assets	261,903	13,275	-	275,178
Entrance improvements	122,514	10,800	-	133,314
Flagpole	1,174	-	-	1,174
Infrastructure	5,152,449	49,887	-	5,202,336
Gatehouse property	314,002	-	-	314,002
Gatehouse improvements	304,149	-	-	304,149
Running Creek improvements	68,820	-	-	68,820
Running Creek property	50,000	-	-	50,000
Running Creek playground equipment	70,637	-	-	70,637
Recreation facility	88,131	164,504	-	252,635
Total Capital Assets	<u>6,669,448</u>	<u>344,435</u>	<u>-</u>	<u>7,013,883</u>
Accumulated Depreciation:	(3,845,751)	(154,177)	-	(3,999,928)
Net Capital Assets	<u>\$ 2,823,697</u>	<u>\$ 190,258</u>	<u>\$ -</u>	<u>\$ 3,013,955</u>
	Business-Type Activities			
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2022</u>
Land	\$ 90,599	\$ -	\$ -	\$ 90,599
Building	430,646	-	-	430,646
Pool and improvements	1,278,371	1,900	-	1,280,271
Furniture and fixtures	25,612	-	-	25,612
Filter system	47,150	-	-	47,150
Water heater/fan	5,400	-	-	5,400
Parking lot	15,684	-	-	15,684
Total Capital Assets	<u>1,893,462</u>	<u>1,900</u>	<u>-</u>	<u>1,895,362</u>
Accumulated Depreciation:	(984,981)	(89,578)	-	(1,074,559)
Net Capital Assets	<u>\$ 908,481</u>	<u>(\$ 87,678)</u>	<u>\$ -</u>	<u>\$ 820,803</u>

Debt Administration

The City has no long-term debt.

Economic Factors and Next Year's Budgets

The local economy of the City remains strong. The property values remain steady.

In adopting the budget for the fiscal year 2023, the City officials considered many factors in making decisions and estimates about the finances of the upcoming year. A primary objective of the Council was to continue to provide basic City services to the citizens while keeping the property tax rate the same.

A summary for the 2023 fiscal year budgeted expenses are as follows:

- General government - \$601,440
- Public safety - \$170,630
- Public works - \$629,861
- Sanitation - \$296,400

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 the Office of the City Treasurer, 219 Moser Road, P.O. Box 43284, Louisville, KY 40253.

**CITY OF DOUGLASS HILLS, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Douglass Hills, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Douglass Hills, Kentucky as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Douglass Hills, KY'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, the business-type activities and each major fund of the City of Douglass Hills, Kentucky, as of June 30, 2022, 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 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. 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 Douglass Hills, KY, and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Douglass Hills, KY's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know 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 override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Douglass Hills, KY'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 Douglass Hills, KY'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 information, Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of Pension Contributions, Schedule of the City's Proportionate Share of Net OPEB Liability, and Schedule of OPEB Contributions on pages M1 – M11, 28-29, and 30-36, respectively, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024, on our consideration of the City of Douglass 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 Douglass 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 the City of Douglass Hills, Kentucky's internal control over financial reporting and compliance.

Welenken CPAs

Welenken CPAs

Louisville, Kentucky
March 5, 2024

GOVERNMENT – WIDE FINANCIAL STATEMENTS

CITY OF DOUGLASS HILLS, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 2,950,625	\$ 101,449	\$ 3,052,074
Taxes receivable and other current assets	29,182	45,444	74,626
Capital assets, net of accumulated depreciation	3,013,955	820,803	3,834,758
Total assets	<u>5,993,762</u>	<u>967,696</u>	<u>6,961,458</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	156,877	-	156,877
Deferred outflows related to other post-employment benefits (OPEB)	102,515	-	102,515
Total deferred outflows of resources	<u>259,392</u>	<u>-</u>	<u>259,392</u>
LIABILITIES			
Accounts payable	38,112	6,134	44,246
Accrued liabilities	226	-	226
Unearned revenue	1,468,400	-	1,468,400
Net OPEB liability	119,538	-	119,538
Net pension liability	398,166	-	398,166
Total liabilities	<u>2,024,442</u>	<u>6,134</u>	<u>2,030,576</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	74,949	-	74,949
Deferred inflows related to OPEB	63,715	-	63,715
Total deferred inflows of resources	<u>138,664</u>	<u>-</u>	<u>138,664</u>
NET POSITION			
Invested in capital assets	3,013,955	820,803	3,834,758
Restricted for other purposes	149,129	-	149,129
Unrestricted	926,964	140,759	1,067,723
Total net position	<u>\$ 4,090,048</u>	<u>\$ 961,562</u>	<u>\$ 5,051,610</u>

The accompanying notes are an integral part of these statements.

