

CITY OF DOUGLASS HILLS, KENTUCKY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2021.

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 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 2-3 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 4-7 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 8-10 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 11-26 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 \$97,407 at the close of the most recent fiscal year.

The largest portion of the City's net position \$3,659,820 (72 percent) reflect its investment in capital assets (e.g., land, buildings, equipment, infrastructure, pool and pool accessories), less depreciation, an increase of \$65,814 from prior year's balance of \$3,594,006. 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$1,723,867	\$1,784,453	\$ 97,727	\$128,785	\$1,821,594	\$1,913,238
Capital assets	2,751,339	2,831,747	908,481	762,259	3,659,820	3,594,006
Total assets	<u>4,475,206</u>	<u>4,616,200</u>	<u>1,006,208</u>	<u>891,044</u>	<u>5,481,414</u>	<u>5,507,244</u>
Deferred outflows of resources:						
Pension deferrals	91,565	119,281	-	-	91,565	119,281
OPEB deferrals	64,580	47,133	-	-	64,580	47,133
Total deferred outflows of resources	<u>156,145</u>	<u>166,414</u>	<u>-</u>	<u>-</u>	<u>156,145</u>	<u>166,414</u>
Current and other liabilities	<u>510,174</u>	<u>452,439</u>	<u>5,564</u>	<u>2,218</u>	<u>515,738</u>	<u>454,657</u>
Deferred inflows of resources:						
Pension deferrals	17,850	13,629	-	-	17,850	13,629
OPEB deferrals	25,343	29,340	-	-	25,343	29,340
Total deferred inflows of resources	<u>43,193</u>	<u>42,969</u>	<u>-</u>	<u>-</u>	<u>43,193</u>	<u>42,969</u>
Net position:						
Invested in capital assets	2,751,339	2,831,747	908,481	762,259	3,659,820	3,594,006
Restricted	122,395	117,250	-	-	122,395	117,250
Unrestricted	1,204,250	1,338,212	92,163	126,567	1,296,413	1,464,779
Total net position	<u>\$4,077,984</u>	<u>\$4,287,209</u>	<u>\$1,000,644</u>	<u>\$888,826</u>	<u>\$5,078,628</u>	<u>\$5,176,035</u>

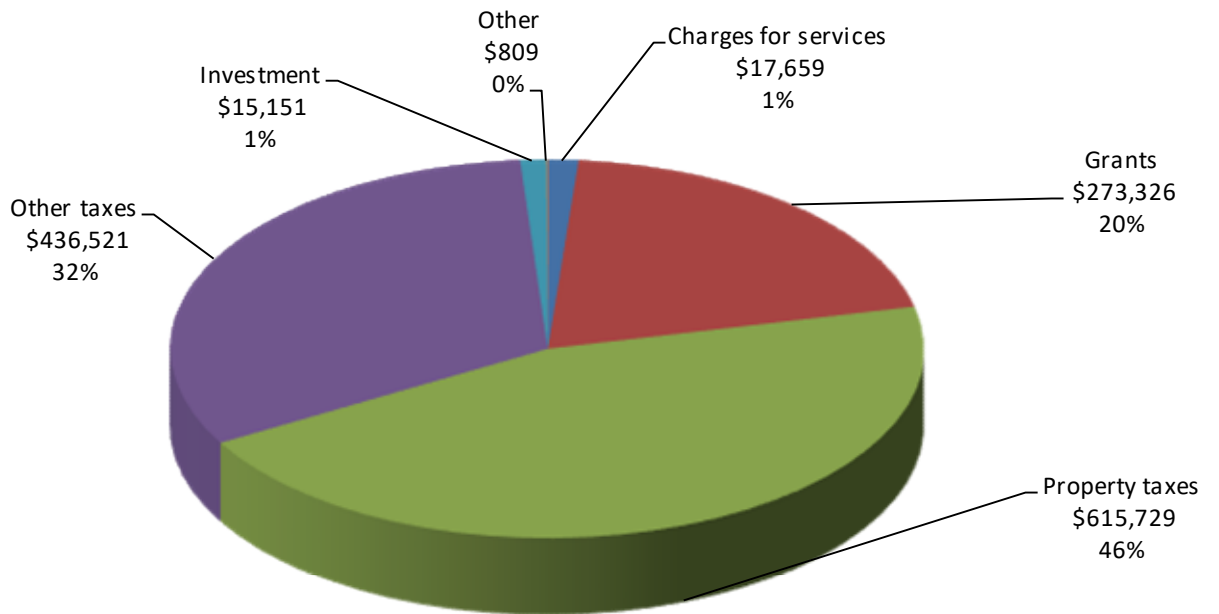
For governmental activities, a portion of the City's net position, \$122,395, represents resources that are subject to external restrictions on how they may be used. Prior year comparison shows \$117,250, an increase of \$5,145. The remaining balance of unrestricted net position, \$1,204,250, may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of \$133,962 from 2020. 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 \$209,225 is due to expenditures exceeding revenues. In the current year, the business-type activities' (pool fund) net position increased by \$111,818, compared to a increase in the prior year of \$514,989.

