

CITY OF TAYLOR MILL
Taylor Mill, Kentucky

FINANCIAL STATEMENTS
June 30, 2025

CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis (MD&A) Unaudited	3-10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities	16
Notes to the Financial Statements	17-38
Required Supplementary Information	
Budget Information.....	39-40
Proportionate Share of the Net Pension Liability – Nonhazardous	41
Proportionate Share of the Net Pension Liability – Hazardous	42
Schedule of Pension Contributions – Nonhazardous	43
Schedule of Pension Contributions – Hazardous	44
Proportionate Share of the Net OPEB Liability (asset) – Nonhazardous	45
Proportionate Share of the Net OPEB Liability – Hazardous	46
Schedule of OPEB Contributions – Nonhazardous	47
Schedule of OPEB Contributions – Hazardous	48
Notes to Required Supplementary Information	49-51
Required Regulatory Information	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52-53
Schedule of Findings and Responses	54



RFH

CPAs | Consultants

Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Commission
City of Taylor Mill, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Taylor Mill, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Taylor Mill, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Taylor Mill, Kentucky, as of June 30, 2025, and the respective changes in financial position 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Taylor Mill, Kentucky and to meet our 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

November 26, 2025
Lexington, Kentucky

RFH, PLLC

RFH

considering City of Taylor Mill, Kentucky's internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in effectiveness of the City of Taylor Mill, Kentucky's internal control over financial reporting or on compliance. Other financial reporting and compliance and the results of that testing, and not to provide an opinion on the other matters. The purpose of that report is solely to describe the scope of our testing of internal control over tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and on other matters. In our consideration of the City of Taylor Mill, Kentucky's internal control over financial reporting and on our report November 26, 2025, we have also issued our report November 26, 2025, in accordance with Government Auditing Standards, we have also issued our report November 26, 2025.

Other Reporting Required by Government Auditing Standards

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. Knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or consistency with management's responses to our inquiries, the basic financial statements, and other inquiries of management about the methods of preparing the information and comparing the information for consistency with auditing standards generally accepted in the United States of America, which consisted of accordance with generally accepted accounting principles in the required supplementary information in historical context. We have applied certain limited procedures to the required supplementary information, or financial reporting for placing the basic financial statements in an appropriate operational, economic, or is required by the Governmental Accounting Standards Board who considers it to be an essential part of information is the responsibility of management and, although not a part of the basic financial statements, information is the responsibility of management and, although not a part of the basic financial statements, and OEB schedules on pages 41-48 be presented to supplement the basic financial statements. Such discussion and analysis on pages 3 - 10, budgetary comparison information on pages 39-40, the pension's accounting principles generally accepted in the United States of America require that the management's

Required Supplementary Information

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.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Taylor Mill, Kentucky's ability to continue as a going concern for a reasonable period of time.

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.

- Express that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Taylor Mill, Kentucky's internal control. Accordingly, no such opinion is expressed.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and design audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design audit procedures responsive to those risks. Such procedures may include performing audit procedures on a sample basis, assessing significant financial exposures, and understanding internal controls relevant to the audit.
- Exercise professional judgment and maintain professional skepticism throughout the audit.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

CITY OF TAYLOR MILL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
UNAUDITED

Our discussion and analysis of the Taylor Mill, City of, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the City's basic financial statements that begin on page 11.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities on pages 11 and 12, respectively, provide information about the activities of the City as a whole and present a fair view of the City's finances. Fund financial statements begin on page 13. For government activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2025 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$10,888,002 (net position) at June 30, 2025. The City's total net position increased by \$2,202,721.
- As of June 30, 2025, the City's governmental funds reported combined ending fund balances of \$11,060,172, an increase of \$815,944.
- As of June 30, 2025, the unassigned fund balance for the General Fund was \$10,528,388.
- The City's cash and cash equivalents increased by \$950,129 from \$7,212,086 at June 30, 2024 to \$8,162,215 at June 30, 2025.
- The City's investments increased by \$135,984 from \$2,538,712 at June 30, 2025 to \$2,674,156 at June 30, 2025.
- The City's accounts receivable increased by \$5,767 from \$1,149,940 at June 30, 2025 to \$1,155,707 at June 30, 2025.
- The City's total debt increased by \$2,350,266, including compensated absences, retainage, lease liabilities and SBITA liabilities, but excluding net pension liability and net other postemployment benefit liability, during the current year.

OVERVIEW OF 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.

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 of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
UNAUDITED
(Continued)

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 fiscal periods.

The government-wide financial statements outline the functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, police, fire, public works, parks and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11 and 12 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are 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. Such information may be useful in evaluating a government's near-term financing requirements.

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 for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Municipal Road Aid Fund.

The City adopts an annual budget for each of its funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 - 16 of this report.

Notes to the Financial Statements

The notes to the financial statements 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 17 - 38 of this report.

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
UNAUDITED
(Continued)

Government-Wide Financial Analysis

The perspective of the statement of net position is of the City as a whole. Table 1 provides a summary of the City's net position for 2025 compared to 2024.

Table 1
Net Position

	Governmental Activities	
	2025	2024
Assets		
Current and Other Assets	\$ 12,162,041	\$ 11,103,252
Capital and Right of Use Assets, Net	8,887,291	5,316,820
Total Assets	21,049,332	16,420,072
Deferred Outflow of Resources	1,438,811	1,592,197
Liabilities		
Current Liabilities	848,452	430,883
Long-Term Liabilities	8,354,847	6,505,564
Total Liabilities	9,203,299	6,936,447
Deferred Inflow of Resources	2,396,842	2,390,541
Net Position		
Net Investment in Capital Assets	6,005,084	5,093,336
Restricted	402,869	313,680
Unrestricted	4,480,049	3,278,265
Total Net Position	\$ 10,888,002	\$ 8,685,281

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by approximately \$10.89 million as of June 30, 2025.

A large portion of the City's net position (approximately \$6.0 million) reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
UNAUDITED
(Continued)

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following points explain the major changes impacting net position as shown on the previous page.