CITY OF DOUGLASS HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ (480,318)	\$ 12,763	\$ 81,084	\$ (386,471)	\$ -	\$ (386,471)
Public safety	(146,476)	-	-	(146,476)	-	(146,476)
Public works	(461,614)	-	115,402	(346,212)	-	(346,212)
Sanitation	(260,347)	-	-	(260,347)	-	(260,347)
Community development	(30,730)	11,750	-	(18,980)	-	(18,980)
Total governmental activities	(1,379,485)	24,513	196,486	(1,158,486)	-	(1,158,486)
Business-type activities:						
Pool	(212,338)	173,256			(39,082)	(39,082)
Total business activities	(212,338)	173,256			(39,082)	(39,082)
Total primary government	\$ (1,591,823)	\$ 197,769	\$ 196,486			(1,197,568)
General revenues:						
Taxes						
Property taxes, levied for general purpose				629,130	-	629,130
Insurance premiums taxes				395,700	-	395,700
Cable franchise and local deposit taxes				60,381	-	60,381
Investment earnings				12,299	-	12,299
Miscellaneous				682	-	682
Total general revenues				1,098,192	-	1,098,192
Changes in net position				(60,294)	(39,082)	(99,376)
Net position - beginning				4,150,342	1,000,644	5,150,986
Net position - ending				\$ 4,090,048	\$ 961,562	\$ 5,051,610

The accompanying notes are an integral part of these statements.

FUND FINANCIAL STATEMENTS

CITY OF DOUGLASS HILLS, KENTUCKY
BALANCE SHEET GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Special Revenue (Municipal Road Aid)	Total
ASSETS			
Cash	\$ 2,801,496	\$ 149,129	\$ 2,950,625
Receivables			
Taxes	29,147	-	29,147
Other	35	-	35
	<u>\$ 2,830,678</u>	<u>\$ 149,129</u>	<u>\$ 2,979,807</u>
Total Assets	<u>\$ 2,830,678</u>	<u>\$ 149,129</u>	<u>\$ 2,979,807</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 38,112	-	\$ 38,112
Unearned revenue	1,468,400	-	1,468,400
Other current liabilities	226	-	226
Total Liabilities	<u>1,506,738</u>	<u>-</u>	<u>1,506,738</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	28,248	-	28,248
Total Deferred Inflows of Resources	<u>28,248</u>	<u>-</u>	<u>28,248</u>
Fund balances:			
Restricted			
Special Revenue (Municipal Road Aid)	-	44,343	44,343
Assigned			
Subsequent Year's Budget	868,083	104,786	972,869
Unassigned	427,609	-	427,609
Total Fund Balances	<u>1,295,692</u>	<u>149,129</u>	<u>1,444,821</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,830,678</u>	<u>\$ 149,129</u>	<u>\$ 2,979,807</u>

The accompanying notes are an integral part of these statements.

**CITY OF DOUGLASS HILLS, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balances - governmental	\$ 1,444,821
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,013,955
Deferred outflows and inflows of resources to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows related to pension plan	156,877
Deferred outflows related to OPEB	102,515
Deferred inflows related to pension plan	(74,949)
Deferred outflows related to OPEB	(63,715)
The City's proportionate share of the collective net liability for the pension and OPEB as of June 30, 2021 (measurement date) are not due and payable at June 30, 2022 and, therefore, are not reported in the funds:	
Net pension liability	(398,166)
Net OPEB liability	(119,538)
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds	28,248
Net position of governmental activities	\$ 4,090,048

The accompanying notes are an integral part of these statements.

CITY OF DOUGLASS HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General	Special Revenue (Municipal Road Aid)	Total Governmental Funds
REVENUES			
Taxes	\$ 639,863	\$ -	\$ 639,863
Insurance premiums taxes	395,700	-	395,700
Franchise fees	25,418	-	25,418
Bank deposit tax	34,963	-	34,963
Licenses, permits and fees	8,138	-	8,138
Rental income	11,750	-	11,750
Grant income	81,084	115,402	196,486
Advertising income	4,625	-	4,625
Miscellaneous income	682	-	682
Interest received	12,266	33	12,299
Total revenues	<u>1,214,489</u>	<u>115,435</u>	<u>1,329,924</u>
EXPENDITURES			
General government	427,876	-	427,876
Public safety	146,476	-	146,476
Public works	282,850	38,814	321,664
Sanitation	260,347	-	260,347
Community development	25,077	-	25,077
Current capital outlays	294,548	49,887	344,435
Total expenditures	<u>1,437,174</u>	<u>88,701</u>	<u>1,525,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(222,685)</u>	<u>26,734</u>	<u>(195,951)</u>
Fund balances - beginning	<u>1,518,377</u>	<u>122,395</u>	<u>1,640,772</u>
Fund balances - ending	<u>\$ 1,295,692</u>	<u>\$ 149,129</u>	<u>\$ 1,444,821</u>

The accompanying notes are an intergral part of these statements.