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

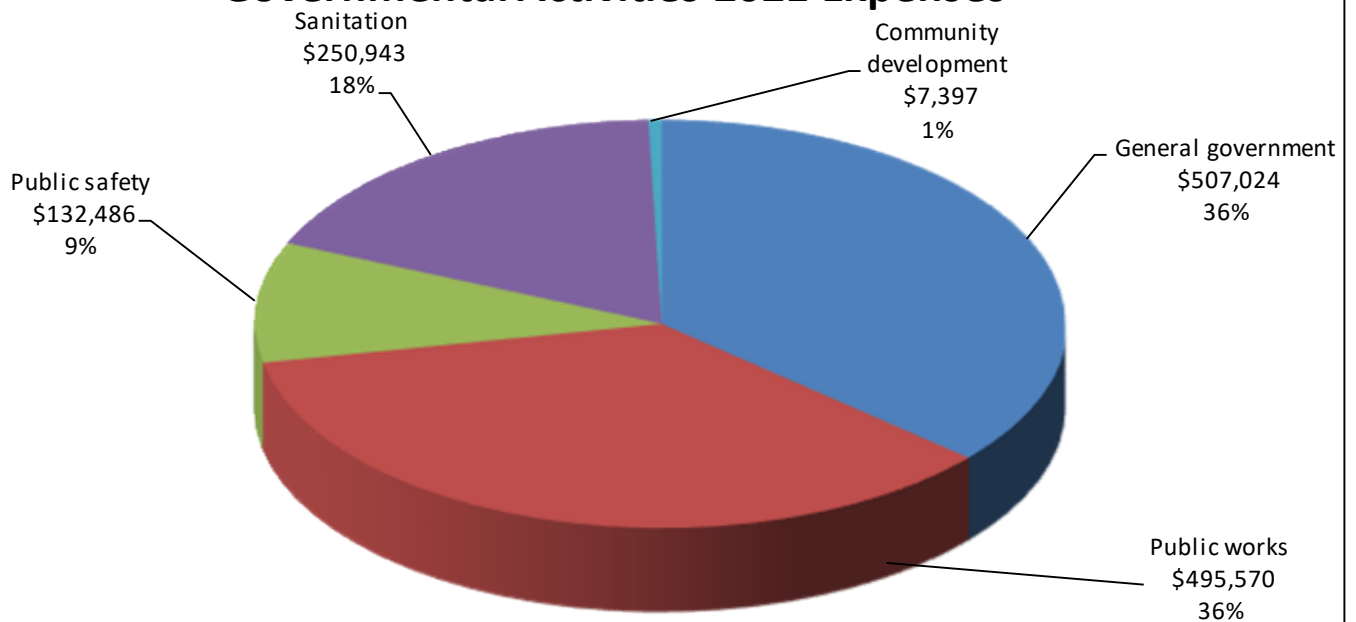
Changes in the City's Operations

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Charges for services	\$ 17,659	\$ 26,470	\$ 105,379	\$ 28,155	\$ 123,038	\$ 54,625
Operating grants and contributions	273,326	112,086	-	-	273,326	112,086
Property taxes	615,729	579,606	-	-	615,729	579,606
Other taxes	436,521	436,464	-	-	436,521	436,464
Investment income	15,151	23,300	-	-	15,151	23,300
Other	809	1,083	-	-	809	1,083
Total revenue	<u>1,359,195</u>	<u>1,179,009</u>	<u>105,379</u>	<u>28,155</u>	<u>1,464,574</u>	<u>1,207,164</u>
Expenses:						
General government	507,024	438,181	-	-	507,024	438,181
Public safety	132,486	127,485	-	-	132,486	127,485
Public works	495,570	368,152	-	-	495,570	368,152
Sanitation	250,943	243,994	-	-	250,943	243,994
Community development	7,397	23,384	-	-	7,397	23,384
Pool	-	-	168,561	120,469	168,561	120,469
Total expenses	<u>1,393,420</u>	<u>1,201,196</u>	<u>168,561</u>	<u>120,469</u>	<u>1,561,981</u>	<u>1,321,665</u>
Other financing sources (uses):						
Transfers	<u>(175,000)</u>	<u>(607,303)</u>	<u>175,000</u>	<u>607,303</u>	<u>-</u>	<u>-</u>
Change in net position	(209,225)	(629,490)	111,818	514,989	(97,407)	(114,501)
Net position - beginning	4,287,209	4,916,699	888,826	373,837	5,176,035	5,290,536
Net position - ending	<u>\$4,077,984</u>	<u>\$4,287,209</u>	<u>\$1,000,644</u>	<u>\$888,826</u>	<u>\$5,078,628</u>	<u>\$5,176,035</u>