1. Cash and cash equivalents increased by \$950,129 from the previous year primarily due to the results of current year operations particularly from increases in Other Taxes, Investment Income, Property Taxes, and Insurance Premium Taxes.
2. Accounts receivable increased by \$5,767 from the previous year.
3. Capital and right of use assets increased by \$3,570,471 due to current year capital asset additions, vehicle lease additions, and SBITA equipment additions. Total capital asset and right of use acquisitions were \$4,795,362, total capital asset and right of use disposals were \$865,931 and total depreciation expense in the current year was \$484,057. These additions also included \$363,629 in leased vehicle and equipment assets available for use.
4. Deferred outflows of resources decreased by \$153,386. Deferred outflows related to pension decreased by \$88,035 and deferred outflows related to OPEB decreased by \$65,351.
5. Long-term liabilities increased by \$1,849,283. The increase is due primarily to a \$2,054,927 increase in bonds payable plus a \$247,987 increase in leased and right to use liabilities and a \$307,160 long-term retainage payable. These amounts are offset by a decrease in the net pension liability of \$719,136 and a decrease in the net other postemployment benefits liability of \$43,952.
6. Deferred inflows of resources increased by \$6,301. Deferred inflows related to pension increased by \$310,658 and deferred inflows related to OPEB decreased by \$304,357.
7. The City has \$4,480,049 of unrestricted net assets as of June 30, 2025.

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
UNAUDITED
(Continued)

Table 2 reflects the change in net position for fiscal years 2025 and 2024.

Table 2
Change in Net Position

	Governmental Activities		
	For the Years Ended June 30,	2025	2024
Revenues			
General Revenue			
Property Taxes	\$ 2,554,515	\$ 2,491,496	
Payroll Taxes	1,677,900	1,745,424	
Insurance Premium Taxes	986,068	921,636	
Utility Taxes	273,468	250,486	
Other Taxes	762,252	632,572	
Penalties and Interest on Taxes	13,873	21,278	
Investment Income (Loss)	445,119	358,771	
Other Revenue	20,193	43,210	
(Loss) Gain on Sale of Assets	8,786	13,523	
Total General Revenues	<u>6,742,174</u>	<u>6,478,396</u>	
Program Revenues			
Charges for Services	865,253	768,095	
Operating Grants and Contributions	136,785	2,070,391	
Capital Grants and Contributions	186,406	-	
Total Program Revenues	<u>1,188,444</u>	<u>2,838,486</u>	
Total Revenues	<u>7,930,618</u>	<u>9,316,882</u>	
Program Expenses			
General Government	1,184,240	1,096,204	
Police	1,679,508	1,573,983	
Fire	1,832,962	1,888,133	
Public Works	462,209	636,179	
Streets	277,373	310,043	
Parks and Recreation	129,219	148,222	
Senior Services	1,598	2,164	
Community Events	14,087	21,144	
Interest Expense	146,701	8,616	
Pension Expense	-	(84,872)	
Other Postemployment Benefits Expense	-	(198,015)	
Total Program Expenses	<u>5,727,897</u>	<u>5,401,801</u>	
Change in Net Position	<u>\$ 2,202,721</u>	<u>\$ 3,915,081</u>	

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
UNAUDITED
(Continued)

Governmental Activities

Governmental activities increased the City's net position by \$2,202,721. Key changes during the year are as follows:

- Operating Grants and Contributions decreased \$1,933,606 due primarily to the American Rescue Plan Act funds being recognized and utilized for Police and Fire salaries in the previous year.
- Payroll taxes revenue decreased by \$67,524 due primarily to a reduction of "work from home" practices instituted during the COVID-19 epidemic.
- Other taxes revenue increased \$129,680 primarily due to an increase in net profit tax.
- Investment income increased only \$86,348 due to a combination of a leveling off of bank interest rates and more cash in the bank on which to draw interest.
- Capital Grants and Contributions recognized \$186,406 in city infrastructure grant revenues.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,060,172, an increase of \$815,944 from the prior year. This total consists of: General Fund, \$11,055,614 and Municipal Road Aid Fund, \$4,558.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$10,528,388. The total General Fund balance increased by \$994,339.

The fund balance of the Municipal Road Aid Fund decreased by \$178,395 due to significant outlay for city infrastructure projects.

General Fund Budgeting Highlights

The City's budget is prepared according to the City Charter and is based on accounting for certain transactions on the modified accrual basis of accounting. The General Fund's beginning fund balance for the beginning of the fiscal year was \$10,061,275..

For the General Fund, actual revenues in the amount of \$7,838,644 were higher than budgeted revenues by \$1,603,575.

General Fund actual expenditures of \$9,087,086 were under budgeted expenditures by \$1,375,453.

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
UNAUDITED
(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025, the City had \$5,316,820 net investment in capital assets, all in governmental activities.

Table 3 reflects fiscal year 2025 balances compared to fiscal year 2024.

Table 3
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2025	2024
Land	\$ 924,751	\$ 924,751
Construction in Progress	3,410,921	368,335
Leased Assets Available for Use	506,934	223,484
Buildings and Improvements	548,105	487,484
Infrastructure	2,639,002	2,284,003
Equipment	181,269	146,486
Vehicles	676,309	882,277
 Total Capital Assets	 \$ 8,887,291	 \$ 5,316,820

Major capital asset events during the current fiscal year included the following:

- Additions of new capital assets including \$2,824,896 for the new fire department building in construction-in-progress, \$433,460 associated with street construction projects, \$43,063 in Pride Park Amphitheater construction costs, as well as \$54,896 in other park and playground construction costs.
- The City also began leasing police body cameras under a long-term operating lease instead of buying them. This lease added \$305,459 in assets available for use to Capital Assets.
- Disposals of \$205,889 for infrastructure that has been replaced, equipment, and vehicles sold or disposed of during the year.
- Included in the Capital Assets is \$484,058 in depreciation expense.

Long-Term Debt

At June 30, 2025, the City had \$3,009,463 in outstanding long-term debt. The following is a summary of the City's long-term debt transactions during 2025.