**CITY OF DOUGLASS HILLS, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net change in fund balances - total governmental funds	\$ (195,951)
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 outlay	344,435
Depreciation expense	(154,177)
Pension and OPEB expense in the statement of activities is recognized as the City's proportionate share of collective pension and OPEB expense for the plan whereas governmental funds recognize pension and OPEB expenses as the contribution made in the fiscal year	
	(43,867)
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds	
	<u>(10,734)</u>
Change in net position of governmental activities	<u><u>\$ (60,294)</u></u>

The accompanying notes are an integral part of these statements.

**CITY OF DOUGLASS HILLS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND (POOL)
JUNE 30, 2022**

ASSETS

Current Assets:

Cash		\$ 101,449
Prepaid expenses		<u>45,444</u>

Total current assets		<u>146,893</u>
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Capital assets, net of accumulated depreciation		<u>820,803</u>
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Total assets		<u>967,696</u>
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LIABILITIES

Current Liabilities:

Accounts payable		<u>6,134</u>
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Total current liabilities		<u>6,134</u>
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NET POSITION

Invested in capital assets		820,803
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Unrestricted		<u>140,759</u>
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Total net position		<u><u>\$ 961,562</u></u>
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The accompanying notes are an integral part of these statements.

**CITY OF DOUGLASS HILLS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET POSITION
PROPRIETARY FUND (POOL)
YEAR ENDED JUNE 30, 2022**

Operating Revenues:	
Memberships	\$ 105,407
Guest fees	<u>67,849</u>
Total operating revenues	<u>173,256</u>
Operating Expenses:	
Management fee	76,493
Pool expense	13,813
Utilities	25,112
Depreciation	89,578
Miscellaneous	<u>7,342</u>
Total operating expenses	<u>212,338</u>
CHANGE IN NET POSITION	(39,082)
Net position - beginning	<u>1,000,644</u>
Net position - ending	<u><u>\$ 961,562</u></u>

The accompanying notes are an integral part of these statements.

**CITY OF DOUGLASS HILLS, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (POOL)
YEAR ENDED JUNE 30, 2022**

Cash Flows From Operating Activities:

Receipts from customers	\$ 173,256
Payments to suppliers	<u>(132,457)</u>
Net cash provided by operating activities	<u>40,799</u>

Cash Flows From Investing Activities:

Pool renovations and equipment	<u>(1,900)</u>
Net cash used in investing activities	<u>(1,900)</u>

Net increase in cash 38,899

Cash - beginning 62,550

Cash - ending \$ 101,449

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (39,082)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	89,578
Change in assets and liabilities:	
Increase in prepaid expenses	(10,267)
Decrease in accounts payable	<u>570</u>
Net cash provided by operating activities	<u><u>\$ 40,799</u></u>

The accompanying notes are an integral part of these statements.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Douglass Hills, Kentucky (City) was founded and incorporated in 1973, under the laws of the Commonwealth of Kentucky. The City operates under a Council form of government and provides the following services as authorized by its charter: streets, sanitation, public improvements, planning and zoning, and general administrative services. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety, public works, sanitation, and community development services.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements or a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. MEASUREMENTS FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds 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 in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the City considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds' financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The Special Revenue Fund (Municipal Road Aid) is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

The City reports the following proprietary fund:

The Proprietary Fund (Pool) – The proprietary fund accounts for activities for which a fee is charged to external users for goods and services. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are season passes and daily gate admissions. Operating expenses reported are the costs of pool supplies, maintenance, depreciation on capital assets, and administration of the pool. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION

Cash – The City maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidence by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The City met the requirements stated above, and as of June 30, 2022, deposits were fully insured or collateralized at a 100% level.

Taxes Receivable – Taxes receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

Investments – Investments are stated at amortized cost, which approximates fair value. The City historically only invests in certificates of deposits, which At June 30, 2022, the City did not hold any investments.