City of Douglass Hills Governmental Activities 2021 Revenues



City of Douglass Hills Governmental Activities 2021 Expenses

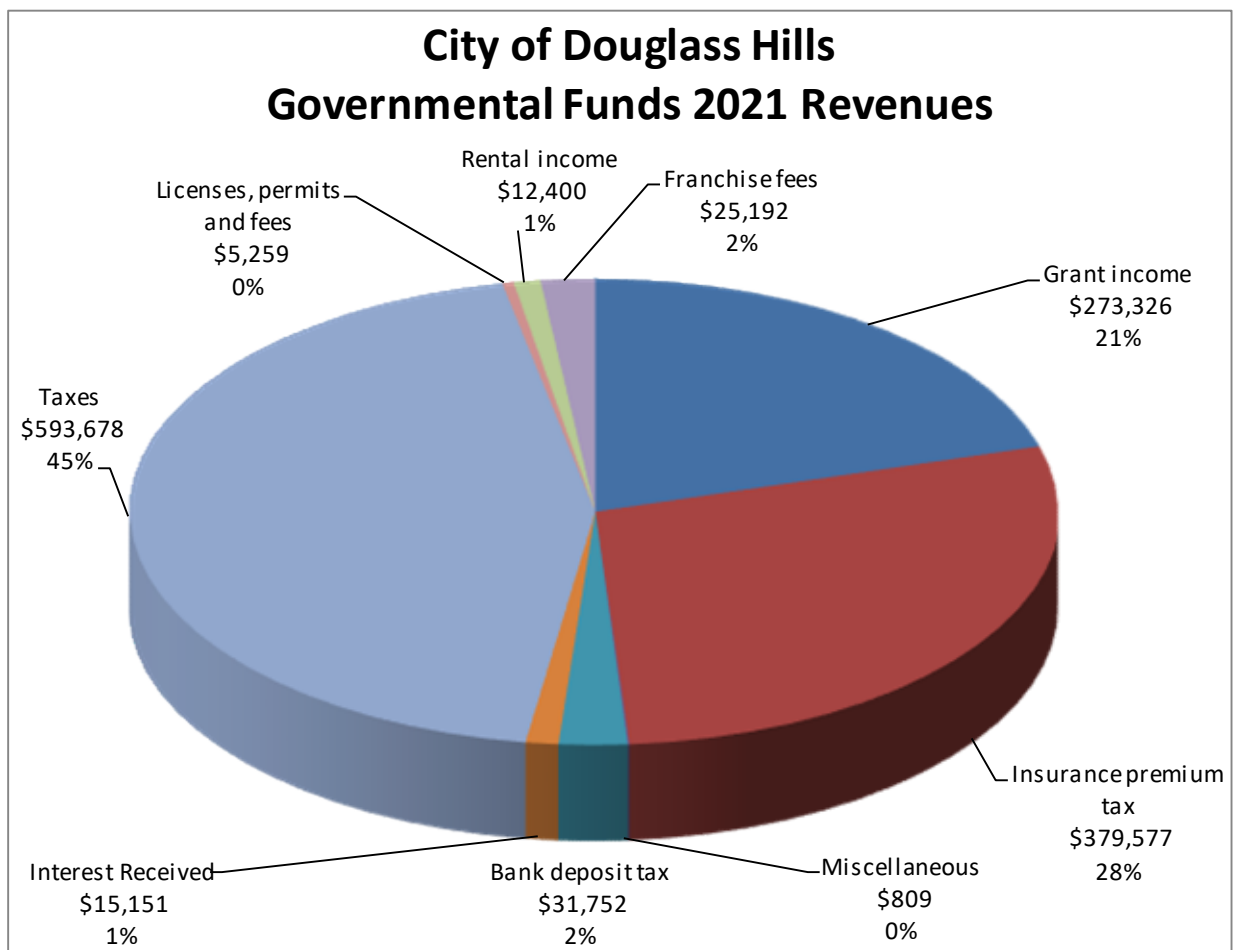


Financial Analysis of the Government Funds

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

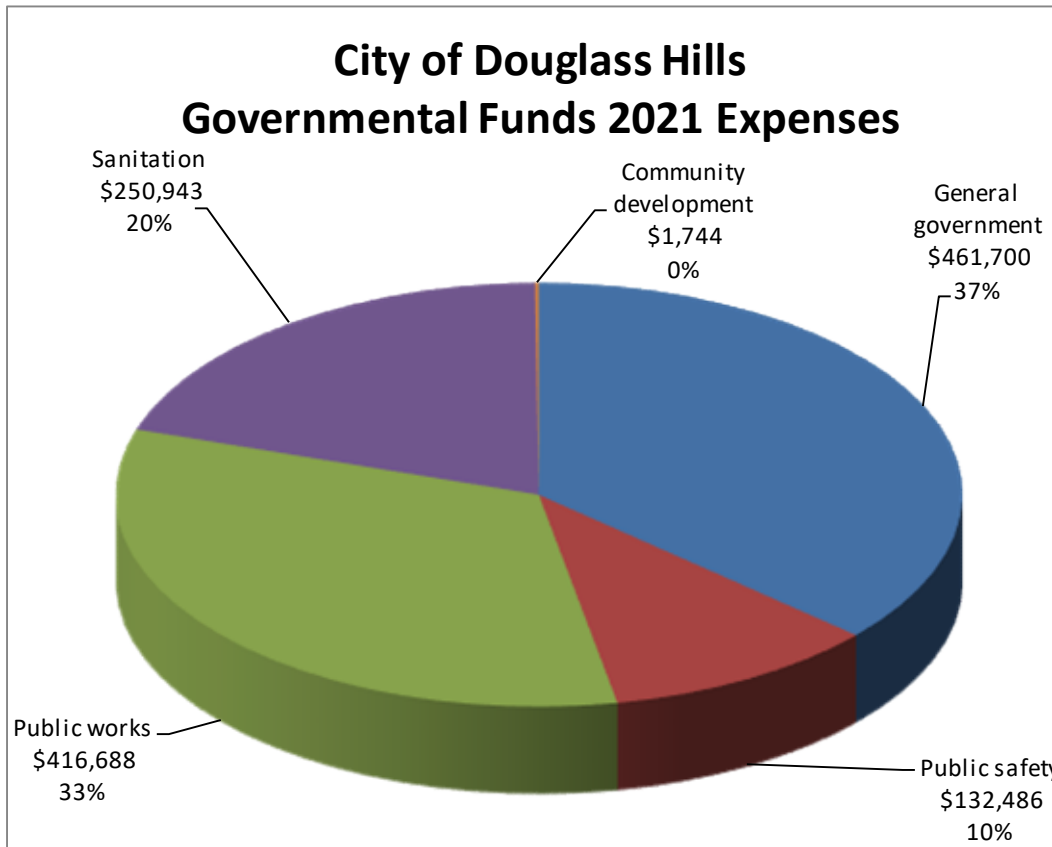
Governmental funds. The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information, particularly *unassigned fund balance*, may serve as a useful measure of a government's net resources 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 \$1,640,772, a decrease of \$101,417 in comparison with the prior year. Of this total amount, \$1,161,954 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 \$1,337,144 (see Statement of Revenues, Expenditures, and Changes in Fund Balances on page 6 of this report) in the fiscal year ended June 30, 2021.

Property taxes represent the City's largest revenue source, with \$593,678 or 44 percent of all Governmental Fund revenues. The City property tax rate remained steady at .134 in FY 2021. Total grant income of \$273,326 was received during the current fiscal year.

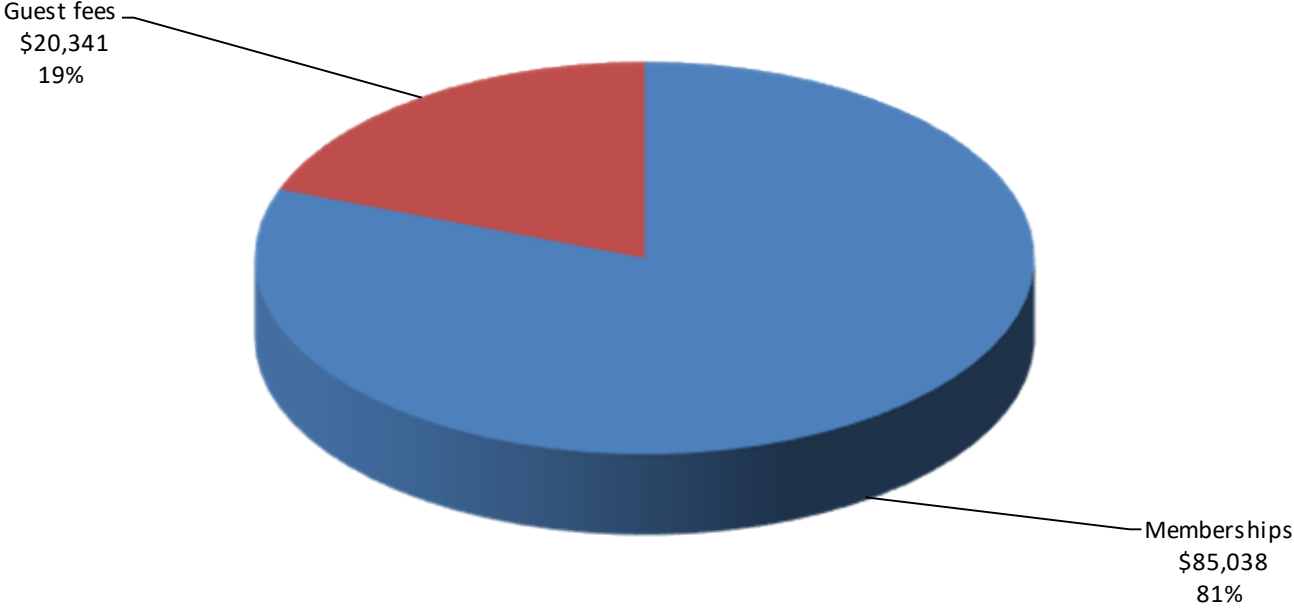


Expenses for governmental fund functions totaled \$1,263,561 (see Statement of Revenues, Expenditures, and Changes in Fund Balances on page 6 of this report) in the fiscal year ended June 30, 2021.