	June 30, 2024	Additions	Repayments	June 30, 2025
Compensated Absences	\$ 124,676	\$ 2,579	\$ -	\$ 127,255
Notes Payable	-	2,069,752	(175)	2,069,927
Retainage Payable	-	307,161	-	307,161
Lease and SBITA Liabilities	223,484	363,629	81,994	505,119
 Total Long-Term Debt	 \$ 348,160	 \$ 2,743,121	 \$ 81,819	 \$ 3,009,462

TAYLOR MILL, CITY OF, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
UNAUDITED
(Continued)

The City's long-term debt increased \$2,661,302 due to a combination of new \$2,075,000 note for the fire house and lease liabilities and payments made on the long-term debt agreements.

Economic Factors and Next Year's Budget

The northern Kentucky region as a whole, and the City of Taylor Mill specifically have historically weathered economic unrest much better than other areas of the state or country. The region's unemployment rate remains extremely low as many companies have returned to full staff while others have become creative and shifted their models to fit their new reality. The City and its residents benefit from all of this. The City has not experienced a decrease in any revenue streams over the last few years, and the City continues to experience modest growth. The City has benefited from several Federal grants over the last four years that have bolstered the City's fund balance and allowed the City to increase expenditures for park improvements, street and sidewalk replacement, and an upgrade to the City's public works and first responder's vehicle fleet.

The City's continuing challenge in the coming fiscal year and beyond will be the development and retention of quality employees in a very competitive job market.

The City expects to see continued modest growth in the residential sector and will strive to continue delivering quality services to the residents. The City will continue its focus on business creation and growth. Working with staff from PDS, NKADD, and others, the City must focus on taking advantage of every potential asset within its borders.

Requests for Information

This financial report is designed to provide a general overview of the City's financial condition for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator's office, City of Taylor Mill, 5225 Taylor Mill Road, Taylor Mill, Kentucky 41015.

CITY OF TAYLOR MILL, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2025

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	\$ 8,089,604
Investments	2,674,156
Accounts receivable	897,129
Prepaid expenses	166,884
Inventory	3,079
Total current assets	<u>11,830,852</u>
Noncurrent Assets	
Restricted cash and cash equivalents	72,611
Accounts receivable	<u>258,578</u>
Capital assets	
Non-depreciable	4,335,672
Depreciable, net	<u>4,044,685</u>
Total capital assets	8,380,357
Right-of-use leased vehicles, net	232,019
Right-of-use SBITA, net	<u>274,915</u>
Total noncurrent assets	<u>9,218,480</u>
Total assets	<u>21,049,332</u>
Deferred Outflows of Resources	
Deferred outflows related to pension	1,098,918
Deferred outflows related to other postemployment benefits	<u>339,893</u>
Total deferred outflows of resources	<u>1,438,811</u>
Total assets and deferred outflows of resources	<u>\$ 22,488,143</u>
Liabilities and Deferred Inflows of Resources	
Current Liabilities	
Accounts payable	\$ 459,428
Accrued liabilities	220,323
Accrued interest	63,676
Compensated absences	13,998
Lease liability, current	51,873
SBITA liability, current	24,154
Bonds payable, current	<u>15,000</u>
Total current liabilities	<u>848,452</u>
Noncurrent Liabilities	
Compensated absences	113,258
Retainage payable	307,160
Lease liability, non-current	185,633
SBITA liability, non-current	243,460
Bonds payable	2,054,927
Net pension liability	5,275,759
Net other postemployment benefits liability	<u>174,650</u>
Total noncurrent liabilities	<u>8,354,847</u>
Total liabilities	<u>9,203,299</u>
Deferred Inflows of Resources	
Deferred inflows related to pension	944,234
Deferred inflows related to other postemployment benefits	<u>1,452,608</u>
Total deferred inflows of resources	<u>2,396,842</u>
Net Position	
Net investment in capital assets	6,005,084
Restricted for opioid remediation	330,257
Restricted for debt service	72,612
Unrestricted	<u>4,480,049</u>
Total net position	<u>10,888,002</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 22,488,143</u>

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2025

Functions/Programs	Charges	Operating	Capital Grants	Net (Expense)
	for Services Expenses	Grants and Contributions	and Contributions	Total Governmental Activities
Primary Government				
Governmental activities				
General government	\$ 1,184,240	\$ 614,659	\$ 23,566	\$ (546,015)
Police	1,679,508	-	64,664	- (1,614,844)
Fire	1,832,962	192,894	48,555	- (1,591,513)
Public works	462,209	-	-	(462,209)
Streets	277,373	-	-	140,781 (136,592)
Parks and recreation	129,219	57,195	-	45,625 (26,399)
Senior services	1,598	505	-	- (1,093)
Community events	14,087	-	-	- (14,087)
Interest expense	146,701	-	-	- (146,701)
Total primary government	\$ 5,727,897	\$ 865,253	\$ 136,785	\$ 186,406 (4,539,453)
General revenues				
Property taxes				2,554,515
Occupational licenses				1,677,900
Insurance premium taxes				986,068
Utility tax				273,468
Other taxes and licenses				762,252
Penalties and interest on taxes				13,873
Investment income				445,119
Other revenue				20,193
Gain on sale of capital assets				8,786
Total general revenues				<u>6,742,174</u>
Change in net position				2,202,721
Net position July 1, 2024				<u>8,685,281</u>
Net position June 30, 2025				<u>\$ 10,888,002</u>

CITY OF TAYLOR MILL, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 8,147,249	\$ 14,966	\$ 8,162,215
Investments	2,674,156	-	2,674,156
Receivables			
Property taxes	80,881	-	80,881
Waste assessments	15,922	-	15,922
Accounts	1,000,319	-	1,000,319
Other receivables	48,804	9,781	58,585
Prepaid expenses	166,884	-	166,884
Inventories	3,079	-	3,079
 Total assets	 \$ 12,137,294	 \$ 24,747	 \$ 12,162,041
Liabilities			
Accounts payable	\$ 439,240	\$ 20,189	\$ 459,429
Accrued expenses	220,323	-	220,323
 Total liabilities	 659,563	 20,189	 679,752
Deferred inflows of resources			
Unavailable revenue	422,117	-	422,117
 Total deferred inflows of resources	 422,117	 -	 422,117
Fund balance			
Non-spendable			
Prepaid expenses	166,884	-	166,884
Inventories	3,079	-	3,079
Restricted			
Opioid remediation	113,541	-	113,541
Debt service	72,612	-	72,612
Committed			
Capital projects	171,110	-	171,110
Streets	-	4,558	4,558
Unassigned	10,528,388	-	10,528,388
 Total fund balance	 11,055,614	 4,558	 11,060,172
Total liabilities, deferred inflows of resources and fund balance			
	 \$ 12,137,294	 \$ 24,747	 \$ 12,162,041

CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
for the year ended June 30, 2025

Total Fund Balance - Governmental Funds	\$ 11,060,172
Amounts reported for governmental activities in the statement of net position are different because:	
Capital, leased, and SBITA assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds.	
Cost of capital assets	19,904,552
Leased right to use assets, net	232,019
SBITA right to use assets, net	274,915
Accumulated depreciation	<u>(11,524,194)</u>
	8,887,292
Long-term receivables are unavailable in the governmental funds	422,117
Accrued interest is not accrued in the governmental funds	(63,676)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pension	1,098,918
Deferred outflows of resources related to other	
Postemployment benefits	339,893
Deferred inflows of resources related to pension	(944,234)
Deferred inflows of resources related to other	
Postemployment benefits	<u>(1,452,608)</u>
	(958,031)
Long-term liabilities, including net pension obligations and net other postemployment benefit obligations, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.	
Compensated absences	(127,256)
Lease liability	(237,506)
SBITA liability	(267,614)
Bonds payable	(2,069,927)
Retainage payable	(307,160)
Net pension liability	(5,275,759)
Net other postemployment benefits liability	<u>(174,650)</u>
	(8,459,872)
Net position of governmental activities in the statement of net position	<u>\$ 10,888,002</u>

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
for the year ended June 30, 2025

	General Fund	Municipal Road Aid Fund	Total Governmental Funds
Revenues			
Taxes	\$ 2,550,163	\$ -	\$ 2,550,163
Licenses and permits	3,774,828	- -	3,774,828
Intergovernmental	168,055	140,781	308,836
Charges for services	817,833	- -	817,833
Fines and forfeitures	37,439	- -	37,439
Investment income	440,597	4,522	445,119
Miscellaneous	<u>49,729</u>	<u>- -</u>	<u>49,729</u>
Total revenues	<u>7,838,644</u>	<u>145,303</u>	<u>7,983,947</u>
Expenditures			
General government	1,276,380	- -	1,276,380
Police	1,722,777	- -	1,722,777
Fire	1,891,709	- -	1,891,709
Public works	517,633	- -	517,633
Streets	- -	90,238	90,238
Parks and recreation	95,636	- -	95,636
Senior services	1,598	- -	1,598
Community events	14,088	- -	14,088
Debt service			
Principal	89,714	- -	89,714
Interest	13,099	- -	13,099
Cost of issuance	69,752	- -	69,752
Capital outlay	<u>3,394,700</u>	<u>433,460</u>	<u>3,828,160</u>
Total expenditures	<u>9,087,086</u>	<u>523,698</u>	<u>9,610,784</u>
Excess (deficit) of revenues over expenditures	<u>(1,248,442)</u>	<u>(378,395)</u>	<u>(1,626,837)</u>
Other financing (uses) sources			
Proceeds from sale of assets	9,400	- -	9,400
Proceeds from issuance of leases and SBITA	363,629	- -	363,629
Bond proceeds	2,075,000	- -	2,075,000
Bond discount	(5,248)	- -	(5,248)
Transfers in	- -	200,000	200,000
Transfers out	<u>(200,000)</u>	<u>- -</u>	<u>(200,000)</u>
Total other financing (uses) sources	<u>2,242,781</u>	<u>200,000</u>	<u>2,442,781</u>
Net change in fund balance	<u>994,339</u>	<u>(178,395)</u>	<u>815,944</u>
Fund balance July 1, 2024	<u>10,061,275</u>	<u>182,953</u>	<u>10,244,228</u>
Fund balance June 30, 2025	<u>\$ 11,055,614</u>	<u>\$ 4,558</u>	<u>\$ 11,060,172</u>

CITY OF TAYLOR MILL, KENTUCKY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
for the year ended June 30, 2025

Change in Fund Balances - Total Governmental Funds \$ 815,944

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase, build or lease capital assets/right-to-use assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Amortization expense of right-to-use assets	(80,180)
Depreciation expense	(484,058)
Retainage payable	307,160
Capital addition for retainage payable accrued	(307,160)
Capital outlays	<u>3,828,160</u>

3,263,922

The net effect of the disposal of capital assets is to decrease net position. (614)

Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources. Therefore, compensated absences are not reported as expenditures in governmental funds financial statements. This is the amount of the change in the compensated absences in the current period. (2,580)

Governmental funds report City other postemployment benefit contributions as expenditures. However, other postemployment benefit expense is reported in the statement of activities. This is the amount by which other postemployment benefit expense exceeded contributions.

City other postemployment benefit contributions - June 30, 2024	(45,236)
City other postemployment benefit contributions - June 30, 2025	36,552
Change in other postemployment benefit liability	<u>329,127</u>

320,443

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

City pension contributions - June 30, 2024	(636,041)
City pension contributions - June 30, 2025	653,578
Cost of benefits earned net of employee contributions	<u>265,422</u>

282,959

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of the differences in the treatment of long-term debt on the statement of activities, comprised of the following:

Principal repayment of bonds	-
Proceeds of bonds	(2,075,000)
Discounts on bonds issued	5,248
Amortization of bond discount	(175)
Accrued interest on bonds	(49,984)

The issuance of lease and SBITA liabilities provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of the differences in the treatment of lease liabilities on the statement of activities, comprised of the following:

Principal repayment of lease liability	44,148
Lease proceeds	(58,170)
Principal repayment of SBITA liability	37,846
SBITA proceeds	(305,459)
Accrued interest on SBITA	(13,690)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.

(62,117)

Change in net position - governmental activities \$ 2,202,721

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

Kentucky Revised Statutes and Ordinances of the City Commission of the City of Taylor Mill, Kentucky (the City) designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General Fund and Municipal Road Aid Fund.