Capital Assets – Capital assets, which include land, buildings, improvements, machinery, equipment and infrastructure assets (e.g., roads, sidewalks, traffic lights and signals, streetlights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2022.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

Assets	Years
Buildings	5 to 40
Improvements other than buildings	5 to 40
Machinery and equipment	5 to 10
Infrastructure	15 to 50

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows of Resources – In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has four items that qualify for reporting in this category, two items relate to the pension and OPEB plan, and two items are employer contributions to pension and OPEB plans subsequent to the Measurement Date (June 30, 2021). All items are reported on the government wide financial statements.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position and the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items relate to the pension and OPEB plans and is reported on the government wide financial statements, when applicable.

Fund Equity

Fund Financial Statements – Fund balances of the governmental funds are classified as follows:

- Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of the other governments.
- Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.
- Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Council adopted policy, only the Council may assign amounts for specific purposes.
- Unassigned – all other spendable amounts.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Government-Wide Statements – Equity is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Amount of net position that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted – Net position that are neither classified as restricted nor as invested in capital assets, net of related debt.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment functions.

Pension and OPEB – For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis 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 the benefits terms. Investments are reported at fair value.

Compensated Absences – Employees are allowed to accumulate up to 100 days of sick leave and up to 50 days of vacation. Since the employee's accumulating rights are contingent upon future events that cannot be reasonably estimated, no liability or expense has been recorded.

Long-term Obligations – In the government-wide financial statements, and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Leases – The City is a lessor of office space with a noncancelable lease term of 12 months. The City recognizes all leases with terms of 12 months or less as short-term leases which do not require recording right-of-use assets or lease liabilities.

Interfund Transfers – Interfund transfers are budgeted and approved by the City Council.

Management's Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classification and reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 2. DEPOSITS AND INVESTMENTS

Under Kentucky Revised Statutes, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. The City does not have a formal policy on deposits and investments or custodial credit risk.

The City invests surplus cash at local banks. This investment plan subjects the City to custodial credit risk, the risk that in the event of bank failure the City's deposits may not be recovered. However, the City considers this risk immaterial.

The City categorizes deposits at local financial institutions to give an indication of the level of custodial credit risk assumed by the City at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized.

Deposits, categorized by level of risk as June 30, 2022 are as follows:

<u>Account</u>	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and cash equivalents	<u>\$3,105,276</u>	<u>\$3,105,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,105,276</u>

Note 3. AD VALOREM TAXES

The City has adopted a tax rate of .134 cents per \$100 of property assessed for taxation. The total assessed value of real property within the City is \$470,236,290.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. Taxes are levied annually on June 30 and are due by December 31. From January 1st and thereafter, a penalty of 10% plus interest at the rate of 18% per annum is assessed on the face amount of the tax bill until payment is received.

Note 4. INSURANCE PREMIUMS TAXES

The City levies an insurance premium tax on non-health and worker's compensation insurance products sold to City residents. The assessed tax is 5% of gross premiums payable on a quarterly basis.

Note 5. BANK FRANCHISE AND LOCAL DEPOSIT TAXES

The City imposes a bank franchise tax on local deposits of all financial institutions located within the City limits. The assessed tax is .025% on all deposits payable on an annual basis.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 6. CAPITAL ASSETS

Governmental Activities

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2022</u>
Fencing, water heater, lighting	\$ 10,233	\$ -	\$ -	\$ 10,233
Land	15,000	-	-	15,000
Office equipment - admin	42,433	-	-	42,433
Public works – utility vehicle	11,225	-	-	11,225
Maintenance fixed assets	61,656	105,969	-	167,625
Storage building	95,122	-	-	95,122
City Hall fixed assets	261,903	13,275	-	275,178
Entrance improvements	122,514	10,800	-	133,314
Flagpole	1,174	-	-	1,174
Infrastructure	5,152,449	49,887	-	5,202,336
Gatehouse property	314,002	-	-	314,002
Gatehouse improvements	304,149	-	-	304,149
Running Creek improvements	68,820	-	-	68,820
Running Creek property	50,000	-	-	50,000
Running Creek playground equipment	70,637	-	-	70,637
Recreation facility	<u>88,131</u>	<u>164,504</u>	<u>-</u>	<u>252,635</u>
Total Capital Assets	<u>6,669,448</u>	<u>344,435</u>	<u>-</u>	<u>7,013,883</u>
Accumulated Depreciation:	(<u>3,845,751</u>)	(<u>154,177</u>)	<u>-</u>	(<u>3,999,928</u>)
Net Capital Assets	<u>\$ 2,823,697</u>	<u>\$ 190,258</u>	<u>\$ -</u>	<u>\$ 3,013,955</u>