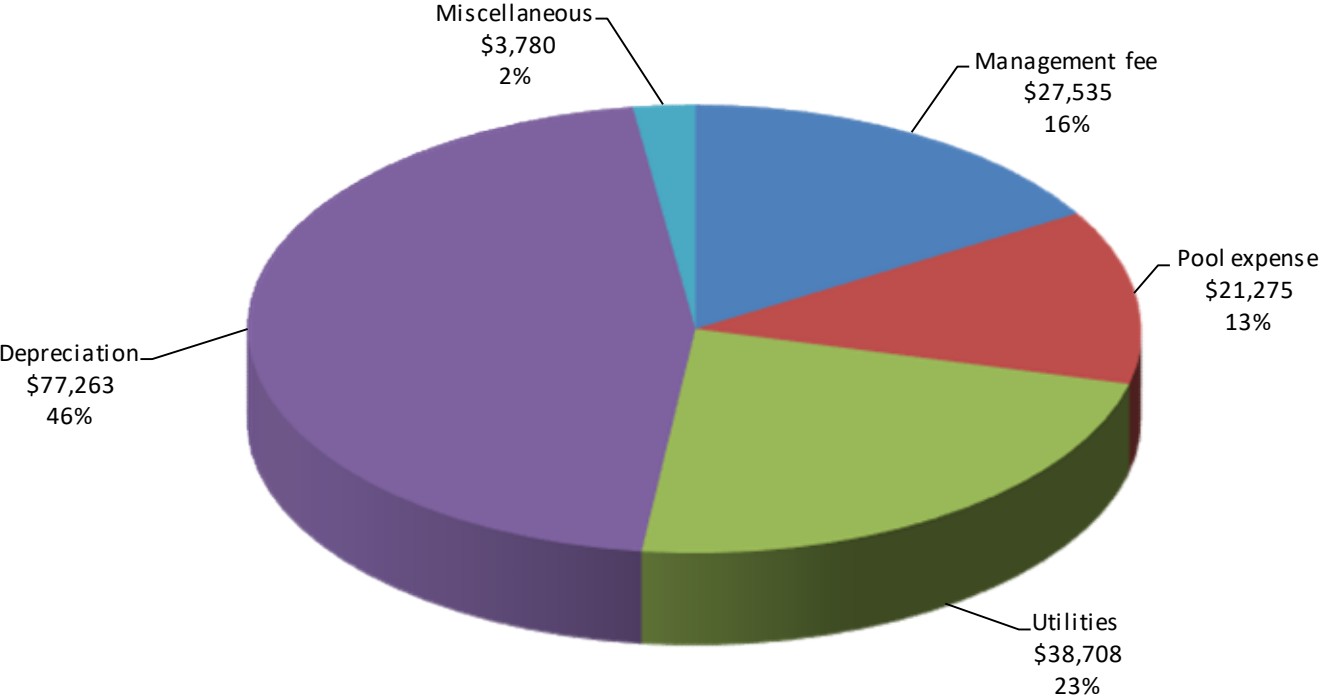
General government expenses represent the City's largest expense, with \$461,700 or 37 percent of all Governmental Fund expenses.

Proprietary fund. The proprietary fund (pool fund) accounts for revenues collected from the sale of pool memberships and day passes. This year net position increased from \$888,826 to \$1,000,644, an increase of \$111,818.

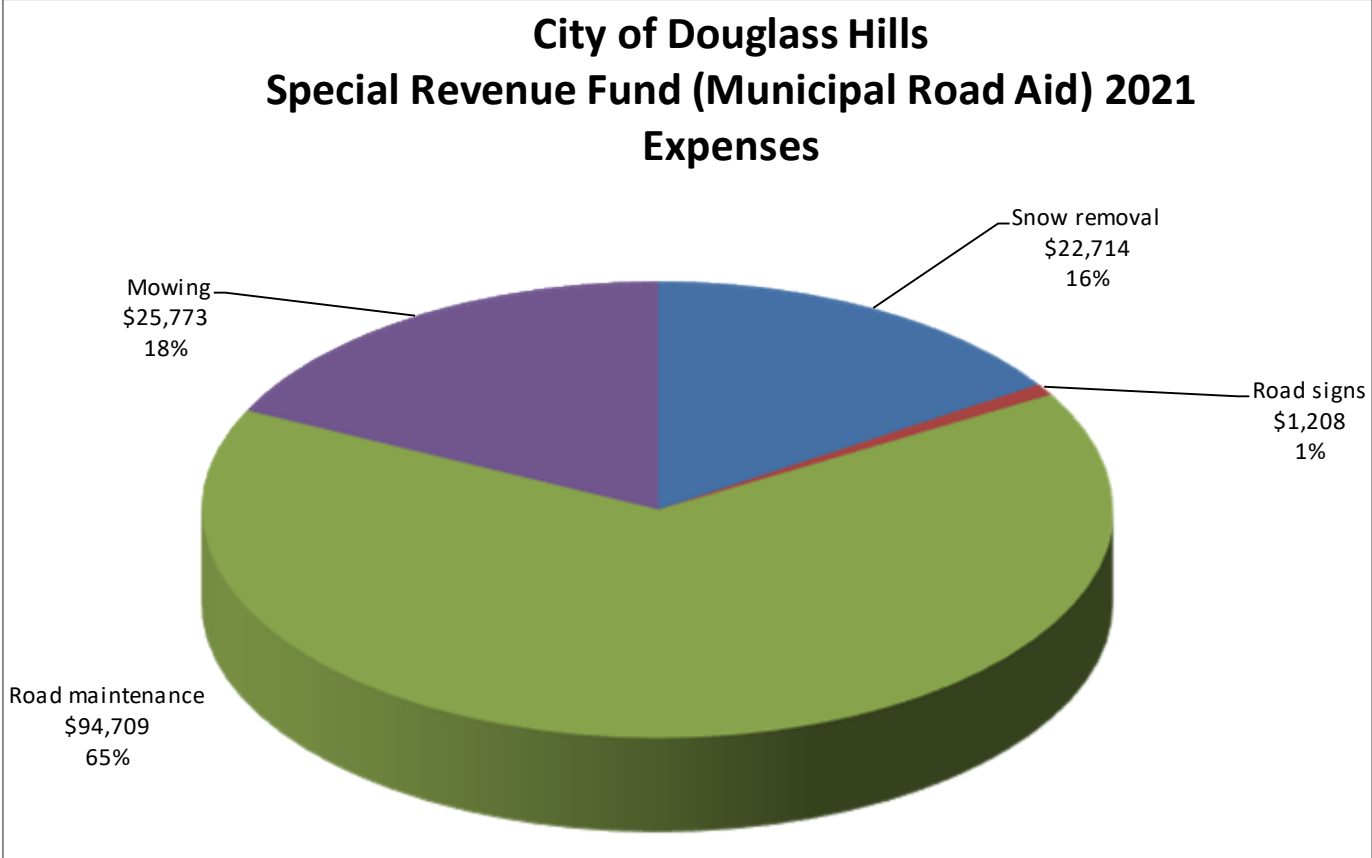
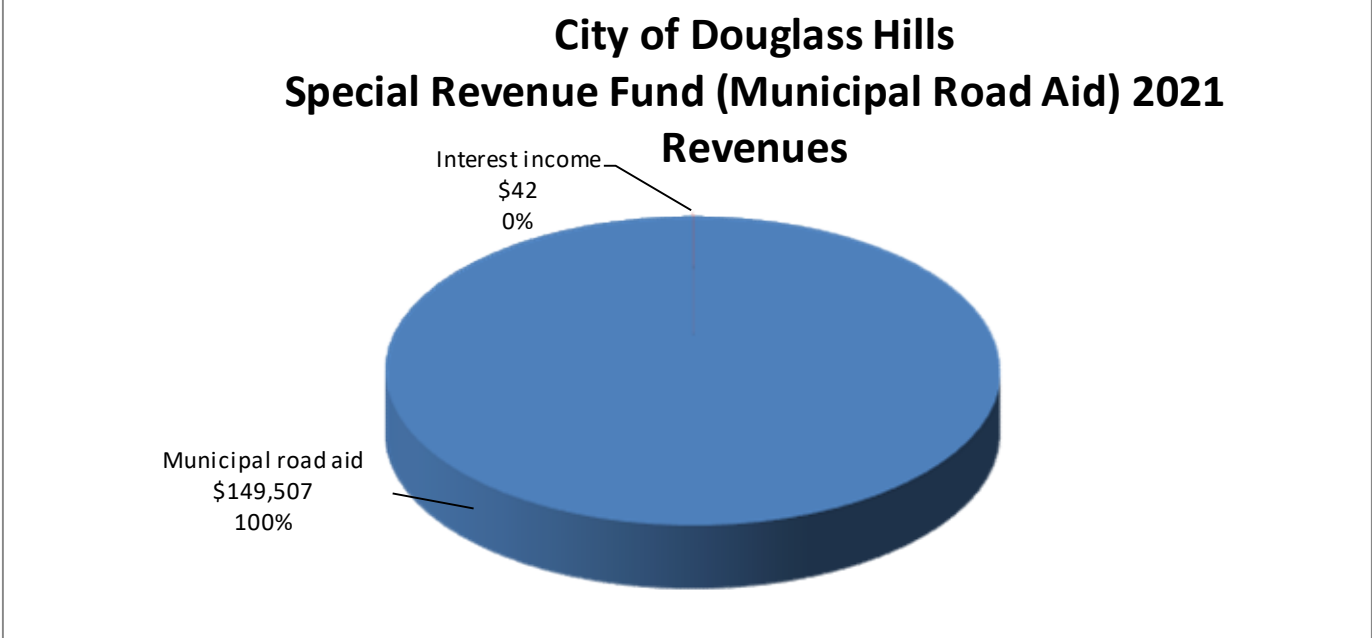
City of Douglass Hills Proprietary Fund (Pool) 2021 Revenues