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Taylor Mill, Kentucky.

The City of Taylor Mill, Kentucky is a Charter City, in which citizens elect the mayor at large and four commissioners who together form the City Commission. The accompanying financial statements present the City's primary government. Component units are those over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City has no component units.

B. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation and Measurement Focus (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of current assets.

The City has the following funds:

Governmental Fund Types

- (A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes. The Municipal Road Aid Fund is a major special revenue fund of the City.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

D. Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

E. Investments

In accordance with GASB reporting standards, investments are reported at fair value.

F. Accounts Receivable

Accounts receivable are presented, when considered necessary, net of an allowance for doubtful accounts. There was no allowance as of June 30, 2025.

G. Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value at the time of donation. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings	40 Years
Building Improvements	10 – 20 Years
Infrastructure	25 – 40 Years
Equipment	3 – 5 Years
Vehicles	5 – 10 Years

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore deferred until that time. The City recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is therefore deferred until that time. The City recognizes deferred inflows of resources related to pensions and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue cannot be recognized until it has been earned as is available to finance expenditures of the current period. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

I. Compensated Absences

During the year ending June 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. These changes were incorporated in the City's June 30, 2025 financial statements. The implementation resulted in no material change to the financial statements.

It is the City's policy to permit employees to accumulate earned but unused sick pay benefits. There is a liability for unpaid accumulated sick leave since the City does have a policy to pay specified amounts when employees separate from service with the City. All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

J. Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K. Unearned Revenue

Unearned revenue represents the amount for which revenue recognition criteria has not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for the unearned revenue is removed and the revenue is recognized. There is no unearned revenue as of June 30, 2025.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' 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 benefit terms. Investments are reported at fair value.

M. Postemployment Benefits Other Than Pensions (OPEB)

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

N. Leases and Subscription-based Information Technology Arrangements

As lessee, the City recognizes a liability and an intangible right-to-use-asset in the government-wide financial statements for leased assets and subscription-based information technology arrangements (SBITA) that meet the definition, other than short-term leases. At the commencement of a lease or subscriptions-based information technology arrangement, the City initially measures the liability at the present value of payments expected to be made during the lease or SBITA term. Subsequently, the liability is reduced by the principal portion of lease or SBITA payments made. The lease or SBITA asset is initially measured as the initial amount of the liability, adjusted for the lease or SBITA payments made at or before the lease commencement date, plus certain other capitalizable costs. Subsequently, the lease or SBITA asset is amortized on a straight-line basis over its useful life.

O. Net Position

The government-wide financial statements utilize a net position presentation. Net position is displayed as three components:

- Net Investment in Capital Assets – Represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of lease liabilities, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on their use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – Represents the net position available for future operations.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Governmental Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

- Non-Spendable – Amounts that cannot be spent either because they are in a non-spendable 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 the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by City Commission ordinance or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by City Commission.
- Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

Q. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, designated fund balances, revenues and expenditures. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results could differ from estimated amounts.

R. Interfund Balances

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

S. Property Taxes

Property taxes include amounts levied on real property. Property values were assessed on January 1st and property taxes were due on December 31st.

T. Subsequent Events

The City has evaluated subsequent events November 26, 2025, which is the date the financial statements were available to be issued.

**CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) In accordance with City ordinance, by May 31, the Mayor submits to the City Commission, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes the proposed expenditures and the means of financing them for the upcoming year.
- b) A public meeting is conducted to obtain citizen comments.
- c) By July 1, the budget is legally enacted through passage of an ordinance.
- d) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Commission explaining any variance from the approved budget.
- e) Appropriations continue in effect until a new budget is adopted.
- f) The Commission may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures must be approved by the commission. All appropriations lapse at fiscal year-end.

3. DEPOSITS AND INVESTMENTS

A. Investment Policy

It is the policy of the City to invest public funds in a manner that will provide the maximum security and highest investment of principle while meeting the daily cash flow demands of the City and conforming to both KRS 91A.060 and KRS 66.480.

In accordance with KRS 66.480, the City is authorized to invest in the following:

- A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- B) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.
- C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.
- D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).
- E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.
- F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.
- G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.
- H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

3. DEPOSITS AND INVESTMENTS (Continued)

A. Investment Policy (Continued)

- J. Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).
- K. Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).
- L. Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

Overall investments in (E), (F), (G), (K), and (L) investment types are restricted to 20% of total local government investments.

B. Deposits

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2025, \$250,000 of the City's deposits were covered by FDIC insurance and the remaining balance was collateralized with securities held by the financial institutions on the City's behalf.

C. Investments

Custodial credit risk - investments. For an investment, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodial credit risk at June 30, 2025.

Interest rate risk – investments. For an investment, interest rate risk is the risk that interest rates will change and cause a decrease in the value of an entity's investments. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate risk.

Credit risk – investments. For an investment, credit risk is the risk that issuers of securities owned by an entity will default or that other parties that owe the entity money will not fulfill its obligations.

At Taylor Mill, the City held investments in U.S. Government securities and municipal bonds that were all rated AAA by Moody's. Funds held in the Kentucky League of Cities Investment Pool are not rated.

Investments as of June 30, 2025, that are subject to rating for credit risk and interest rate risk are summarized by maturity below:

	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>			<u>Credit Rating</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>10+</u>	
Cash	\$ 13,868	\$ 13,868	\$ -	\$ -	Not Rated
Money Market Funds	260,693	260,693	-	-	Not Rated
U.S. Government Obligations	2,350,493	514,029	1,836,464	\$ -	Moody's – AA1
Kentucky League of Cities Investment Pool- Government Bond Fund	49,102	49,102	-	\$ -	Not Rated
Total Investments	\$ 2,674,156	\$ 837,692	\$ 1,836,464	\$ -	

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

3. DEPOSITS AND INVESTMENTS (CONTINUED)

D. Investment Valuation

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

For those investments measured at fair value, the investments' fair value measurements are as follows at June 30, 2025:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Cash	\$ 13,868	\$ -	\$ -	\$ 13,868
Money Market Funds	260,693	-	-	260,693
U.S. Government Funds	<u>2,350,493</u>	<u>-</u>	<u>-</u>	<u>2,350,493</u>
	<u>\$ 2,625,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,625,054</u>
Kentucky League of Cities Investment Pool Government Bond Fund Measured at NAV				<u>49,102</u>
Total Investments				<u>\$ 2,674,156</u>