Business-Type Activities

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2022</u>
Land	\$ 90,599	\$ -	\$ -	\$ 90,599
Building	430,646	-	-	430,646
Pool and improvements	1,278,371	1,900	-	1,280,271
Furniture and fixtures	25,612	-	-	25,612
Filter system	47,150	-	-	47,150
Water heater/fan	5,400	-	-	5,400
Parking lot	<u>15,684</u>	<u>-</u>	<u>-</u>	<u>15,684</u>
Total Capital Assets	<u>1,893,462</u>	<u>1,900</u>	<u>-</u>	<u>1,895,362</u>
Accumulated Depreciation:	(<u>984,981</u>)	(<u>89,578</u>)	<u>-</u>	(<u>1,074,559</u>)
Net Capital Assets	<u>\$ 908,481</u>	<u>(\$ 87,678)</u>	<u>\$ -</u>	<u>\$ 820,803</u>

Depreciation expense was allocated to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 8,575
Public works	139,949
Community development	5,653
	<u>\$ 154,177</u>
Business-type activities:	
Pool	<u>\$ 89,578</u>

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 7. COMMITMENTS

The City maintains contractual relationships relating to services provided for the benefit of the City. These commitments include annual contractual obligations for employment, sanitation, cable television, and maintenance services. All contracts are current, and no invoices are outstanding.

Note 8. PENSION PLAN

General Information about the Pension Plan

Plan description - The City has elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.520 administered by the Board of Trustees of the Kentucky Public Pensions Authority (KPPA). This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees. A stand-alone financial report can be obtained by going to the Kentucky Retirement System website at <https://kyret.ky.gov>.

Benefits provided – CERS provides retirement, disability, and death benefits. Retirement benefits are determined based on member participation. For members who began their participation prior to January 1, 2014, benefits are based on the formula *final compensation X benefit factor X years of service credit = annual benefit*. For members who began their participation on or after January 1, 2014, members will participate in a hybrid cash balance plan, which is a type of defined benefit plan that combines the elements of a traditional defined benefit plan with elements typically associated with a defined contribution plan. The benefit paid upon retirement is calculated based on the member's accumulated account balance at the time of retirement. Employees who have met the 60 months of service requirement are eligible for disability benefits. Disability and death benefits vary and are determined based on date of participation.

Contributions – The employee contribution rate is set by statute. Employees will contribute 5% of all their creditable compensation to KRS. Due to legislation enacted by the 2008 Special Session of the General Assembly, employees with a participation date on or after September 1, 2008 will also contribute an additional non-refundable 1% of their creditable compensation. Employers contribute at the rate determined by the Board of Trustees to be necessary for the actuarial soundness of KRS as required by Kentucky Revised Statute 61.565 and 61.702. The City's contractually required contribution rate for the year ended June 30, 2022, was 19.30 percent. Contributions to the pension plan from the City were \$48,333 for the year ended June 30, 2022. There are no non-employer contributing entities to this plan.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 8. PENSION PLAN – continued

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

At June 30, 2022, the City reported a liability of \$398,168 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability (TPL) used to calculate the net pension liability (NPL) was determined by an actuarial valuation as of that date. The TPL, NPL, and sensitivity information as of June 30, 2021 were based on an actuarial evaluation rate of June 30, 2020. The TPL as rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principals. No updated procedures were used to determine the TPL. Changes in benefit terms since the prior measurement period are reported in the notes to required supplementary information. There were no changes between the measurement date of the collective net pension liability and the employer's reporting date. As of June 30, 2021, the City's proportion was .6245 %.

For the year ended June 30, 2022, the City recognized pension expense of \$83,784. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 4,572	\$ 386
Net difference between projected and actual investment earnings on pension plan investments	15,446	68,515
Changes in assumptions	5,344	-
Changes in proportion and differences between City contributions and proportionate share of contributions	83,182	6,048
City contributions subsequent to the measurement date	<u>48,333</u>	<u>-</u>
Total	<u>\$ 156,877</u>	<u>\$ 74,949</u>

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 8. PENSION PLAN – continued

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

At June 30, 2022, \$48,333 was reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Deferred outflows and inflows related to the difference between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2022	\$32,123
2023	23,932
2024	(9,320)
2025	(16,618)
2026	-
Total	<u>\$30,117</u>

Actuarial methods and assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement (there were no changes in actuarial assumptions since June 30, 2020):

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of the assets and the expected actuarial value of the assets is recognized
Inflation	2.30%
Salary increase	3.30%, average
Investment rate of return	6.25%

The mortality table used for active members is Pub-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used was a system-specific mortality table based on mortality experience from 2013-2018. 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.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 8. PENSION PLAN – continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – 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 rate 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 following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Real Estate	5.00%	5.40%
Opportunistic	0.00%	0.00%
Real return	10.00%	4.55%
Cash	1.50%	(0.60%)
 Total	 <u>100.00%</u>	 <u>5.00%</u>

Discount Rate – The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 9. OTHER POST-EMPLOYMENT BENEFITS

General Information about the Insurance Plan

Plan description - The City has elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Public Pensions Authority (KPPA), which covers both the pension and insurance plans. This is a cost sharing multiple-employer defined benefit insurance plan, which covers all eligible full-time employees. Insurance benefits may be extended to beneficiaries of plan members under certain circumstances. A stand-alone financial report can be obtained by going to the Kentucky Retirement System website at <https://kyret.ky.gov>.