City of Douglass Hills Proprietary Fund (Pool) 2021 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 \$117,250 to \$122,395, an increase of \$5,145.



General Fund Budgetary Highlights

Actual charges to appropriations (expenditures) were \$104,201 less than the final budgeted amounts. The most significant positive variance occurred in the City's public works expenses which was under budget by \$117,651. The most significant negative variance occurred in the City's public safety which was over budget by \$6,236.

In addition, resources available for appropriation were \$141,663 more than the final budgeted amounts. The final budget included \$556,482 of property tax revenue in comparison to the \$593,678 collected. The most significant positive variance occurred in grant income which was over budget by \$123,819. The most significant negative variance occurred in insurance premiums taxes which was under budget by \$20,423.

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2021 is \$3,659,820 (net of accumulated depreciation):

	Governmental Activities			June 30, 2021
	June 30, 2020	Additions	Disposals	
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	55,989	5,667	-	61,656
Storage building	88,872	6,250	-	95,122
City Hall fixed assets	249,515	12,388	-	261,903
Entrance improvements	122,514	-	-	122,514
Flag pole	1,174	-	-	1,174
Infrastructure	5,054,830	25,261	-	5,080,091
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	-	-	88,131
Total Capital Assets	6,547,524	49,566	-	6,597,090
Accumulated Depreciation:	(3,715,778)	(129,973)	-	(3,845,751)
Net Capital Assets	\$ 2,831,746	(\$ 80,407)	\$ -	\$ 2,751,339
	Business-Type Activities			June 30, 2021
	June 30, 2020	Additions	Disposals	
Land	\$ 90,599	\$ -	\$ -	\$ 90,599
Building	430,646	-	-	430,646
Pool and improvements	1,054,887	223,484	-	1,278,371
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	1,669,978	223,484	-	1,893,462
Accumulated Depreciation:	(907,718)	(77,263)	-	(984,981)
Net Capital Assets	\$ 762,260	\$ 146,221	\$ -	\$ 908,481

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 2022, 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 2022 fiscal year budgeted expenses are as follows:

- General government - \$514,169
- Public safety - \$143,250
- Public works - \$550,600
- Sanitation - \$250,000

Requests for Information

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

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*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, 27-28, and 29-35, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 November 29, 2022, 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

Louisville, Kentucky
November 29, 2022

GOVERNMENT – WIDE FINANCIAL STATEMENTS

CITY OF DOUGLASS HILLS, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 1,684,011	\$ 62,550	\$ 1,746,561
Taxes receivable and other current assets	39,856	35,177	75,033
Capital assets, net of accumulated depreciation	2,751,339	908,481	3,659,820
Total assets	<u>4,475,206</u>	<u>1,006,208</u>	<u>5,481,414</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	91,565	-	91,565
Deferred outflows related to other post-employment benefits (OPEB)	64,580	-	64,580
Total deferred outflows of resources	<u>156,145</u>	<u>-</u>	<u>156,145</u>
LIABILITIES			
Accounts payable	43,887	5,564	49,451
Accrued liabilities	226	-	226
Net OPEB liability	111,559	-	111,559
Net pension liability	354,502	-	354,502
Total liabilities	<u>510,174</u>	<u>5,564</u>	<u>515,738</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	17,850	-	17,850
Deferred inflows related to OPEB	25,343	-	25,343
Total deferred inflows of resources	<u>43,193</u>	<u>-</u>	<u>43,193</u>
NET POSITION			
Invested in capital assets	2,751,339	908,481	3,659,820
Restricted for other purposes	122,395	-	122,395
Unrestricted	1,204,250	92,163	1,296,413
Total net position	<u>\$ 4,077,984</u>	<u>\$ 1,000,644</u>	<u>\$ 5,078,628</u>

The accompanying notes are an integral part of these statements.