Investments held in the Kentucky League of Cities Investment Pool (KLCIP) are measured at net asset value per share (NAV), determined by the pool. The KLCIP is administered by the Kentucky League of Cities, which is a nonprofit membership association established to serve Kentucky cities and municipal agencies. The KLCIP is governed by a board of trustees and managed by an outside asset management company.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

4. CAPITAL ASSETS

Capital assets and right-of-use asset activity for the fiscal year ended June 30, 2025, was as follows:

	July 1, 2024 Balance	Additions/ Transfers	Retirements/ Transfers	June 30, 2025 Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 924,751	\$ -	\$ -	\$ 924,751
Construction in progress	<u>368,335</u>	<u>3,702,628</u>	<u>(660,042)</u>	<u>3,410,921</u>
Total capital assets not being being depreciated	<u>1,293,086</u>	<u>3,702,628</u>	<u>(660,042)</u>	<u>4,335,672</u>
Depreciable capital assets				
Buildings and improvements	1,381,586	88,690	-	1,470,276
Infrastructure	10,139,887	554,517	(130,976)	10,563,428
Equipment	1,314,739	85,898	(74,913)	1,325,724
Vehicles	<u>2,209,451</u>	<u>-</u>	<u>-</u>	<u>2,209,451</u>
Total depreciable capital assets	<u>15,045,663</u>	<u>729,105</u>	<u>(205,889)</u>	<u>15,568,879</u>
Total capital assets at historical cost	<u>16,338,749</u>	<u>4,431,733</u>	<u>(865,931)</u>	<u>19,904,551</u>
Less accumulated depreciation				
Buildings and improvements	894,102	28,069	-	922,171
Infrastructure	7,855,884	198,905	(130,363)	7,924,426
Equipment	1,168,253	51,115	(74,913)	1,144,455
Vehicles	<u>1,327,174</u>	<u>205,968</u>	<u>-</u>	<u>1,533,142</u>
Total accumulated depreciation	<u>11,245,413</u>	<u>484,057</u>	<u>(205,276)</u>	<u>11,524,194</u>
Depreciable capital assets, net	<u>3,800,250</u>	<u>245,048</u>	<u>(613)</u>	<u>4,044,685</u>
Total capital assets, net	<u>\$ 5,093,336</u>	<u>\$ 3,947,676</u>	<u>\$ (660,655)</u>	<u>\$ 8,380,357</u>
Leased assets and SBITAs				
Right-of-use leased vehicles	\$ 236,611	\$ 58,170	\$ -	\$ 294,781
Right-of-use SBITA equipment	<u>-</u>	<u>305,459</u>	<u>-</u>	<u>305,459</u>
Amortization of leases and SBITAs				
Amortization leased vehicles	(13,127)	-	(49,634)	(62,761)
Amortization SBITA equipment	<u>-</u>	<u>-</u>	<u>(30,545)</u>	<u>(30,545)</u>
Total right-of-use assets, net	<u>\$ 223,484</u>	<u>\$ 363,629</u>	<u>\$ (80,179)</u>	<u>\$ 506,934</u>

Depreciation and amortization were charged to functions as follows for the year ended June 30, 2025:

General government	\$ 11,631
Police	134,096
Fire	143,127
Public works	54,666
Streets	187,135
Parks and recreation	<u>33,581</u>
Total	<u>\$ 574,383</u>

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

5. LONG-TERM LIABILITIES

A. Notes Payable From Direct Borrowings

Note Payable

In October 2024, the City entered into an agreement with Kentucky Bond Corporation to finance the new firehouse. The note agreement was for \$2,075,000 at an interest rate of 4.0%. No payments have been made yet.

The annual requirements to retire the firehouse bond as of June 30, 2025, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 15,000	\$ 110,929	\$ 125,929
2027	40,000	88,000	128,000
2028	40,000	86,300	126,300
2029	40,000	84,600	124,600
2030	40,000	82,900	122,900
2031-2025	240,000	386,238	626,238
2036-2040	295,000	330,988	625,988
2041-2045	365,000	262,775	627,775
2046-2050	450,000	177,775	627,775
2051-2055	<u>550,000</u>	<u>74,500</u>	<u>624,500</u>
	<u><u>\$ 2,075,000</u></u>	<u><u>\$ 1,685,004</u></u>	<u><u>\$ 3,760,004</u></u>

B. Lease Liabilities

On July 7, 2023, the City entered into a master lease agreement with Enterprise FM Trust. The agreement allows the City to enter into separate individual lease agreements for vehicles as needed. The lease term for the vehicle leases is 60 months. The interest rates for the vehicle leases range from 7.30% – 7.75%. The City entered into a new lease agreements for a vehicle as of June 30, 2025, for \$58,170. The balance of the liability related to the vehicle leases as of June 30, 2025, totaled \$237,506.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 51,873	\$ 19,123	\$ 70,996
2027	55,902	15,094	70,996
2028	69,612	1,384	70,996
2029	50,764	1,205	51,969
2030	<u>9,355</u>	<u>1,080</u>	<u>10,435</u>
	<u><u>\$ 237,506</u></u>	<u><u>\$ 37,886</u></u>	<u><u>\$ 275,392</u></u>

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

5. LONG-TERM LIABILITIES (CONTINUED)

C. Subscription Based Information Technology Arrangements

On July 1, 2024, the City entered into an agreement for fleet camera software. The agreement calls for annual payments of \$27,117 over a period of 10 years. The City has used 5% as the incremental borrowing rate to determine the present value of the intangible right-to-use asset and SBITA liability. The balance of the SBITA liability related to the agreement as of June 30, 2025, totaled \$191,747.

On July 1, 2024, the City entered into an agreement for body camera software. The agreement calls for annual payments of \$10,729 over a period of 10 years. The City has used 5% as the incremental borrowing rate to determine the present value of the intangible right-to-use asset and SBITA liability. The balance of the SBITA liability related to the agreement as of June 30, 2025, totaled \$75,866.