Benefits provided – CERS provides health insurance benefits to plan members. Plan members who initiated participation prior to July 1, 2003 will receive a monthly contribution rate for insurance covered based on the retired member's years of service as follows: less than 4 years, 0%, 4-9 years, 25%, 10-14 years, 50%, 15-19 years, 75% and 20 or more years 100%. Plan members will receive a contribution subsidy for only the member's health insurance premium. During 2018, HB 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system will now pay 100% of the insurance premium for spouses and children of all active members who die on the line of duty.

Contributions – The employee contribution rate is set by statute. Plan members who initiated participation in the plan after July 1, 2003 until August 31, 2008, must have 120 months of service to qualify for participation in the plan. Members who began participation after September 1, 2008, must have 180 months of service to qualify for participation in the plan. Employers contribute at the rate determined by the Board of Trustees to be necessary for the actuarial soundness of KRS as required by Kentucky Revised Statute 61.565 and 61.702. The City's contractually required contribution rate for the year ended June 30, 2022, was 4.76 percent. Contributions to the insurance plan from the City were \$11,920 for the year ended June 30, 2022. There are no non-employer contributing entities to this plan.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 9. – OTHER POST-EMPLOYMENT BENEFITS (continued)

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

At June 30, 2022, the City reported a liability of \$119,538 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability (TOL) used to calculate the net pension liability was determined by an actuarial valuation as of that date. No updated procedures were used to determine the TOL. Changes in benefit terms since the prior measurement period are reported in the notes to required supplementary information. There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date. As of June 30, 2021, the City's proportion was .006244%.

The changes in assumption since the last measurement date are reported on the Required Supplementary Information.

For the year ended June 30, 2022, the City recognized OPEB expense of \$20,336. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,797	\$ 35,690
Net difference between projected and actual investment earnings on OPEB plan investments	6,023	24,723
Changes in assumptions	31,692	111
Changes in proportion and differences between City contributions and proportionate share of contributions	34,083	3,191
City contributions subsequent to the measurement date	11,920	-
Total	\$ 102,515	\$ 63,715

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 9. – OTHER POST-EMPLOYMENT BENEFITS (continued)

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

At June 30, 2022, \$11,920 was reported as deferred OPEB contributions resulting from the City's contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

Deferred outflows and inflows related to difference between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows and inflows of resources related to OPEBs are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 11,331
2023	8,475
2024	7,708
2025	(634)
2026	-
Thereafter	-
Total	<u>\$ 31,550</u>

Actuarial methods and assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The mortality table used for active members is Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, 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 was used. For disabled members, the Pub-2010 Disabled Mortality Table (set forward four years for both male and female rates) projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 was used.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 9. – OTHER POST-EMPLOYMENT BENEFITS (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 rate 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 table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Real Return	10.00%	4.55%
Core Bonds	10.00%	0.00%
Cash	1.00%	(0.60%)
Total	100.00%	5.00%

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following represents the City's proportionate share of the net OPEB liability, calculated using the discount rate of 5.20 percent, 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 (4.20 percent), 1-percentage-point higher (6.20 percent), health care trend rate 1 percent decrease and health care trend rate 1 percent increase:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)	Health Care Trend Rate 1% Decrease	Health Care Trend Rate 1% Increase
City's Proportionate Share of the Net OPEB Liability	\$164,125	\$119,538	\$82,947	\$86,053	\$159,955

OPEB Fiduciary Net Position – Detailed information about the OBEP's fiduciary net position is available in the separately issued CERS financial report which is available at <https://kyret.ky.gov>.