CITY OF DOUGLASS HILLS, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

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	\$ (507,024)	\$ 5,259	\$ 123,819	\$ (377,946)	\$ -	\$ (377,946)
Public safety	(132,486)	-	-	(132,486)	-	(132,486)
Public works	(495,570)	-	149,507	(346,063)	-	(346,063)
Sanitation	(250,943)	-	-	(250,943)	-	(250,943)
Community development	(7,397)	12,400	-	5,003	-	5,003
Total governmental activities	<u>(1,393,420)</u>	<u>17,659</u>	<u>273,326</u>	<u>(1,102,435)</u>	<u>-</u>	<u>(1,102,435)</u>
Business-type activities:						
Pool	<u>(168,561)</u>	<u>105,379</u>			<u>(63,182)</u>	<u>(63,182)</u>
Total business activities	<u>(168,561)</u>	<u>105,379</u>			<u>(63,182)</u>	<u>(63,182)</u>
Total primary government	<u>\$ (1,561,981)</u>	<u>\$ 123,038</u>	<u>\$ 273,326</u>			<u>(1,165,617)</u>
General revenues:						
Taxes						
Property taxes, levied for general purpose				615,729	-	615,729
Insurance premiums taxes				379,577	-	379,577
Cable franchise and local deposit taxes				56,944	-	56,944
Investment earnings				15,151	-	15,151
Miscellaneous				809	-	809
Total general revenues				<u>1,068,210</u>	<u>-</u>	<u>1,068,210</u>
Changes in net position				(34,225)	(63,182)	(97,407)
Other financing sources (uses):						
Transfers						
				<u>(175,000)</u>	<u>175,000</u>	<u>-</u>
Changes in net position				(209,225)	111,818	(97,407)
Net position - beginning				4,287,209	888,826	5,176,035
Net position - ending				<u>\$ 4,077,984</u>	<u>\$ 1,000,644</u>	<u>\$ 5,078,628</u>

The accompanying notes are an integral part of these statements.

FUND FINANCIAL STATEMENTS

**CITY OF DOUGLASS HILLS, KENTUCKY
BALANCE SHEET GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Special Revenue (Municipal Road Aid)	Total
ASSETS			
Cash	\$ 1,561,615	\$ 122,395	\$ 1,684,010
Receivables			
Taxes	39,821	-	39,821
Other	35	-	35
Total Assets	<u>\$ 1,601,471</u>	<u>\$ 122,395</u>	<u>\$ 1,723,866</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 43,887	-	\$ 43,887
Other current liabilities	226	-	226
Total Liabilities	44,113	-	44,113
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	38,981	-	38,981
Total Deferred Inflows of Resources	38,981	-	38,981
Fund balances:			
Restricted			
Special Revenue (Municipal Road Aid)	-	70,038	70,038
Assigned			
Subsequent Year's Budget	356,423	52,357	408,780
Unassigned	1,161,954	-	1,161,954
Total Fund Balances	1,518,377	122,395	1,640,772
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,601,471</u>	<u>\$ 122,395</u>	<u>\$ 1,723,866</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, 2021**

Total fund balances - governmental		\$ 1,640,772
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		2,751,339
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		91,565
Deferred outflows related to OPEB		64,580
Deferred inflows related to pension plan		(17,850)
Deferred outflows related to OPEB		(25,343)
The City's proportionate share of the collective net liability for the pension and OPEB as of June 30, 2020 (measurement date) are not due and payable at June 30, 2021 and, therefore, are not reported in the funds:		
Net pension liability		(354,502)
Net OPEB liability		(111,559)
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		38,982
Net position of governmental activities		\$ 4,077,984

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, 2021

	General	Special Revenue (Municipal Road Aid)	Total Governmental Funds
REVENUES			
Taxes	\$ 593,678	\$ -	\$ 593,678
Insurance premiums taxes	379,577	-	379,577
Franchise fees	25,192	-	25,192
Bank deposit tax	31,752	-	31,752
Licenses, permits and fees	5,259	-	5,259
Rental income	12,400	-	12,400
Grant income	123,819	149,507	273,326
Miscellaneous income	809	-	809
Interest received	15,109	42	15,151
Total revenues	<u>1,187,595</u>	<u>149,549</u>	<u>1,337,144</u>
EXPENDITURES			
General government	449,312	-	449,312
Public safety	132,486	-	132,486
Public works	260,367	119,143	379,510
Sanitation	250,943	-	250,943
Community development	1,744	-	1,744
Current capital outlays	24,305	25,261	49,566
Total expenditures	<u>1,119,157</u>	<u>144,404</u>	<u>1,263,561</u>
Excess of revenues over expenditures	<u>68,438</u>	<u>5,145</u>	<u>73,583</u>
Other financing sources (uses)			
Transfers	<u>(175,000)</u>	<u>-</u>	<u>(175,000)</u>
Net change in fund balances	(106,562)	5,145	(101,417)
Fund balances - beginning	<u>1,624,939</u>	<u>117,250</u>	<u>1,742,189</u>
Fund balances - ending	<u>\$ 1,518,377</u>	<u>\$ 122,395</u>	<u>\$ 1,640,772</u>

The accompanying notes are an integral 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, 2021**

Net change in fund balances - total governmental funds	\$ (101,417)
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	49,566
Depreciation expense	(129,973)
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	
	(49,453)
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>22,052</u>
Change in net position of governmental activities	<u><u>\$ (209,225)</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, 2021**

ASSETS

Current Assets:	
Cash	\$ 62,550
Prepaid expenses	<u>35,177</u>
Total current assets	<u>97,727</u>
Capital assets, net of accumulated depreciation	<u>908,481</u>
Total assets	<u>1,006,208</u>

LIABILITIES

Current Liabilities:	
Accounts payable	<u>5,564</u>
Total current liabilities	<u>5,564</u>

NET POSITION

Invested in capital assets	908,481
Unrestricted	<u>92,163</u>
Total net position	<u><u>\$ 1,000,644</u></u>