Future payments are as follows:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 24,154	\$ 13,692	\$ 37,846
2027	25,390	12,456	37,846
2028	26,689	11,157	37,846
2029	28,054	9,791	37,846
2030	29,489	8,356	37,846
2031-2033	<u>133,838</u>	<u>17,545</u>	<u>151,383</u>
	<u><u>\$ 267,614</u></u>	<u><u>\$ 72,997</u></u>	<u><u>\$ 340,611</u></u>

D. Changes in Long-Term Liabilities

The following is a summary of the City's long-term liability transactions (excluding the net pension and net OPEB liability) for the year ended 2025.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct placement – Note payable	\$ -	\$ 2,075,000	\$ -	\$ 2,075,000	\$ 15,000
Note payable - discount	-	(5,248)	175	(5,073)	-
Retainage payable	-	307,160	-	307,160	-
Lease liability	223,484	58,170	44,148	237,506	51,873
SBITA liability	-	305,460	37,846	267,614	24,154
Compensated absences	<u>124,676</u>	<u>2,579</u>	<u>-</u>	<u>127,256</u>	<u>13,998</u>
Total governmental activities	<u><u>\$ 348,160</u></u>	<u><u>\$ 2,743,121</u></u>	<u><u>\$ 81,819</u></u>	<u><u>\$ 3,009,463</u></u>	<u><u>\$ 105,025</u></u>

**CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025**

6. RETIREMENT PLAN

The City of Taylor Mill is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) administers the CERS. The plan issues publicly available financial statements which may be downloaded from the KPPA website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2025, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% of each employee's wages for non-hazardous job classifications and 38.61% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 7. Plan members' contributions were allocated 19.71% to the pension trust for non-hazardous job classifications and 36.49% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2025, the City contributed \$121,683, or 100% of the required contribution for non-hazardous job classifications, which was allocated \$121,683 to the CERS pension fund and \$0 to the CERS insurance fund. The City contributed \$635,560, or 100% of the required contribution for hazardous job classifications, which was allocated \$600,663 to the CERS pension fund and \$34,897 to the CERS insurance fund.

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

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. RETIREMENT PLAN (CONTINUED)

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old and 4 years service
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the City reported a liability for its proportionate share of the net pension liability as follows:

Total Net Pension Liability	Non-hazardous	Hazardous
\$ 5,275,759	\$ 975,108	\$ 4,300,651

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024, was as follows:

Non-hazardous	Hazardous
.1630%	.1672%

The proportionate share at June 30, 2024, decreased .1655% for non-hazardous and decreased .0004% for hazardous compared to the proportionate share as of June 30, 2023.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2025, the City recognized pension expense of \$551,982. At June 30, 2025, 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
Differences between expected and actual results	\$ 326,642	\$ -
Changes of assumptions	-	286,777
Net difference between projected and actual earnings on Plan investments	-	292,230
Changes in proportion and differences between City contributions and proportionate share of contributions	118,698	365,227
City contributions subsequent to the measurement date	<u>653,578</u>	-
 Total	 <u>\$ 1,098,918</u>	 <u>\$ 944,234</u>

The \$653,578 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2026	\$ (198,523)
2027	\$ (71,207)
2028	\$ (160,476)
2029	\$ (68,688)

Actuarial Assumptions – The total pension liabilities in the June 30, 2024, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30% to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation

Hazardous

Inflation	2.50%
Salary increases	3.55% to 19.05%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. RETIREMENT PLAN (CONTINUED)

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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 nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		7.19%

Discount Rate – The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 27-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

6. RETIREMENT PLAN (CONTINUED)

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

– The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Non-hazardous		Hazardous		
	City's proportionate share of net pension liability		City's proportionate share of net pension liability	
	Discount rate		Discount rate	
1% decrease	5.50%	\$ 1,257,074	5.50%	\$ 5,536,638
Current discount rate	6.50%	\$ 975,108	6.50%	\$ 4,300,651
1% increase	7.50%	\$ 741,151	7.50%	\$ 3,291,534

Payable to the Pension Plan – At June 30, 2025, the City reported a payable of \$141,074 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025. The payable includes both the pension and insurance contribution allocation.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 6, the City of Taylor Mill participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2025, the employer's contribution was 0.00% to the insurance trust for non-hazardous job classifications and 2.12% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

For the year ended June 30, 2025, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$34,897, or 100% of the required contribution for hazardous job classifications.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

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

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

OPEB Liabilities (Asset), Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

– At June 30, 2025, the City reported a liability for its proportionate share of the net OPEB liability (asset) as follows:

Total Net OPEB Liability (Asset)	Non-hazardous	Hazardous
\$ 174,650	\$ (28,232)	\$ 202,882

The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2023 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability (asset) was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024, was as follows:

Non-hazardous	Hazardous
.0163%	.1673%

The proportionate share at June 30, 2024, decreased .0021% for non-hazardous and decreased .0111% for hazardous compared to the proportionate share as of June 30, 2023.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2025, the City recognized OPEB expense of \$(168,879). At June 30, 2025, 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
Differences between expected and actual results	\$ 70,601	\$ 964,726
Changes of assumptions	163,196	198,471
Net difference between projected and actual earnings on Plan investments	-	153,251
Changes in proportion and differences between City contributions and proportionate share of contributions	69,544	136,160
City contributions subsequent to the measurement date	<u>36,552</u>	<u>-</u>
Total	\$ 339,893	\$ 1,452,608

The \$36,552 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. This includes adjustments of \$7,653 for the nonhazardous implicit subsidy and \$(2,790) for the hazardous implicit subsidy, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,

2026	\$ (347,842)
2027	\$ (262,888)
2028	\$ (343,405)
2029	\$ (196,744)
2030	\$ 1,612

Actuarial Assumptions – The total OPEB liability (asset) in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.50%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

Post – 65: Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Hazardous

Inflation	2.50%
Salary increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post – 65:	Initial trend starting at 8.00% at January 1, 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2023. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from MP-2020 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2024, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity	20.00%	
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		7.19%