Note 10. – SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 5, 2024, the date the financial statements are available to be issued.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

Note 11. – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

The GASB has issued a new statement implemented by the City. That Standard which will impact the City as follows:

GASB Statement No. 87, *Leases*, was adopted by the City beginning with the fiscal year ending June 30, 2022. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessor recognizes a lease receivable and deferred inflow of resources in the government-wide and governmental funds financial statements. Leases with noncancelable terms of 12 months or less under Statement No. 87 are considered short-term leases and are excepted from recognizing the lease receivable and deferred inflow of resources. All leases for the City are short-term leases, therefore this pronouncement will not effect the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DOUGLASS HILLS, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL-GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Taxes:				
Taxes	\$ 607,146	\$ 607,146	\$ 639,863	\$ 32,717
Insurance premiums taxes	400,000	400,000	395,700	(4,300)
Franchise fees	25,450	25,450	25,418	(32)
Bank deposit tax	31,000	31,000	34,963	3,963
Licenses, permits and fees	6,000	6,000	8,138	2,138
Intergovernmental income	4,000	4,000	-	(4,000)
Grant income	-	-	81,084	81,084
Rental income	12,000	12,000	11,750	(250)
Advertising income	3,000	3,000	4,625	1,625
Miscellaneous income	1,000	1,000	682	(318)
Interest received	12,000	12,000	12,266	266
	<u>1,101,596</u>	<u>1,101,596</u>	<u>1,214,489</u>	<u>112,893</u>
Expenditures:				
General government	514,169	514,169	427,876	86,293
Public safety	143,250	143,250	146,476	(3,226)
Public works	550,600	550,600	577,398	(26,798)
Sanitation	250,000	250,000	260,347	(10,347)
Community development	-	-	25,077	(25,077)
	<u>1,458,019</u>	<u>1,458,019</u>	<u>1,437,174</u>	<u>20,845</u>
Net change in fund balance	(356,423)	(356,423)	(222,685)	133,738
Fund balance - beginning	<u>1,518,377</u>	<u>1,518,377</u>	<u>1,518,377</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,161,954</u>	<u>\$ 1,161,954</u>	<u>\$ 1,295,692</u>	<u>\$ 133,738</u>

**CITY OF DOUGLASS HILLS, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND (MUNICIPAL ROAD AID)
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with final budget Positive (Negative)
	Original	Final		
Revenues:				
Grant income	\$ 106,100	\$ 106,100	\$ 115,402	\$ 9,302
Interest	43	43	33	(10)
Total revenues	<u>106,143</u>	<u>106,143</u>	<u>115,435</u>	<u>9,292</u>
Expenditures:				
Public works	<u>158,500</u>	<u>158,500</u>	<u>88,701</u>	<u>69,799</u>
Total expenditures	<u>158,500</u>	<u>158,500</u>	<u>88,701</u>	<u>69,799</u>
Net change in fund balance	(52,357)	(52,357)	26,734	79,091
Fund balance - beginning	<u>122,395</u>	<u>122,395</u>	<u>122,395</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 70,038</u></u>	<u><u>\$ 70,038</u></u>	<u><u>\$ 149,129</u></u>	<u><u>\$ 79,091</u></u>

CITY OF DOUGLASS HILLS, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2022

	6/30/2022 (Measurement Date of 6/30/21)	6/30/2021 (Measurement Date of 6/30/20)	6/30/2020 (Measurement Date of 6/30/19)	6/30/2019 (Measurement Date of 6/30/18)	6/30/2018 (Measurement Date of 6/30/17)	6/30/2017 (Measurement Date of 6/30/16)	6/30/2016 (Measurement Date of 6/30/15)	6/30/2015 (Measurement Date of 6/30/15)
City's proportion of the net pension liability	0.006245%	0.004622%	0.004901%	0.004005%	0.003711%	0.003227%	0.003142%	0.003102%
City's proportionate share of the net pension liability	\$ 398,166	\$ 354,504	\$ 344,690	\$ 243,917	\$ 217,216	\$ 158,868	\$ 135,088	\$ 101,000
City's covered payroll	\$ 134,482	\$ 118,555	\$ 113,053	\$ 119,832	\$ 99,392	\$ 76,972	\$ 76,972	\$ 73,306
City's proportionate share of the net pension liability as a percentage of its covered payroll	296.07%	299.02%	304.89%	203.55%	218.54%	206.40%	175.50%	137.78%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional information will be added as it becomes available.

See accompanying notes to required supplementary information.

**CITY OF DOUGLASS HILLS, KENTUCKY
SCHEDULE OF PENSION CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2022**

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 48,333	\$ 31,163	\$ 24,966	\$ 19,437	\$ 14,839	\$ 12,660	\$ 9,848	\$ 9,715
Contributions in relation to the contractually required contribution	<u>48,333</u>	<u>31,163</u>	<u>24,966</u>	<u>19,437</u>	<u>14,839</u>	<u>12,660</u>	<u>9,848</u>	<u>9,715</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 134,482	\$ 118,555	\$ 113,053	\$ 119,832	\$ 99,392	\$ 90,361	\$ 76,972	\$ 73,306
City's contributions as a percentage of covered payroll	35.94%	26.29%	22.08%	16.22%	14.93%	14.01%	12.79%	13.25%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional information will be added as it becomes available.