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, 2021**

Operating Revenues:	
Memberships	\$ 85,038
Guest fees	<u>20,341</u>
Total operating revenues	<u>105,379</u>
Operating Expenses:	
Management fee	27,535
Pool expense	21,275
Utilities	38,708
Depreciation	77,263
Miscellaneous	<u>3,780</u>
Total operating expenses	<u>168,561</u>
Operating loss	(63,182)
Other financing sources	
Transfers	<u>175,000</u>
CHANGE IN NET POSITION	111,818
Net position - beginning	<u>888,826</u>
Net position - ending	<u><u>\$ 1,000,644</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, 2021**

Cash Flows From Operating Activities:

Receipts from customers	\$ 105,379
Payments to suppliers	<u>(85,152)</u>
Net cash provided by operating activities	<u>20,227</u>

Cash Flows From Investing Activities:

Pool renovations and equipment	<u>(223,485)</u>
Net cash used in investing activities	<u>(223,485)</u>

Cash Flows From Financing Activities:

Transfers	<u>175,000</u>
Net cash provided by financing activities	<u>175,000</u>

Net decrease in cash (28,258)

Cash - beginning 90,808

Cash - ending \$ 62,550

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (63,182)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	77,263
Change in assets and liabilities:	
Increase in prepaid expenses	2,800
Decrease in accounts payable	<u>3,346</u>
Net cash used in operating activities	<u><u>\$ 20,227</u></u>

The accompanying notes are an integral part of these statements.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

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, 2021

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, 2021

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 evidenced 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, 2021, 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, 2021, 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, street lights, 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, 2021.

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

<u>Assets</u>	<u>Years</u>
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, 2021

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, 2020). 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, 2021

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.

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.

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.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Note 2. DEPOSITS AND INVESTMENTS – continued

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, 2021 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>\$1,746,561</u>	<u>\$1,746,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,746,561</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 \$451,227,730.

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, 2021

Note 6. CAPITAL ASSETS

Governmental Activities

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2021</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	55,989	5,667	-	61,656
Storage building	88,872	6,250	-	95,122
City Hall fixed assets	249,515	12,388	-	261,903
Entrance improvements	122,514	-	-	122,514
Flag pole	1,174	-	-	1,174
Infrastructure	5,054,830	25,261	-	5,080,091
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>-</u>	<u>-</u>	<u>88,131</u>
Total Capital Assets	<u>6,547,524</u>	<u>49,566</u>	<u>-</u>	<u>6,597,090</u>
Accumulated Depreciation:	(<u>3,715,778</u>)	(<u>129,973</u>)	<u>-</u>	(<u>3,845,751</u>)
Net Capital Assets	<u>\$ 2,831,746</u>	<u>(\$ 80,407)</u>	<u>\$ -</u>	<u>\$ 2,751,339</u>

Business-Type Activities

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2021</u>
Land	\$ 90,599	\$ -	\$ -	\$ 90,599
Building	430,646	-	-	430,646
Pool and improvements	1,054,887	223,484	-	1,278,371
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>1,669,978</u>	<u>223,484</u>	<u>-</u>	<u>1,893,462</u>
Accumulated Depreciation:	(<u>907,718</u>)	(<u>77,263</u>)	<u>-</u>	(<u>984,981</u>)
Net Capital Assets	<u>\$ 762,260</u>	<u>\$ 146,221</u>	<u>\$ -</u>	<u>\$ 908,481</u>

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

Governmental Activities	
General government	\$ 8,260
Public works	116,060
Community development	<u>5,653</u>
	<u>\$ 129,973</u>
Business-type activities:	
Pool	<u>\$ 77,263</u>

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

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. LEASES

The City holds a lease on a building owned by the City. The lease automatically renews annually unless either party gives a 90-day written notice of termination. The lease details are as follows:

<u>Location</u>	<u>Rent</u>	<u>Term of Lease</u>
219 Moser Road	\$900/month	July 1, 2021 – June 30, 2022

Future minimum rentals are as follows:

June 30, 2022	<u>\$10,800</u>
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Note 9. 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 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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 [dttps://kyret.ky.gov](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, 2021, was 19.30 percent. Contributions to the pension plan from the City were \$31,163 for the year ended June 30, 2021. There are no non-employer contributing entities to this plan.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Note 9. PENSION PLAN – continued

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

At June 30, 2021, the City reported a liability of \$354,502 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020 were based on an actuarial evaluation rate of June 30, 2019. The TPL as rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, 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, 2020, the City's proportion was .004622 %.

For the year ended June 30, 2021, the City recognized pension expense of \$72,914. At June 30, 2021, 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
Difference between expected and actual experience	\$ 8,840	\$ -
Net difference between projected and actual investment earnings on pension plan investments	15,367	6,496
Changes in assumptions	13,843	-
Changes in proportion and differences between City contributions and proportionate share of contributions	22,352	11,354
City contributions subsequent to the Measurement Date	31,163	-
Total	\$ 91,565	\$ 17,850

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Note 9. PENSION PLAN – continued

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

At June 30, 2021, \$31,163 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, 2022.

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 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>
2021	\$25,496
2022	9,945
2023	3,549
2024	3,562
2025	-
Total	<u>\$42,552</u>

Actuarial methods and assumptions – The total pension liability in the June 30, 2020 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, 2019):

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 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 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.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Note 9. 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	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	(0.25%)
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Cash	1.00%	(0.75%)
 Total	 <u>100.00%</u>	 <u>3.96%</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 25 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, 2021

Note 9. PENSION PLAN – continued

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

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following represents the City’s proportionate share of the net pension liability, calculated using the discount rate of 6.25 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability	\$437,180	\$354,504	\$286,044

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report which is available at <https://kyret.ky.gov>.

Note 10. 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 Retirement Systems (KRS), 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, 2021, was 4.76 percent. Contributions to the insurance plan from the City were \$7,686 for the year ended June 30, 2021. There are no non-employer contributing entities to this plan.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Note 10. – 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, 2021, the City reported a liability of \$111,559 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the City's proportion was .004620%.

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$15,385. At June 30, 2021, 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	\$ 18,639	\$ 18,654
Net difference between projected and actual investment earnings on OPEB plan investments	-	2,276
Changes in assumptions	19,405	118
Investment experience	5,984	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,866	4,295
City contributions subsequent to the Measurement Date	7,686	-
Total	\$ 64,580	\$ 25,343

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Note 10. – 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, 2021, \$7,686 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, 2022.

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>
2021	\$ 8,191
2022	9,288
2023	7,180
2024	6,499
2025	392
Thereafter	-
Total	<u>\$ 31,550</u>

Actuarial methods and assumptions – The total OPEB liability in the June 30, 2020 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 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Note 10. – 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	18.75%	4.50%
International Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Core Bonds	13.50%	(0.25%)
Cash	1.00%	1.50%
Total	100.00%	3.96%

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 5.34 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 (4.34 percent), 1-percentage-point higher (6.34 percent), health care trend rate 1 percent decrease and health care trend rate 1 percent increase:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)	Health Care Trend Rate 1% Decrease	Health Care Trend Rate 1% Increase
City's Proportionate Share of the Net OPEB Liability	\$143,321	\$111,559	\$85,472	\$86,375	\$142,121

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>.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Note 11. – SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 29, 2022, the date the financial statements are available to be issued.

The City was awarded \$1,477,879 in funds from the American Rescue Plan Act to be used for qualified projects; \$738,940 of the funds was received on August 16, 2021 and the remaining balance of \$738,939 was received on June 29, 2022.

Note 12. – COMMITMENTS AND CONTINGENCIES

The City has committed approximately \$280,000 for installation of a new playground in Warren Walker Park.

Existing and pending lawsuits, claims, and other actions, if applicable, in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgement of the City's management and legal counsel, remotely recoverable by plaintiffs.

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Taxes	\$ 556,482	\$ 556,482	\$ 593,678	\$ 37,196
Insurance premiums taxes	400,000	400,000	379,577	(20,423)
Franchise fees	25,450	25,450	25,192	(258)
Bank deposit tax	24,000	24,000	31,752	7,752
Licenses, permits and fees	6,000	6,000	5,259	(741)
Intergovernmental income	4,000	4,000	-	(4,000)
Grant income	-	-	123,819	123,819
Rental income	12,000	12,000	12,400	400
Advertising income	5,000	5,000	-	(5,000)
Miscellaneous income	1,000	1,000	809	(191)
Interest received	12,000	12,000	15,109	3,109
Total revenues	<u>1,045,932</u>	<u>1,045,932</u>	<u>1,187,595</u>	<u>141,663</u>
Expenditures:				
General government	444,785	444,785	449,312	(4,527)
Public safety	126,250	126,250	132,486	(6,236)
Public works	402,323	402,323	284,672	117,651
Sanitation	250,000	250,000	250,943	(943)
Community development	-	-	1,744	(1,744)
Total expenditures	<u>1,223,358</u>	<u>1,223,358</u>	<u>1,119,157</u>	<u>104,201</u>
Other financing sources (uses)				
Transfers in (out)	-	(175,000)	(175,000)	-
Net change in fund balance	(177,426)	(352,426)	(106,562)	245,864
Fund balance - beginning	<u>1,624,939</u>	<u>1,624,939</u>	<u>1,624,939</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,447,513</u>	<u>\$ 1,272,513</u>	<u>\$ 1,518,377</u>	<u>\$ 245,864</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, 2021**

	Budgeted Amounts		Actual	Variance with final budget Positive (Negative)
	Original	Final		
Revenues:				
Grant income	\$ 110,500	\$ 110,500	\$ 149,507	\$ 39,007
Interest	400	400	42	(358)
Total revenues	<u>110,900</u>	<u>110,900</u>	<u>149,549</u>	<u>38,649</u>
Expenditures:				
Public works	<u>157,500</u>	<u>157,500</u>	<u>144,404</u>	<u>13,096</u>
Total expenditures	<u>157,500</u>	<u>157,500</u>	<u>144,404</u>	<u>13,096</u>
Net change in fund balance	(46,600)	(46,600)	5,145	51,745
Fund balance - beginning	<u>117,250</u>	<u>117,250</u>	<u>117,250</u>	<u>-</u>
Fund balance - ending	<u>\$ 70,650</u>	<u>\$ 70,650</u>	<u>\$ 122,395</u>	<u>\$ 51,745</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, 2021

	6/30/2021 (Measurement Date of 6/30/20)	6/30/2020 (Measurement Date of 6/30/19)	6/30/2019 (Measurement Date of 6/30/2018)	6/30/2018 (Measurement Date of 6/30/2017)	6/30/2017 (Measurement Date of 6/30/16)	6/30/2016 (Measurement Date of 6/30/15)	6/30/2015 (Measurement Date of 6/30/14)
City's proportion of the net pension liability	0.462200%	0.004901%	0.004005%	0.371100%	0.003227%	0.003142%	0.003102%
City's proportionate share of the net pension liability	\$ 354,504	\$ 344,690	\$ 243,917	\$ 217,216	\$ 158,868	\$ 135,088	\$ 101,000
City's covered payroll	\$ 118,555	\$ 113,053	\$ 119,832	\$ 99,392	\$ 90,361	\$ 76,972	\$ 73,306
City's proportionate share of the net pension liability as a percentage of its covered payroll	299.02%	304.89%	203.55%	218.54%	175.81%	175.50%	137.78%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

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, 2021**

	<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	\$ 31,163	\$ 24,966	\$ 19,437	\$ 14,839	\$ 12,660	\$ 9,848	\$ 9,715
Contributions in relation to the contractually required contribution	<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>
City's covered payroll	\$ 118,555	\$ 113,053	\$ 119,832	\$ 99,392	\$ 90,361	\$ 76,972	\$ 73,306
City's contributions as a percentage of covered payroll	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, 2021

	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	0.004620%	0.004901%	0.004005%	0.371100%
City's proportionate share of the net OPEB liability	\$ 111,559	\$ 82,416	\$ 71,108	\$ 74,604
City's covered-employee payroll	\$ 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	94.10%	72.90%	59.34%	75.06%
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2021**

	<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	\$ 7,686	\$ 6,157	\$ 6,303	\$ 4,946	\$ 4,220
Contributions in relation to the contractually required contributions	<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>
City's covered-employee payroll	\$ 118,555	\$ 113,053	\$ 119,832	\$ 99,392	\$ 90,361
City's contribution as a percentage of covered-employee payroll	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, 2021

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.

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

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirements, Withdrawal and Disability were updated to more accurately reflect experience.

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%.

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Required Supplementary Information
Year Ended June 30, 2021

2018:

- Annual salary increases updated to 3.30%.
- The amortization period of the unfunded liability was reduced to a closed 25-year period.

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:

2017:

- Total OPEB liability as of June 30, 2017 is determined using a 2.30% price inflation assumption
- The assumed rate of return is 6.25%

CITY OF DOUGLASS HILLS, KENTUCKY
Notes to Required Supplementary Information
Year Ended June 30, 2021

2018:

- Annual salary increases updated to 3.30%.
- The amortization period of the unfunded liability was reduced to a closed 25-year period.
- Pre-65 Healthcare trend rates reduced to a starting point of 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
- Post-65 Healthcare trend rates reduced to a starting point of 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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
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 7.00 % and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The 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 R-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.

**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, 2021 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 November 29, 2022.

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.

A handwritten signature in black ink that reads "Welenken CPAs". The signature is written in a cursive, slightly slanted style.

Welenken CPAs

Louisville, Kentucky
November 29, 2022