See accompanying notes to required supplementary information.

**CITY OF DOUGLASS HILLS, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2022**

	6/30/2022 (Measurement Date of 6/30/21)	6/30/2021 (Measurement Date of 6/30/20)	6/30/2020 (Measurement Date of 6/30/19)	6/30/2019 (Measurement Date of 6/30/18)	6/30/2018 (Measurement Date of 6/30/17)
City's proportion of the net OPEB liability	0.006244%	0.004620%	0.004901%	0.004005%	0.003711%
City's proportionate share of the net OPEB liability	\$ 119,538	\$ 111,559	\$ 82,416	\$ 71,108	\$ 74,604
City's covered-employee payroll	\$ 134,482	\$ 118,555	\$ 113,053	\$ 119,832	\$ 99,392
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	88.89%	94.10%	72.90%	59.34%	75.06%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.39%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional information will be added as it becomes available.

See accompanying notes to required supplementary information.

**CITY OF DOUGLASS HILLS, KENTUCKY
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEE RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2022**

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 11,920	\$ 7,686	\$ 6,157	\$ 6,303	\$ 4,946	\$ 4,220
Contributions in relation to the contractually required contributions	<u>11,920</u>	<u>7,686</u>	<u>6,157</u>	<u>6,303</u>	<u>4,946</u>	<u>4,220</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 134,482	\$ 118,555	\$ 113,053	\$ 119,832	\$ 99,392	\$ 90,361
City's contribution as a percentage of covered-employee payroll	8.86%	6.48%	5.45%	5.26%	4.98%	4.67%

Note: The schedule is intended to show information for the last 10 years. Additional information will be added as it becomes available.

See accompanying notes to required supplementary information.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Required Supplementary Information
Year Ended June 30, 2022

PENSION PLAN:

Changes of benefit terms – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

2018: House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

2021: House Bill 169 passed increasing the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty related disability.

Changes of assumptions: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2017:

- Total pension liability as of June 30, 2017 is determined using a 2.30% price inflation assumption, which is a decrease from the 3.25% in the previous year.
- The assumed rate of return decreased to 6.25% from 7.50%.
- Payroll growth decreased to 2.00% from 4.00%.

2018:

- Annual salary increases updated to 3.30%.

2021

- The amortization period of the unfunded liability was reduced to a closed 30-year period, with gains/losses incurring after 2019 amortized over separate 20-year amortization bases.
- The mortality table used for active members was updated to Pub-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- For healthy retired members and beneficiaries, the mortality table was changed to a system-specific mortality table based on mortality experience from 2013-2018.
The mortality table for the disabled members was updated to 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

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Required Supplementary Information
Year Ended June 30, 2022

Method and assumptions used in calculations of actuarially determined contributions – The actuarially determined contribution rates are determined on an annual basis beginning with the fiscal year ending 2019, determined as of June 30, 2018. The amortization period of the unfunded liability has been reset as of June 30, 2018 to a closed 25-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of pay
Amortization period	25 years, closed
Investment return	6.25 percent
Inflation	2.30 percent
Salary increase	2.00 percent, average

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

OPEB – INSURANCE PLAN:

Changes of benefit terms - The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2018: House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Changes of assumption – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2020:

- The amortization period of the unfunded liability was changed to 30-years as of June 30, 2019, with gains and losses incurring in future years amortized over separate 20-year amortization bases.
- Pre-65 Healthcare trend rates reduced to a starting point of 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post-65 Healthcare trend rates reduced to a starting point of 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Required Supplementary Information
Year Ended June 30, 2022

Method and assumptions used in calculations of actuarially determined contributions – The actuarially determined contribution rates are determined on an annual basis beginning with the fiscal year ending 2021, determined as of June 30, 2019. The amortization period of the unfunded liability has been reset as of June 30, 2019 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of pay
Amortization period	30 years, closed
Payroll growth rate	2.00 %
Investment return	6.25 %
Inflation	2.30 %
Salary increase	3.30 %, average
Healthcare trend rates (Pre-65)	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

The mortality table used for active members is Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, 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 was used. For disabled members, the Pub-2010 Disabled Mortality Table (set forward four years for both male and female rates) projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 was used.

**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 City Council
City of Douglass 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Douglass Hills, Kentucky, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Douglass Hills, Kentucky's basic financial statements and have issued our report thereon dated March 5, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Douglass Hills, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Douglass Hills, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Douglass 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Douglass Hills, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Welenken CPAs

Louisville, Kentucky

March 5, 2024