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate – The discount rate used to measure the total OPEB liability (asset) was 5.99% and 6.02% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 22-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2024. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability (asset)	Discount rate	City's proportionate share of net OPEB liability (asset)
1% decrease	4.99%	\$ 38,173	5.02%	\$ 560,672
Current discount rate	5.99%	\$ (28,232)	6.02%	\$ 202,882
1% increase	6.99%	\$ (84,066)	7.02%	\$ (96,120)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net OPEB liability (asset)	Discount rate	City's proportionate share of net OPEB liability (asset)
1% decrease	\$ (67,923)	\$ (31,451)		
Current trend rate	\$ (28,232)	\$ 202,882		
1% increase	\$ 18,005	\$ 476,766		

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

**CITY OF TAYLOR MILL, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025**

8. RISK MANAGEMENT

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

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2025, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

9. CLAIMS AND JUDGEMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

10. TRANSFER OF FUNDS

During the year ending June 30, 2025, the City transferred \$200,000 from the General Fund to the Municipal Road Fund to fund road projects.

11. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The following commitments to construct projects have been made by the City as of June 30, 2025:

Firehouse - \$868,788

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
for the year ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues	\$ 7,147,115	\$ 6,235,069	\$ 7,838,644	\$ 1,603,575
Expenditures				
General government	1,257,505	1,332,505	1,276,380	56,125
Police	1,791,064	1,791,064	1,722,777	68,287
Fire	1,932,137	1,932,137	1,891,709	40,428
Public works	653,572	694,572	517,633	176,939
Parks and recreation	192,285	242,285	95,636	146,649
Senior services	2,200	2,200	1,598	602
Community events	22,875	22,875	14,088	8,787
Debt service				
Principal	221,532	321,532	89,714	231,818
Interest	-	-	13,099	(13,099)
Cost of issuance	-	-	69,752	(69,752)
Capital outlay	5,035,415	4,123,369	3,394,700	728,669
Total expenditures	11,108,585	10,462,539	9,087,086	1,375,453
(Deficit) excess of revenues over expenditures	(3,961,470)	(4,227,470)	(1,248,442)	2,979,028
Other financing sources (uses)				
Proceeds from sale of assets	-	-	9,400	9,400
Proceeds from issuance of leases and SBITA	-	-	363,629	363,629
Bond proceeds	2,000,000	2,000,000	2,075,000	75,000
Bond discount	-	-	(5,248)	(5,248)
Transfers out	(200,000)	(200,000)	(200,000)	-
Net change in fund balance	(2,161,470)	(2,427,470)	994,339	3,421,809
Fund balance July 1, 2024	10,061,275	10,061,275	10,061,275	-
Fund balance June 30, 2025	\$ 7,899,805	\$ 7,633,805	\$ 11,055,614	\$ 3,421,809

CITY OF TAYLOR MILL, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MUNICIPAL ROAD AID
for the year ended June 30, 2025

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues	<u>\$ 140,200</u>	<u>\$ 140,200</u>	<u>\$ 145,303</u>	<u>\$ 5,103</u>
Expenditures				
Streets	430,250	503,500	90,238	413,262
Capital outlay	<u>-</u>	<u>-</u>	<u>433,460</u>	<u>(433,460)</u>
Total expenditures	<u>430,250</u>	<u>503,500</u>	<u>523,698</u>	<u>(20,198)</u>
(Deficit) excess of revenues over expenditures	<u>(290,050)</u>	<u>(363,300)</u>	<u>(378,395)</u>	<u>(15,095)</u>
Other financing sources				
Operating transfers in	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	<u>(90,050)</u>	<u>(163,300)</u>	<u>(178,395)</u>	<u>(15,095)</u>
Fund balance July 1, 2024	<u>182,953</u>	<u>182,953</u>	<u>182,953</u>	<u>-</u>
Fund balance June 30, 2025	<u>\$ 92,903</u>	<u>\$ 19,653</u>	<u>\$ 4,558</u>	<u>\$ (15,095)</u>

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Ten Fiscal Years

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net pension liability	0.0201%	0.0202%	0.0209%	0.0213%	0.0188%	0.0193%	0.0204%	0.0185%	0.1840%	0.1630%
City's proportionate share of the net pension liability	\$ 864,635	\$ 995,726	\$ 1,225,039	\$ 1,300,037	\$ 1,325,447	\$ 1,480,601	\$ 1,299,257	\$ 1,339,320	\$ 1,182,884	\$ 975,108
City's covered employee payroll	\$ 469,244	\$ 482,433	\$ 509,565	\$ 529,054	\$ 477,685	\$ 494,470	\$ 520,516	\$ 512,321	\$ 535,118	\$ 568,293
City's share of the net pension liability as a percentage of its covered employee payroll	184.26%	206.40%	240.41%	245.73%	277.47%	299.43%	249.61%	261.42%	221.05%	171.59%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	52.96%

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
Last Ten Fiscal Years

Reporting Fiscal Year (Measurement Date)	2016 (2015)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net pension liability	0.2513%	0.2412%	0.2141%	0.1822%	0.1648%	0.1568%	0.1691%	0.1789%	0.1785%	0.1672%
City's proportionate share of the net pension liability	\$ 3,857,568	\$ 4,138,657	\$ 4,790,214	\$ 4,407,565	\$ 4,552,705	\$ 4,726,841	\$ 4,500,966	\$ 5,458,538	\$ 4,812,011	\$ 4,300,651
City's covered employee payroll	\$ 1,285,385	\$ 1,264,517	\$ 1,179,309	\$ 1,133,129	\$ 938,650	\$ 915,951	\$ 1,013,932	\$ 1,170,698	\$ 1,250,325	\$ 1,430,147
City's share of the net pension liability as a percentage of its covered employee payroll	300.11%	327.29%	406.19%	388.97%	485.03%	516.06%	443.91%	466.26%	384.86%	300.71%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%	57.05%

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - NONHAZARDOUS
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	59,918	71,084	76,645	77,414	95,433	100,460	108,459	125,218	\$ 132,639	\$ 121,683
Contributions relative to contractually required employer contribution	<u>(59,918)</u>	<u>(71,084)</u>	<u>(76,645)</u>	<u>(77,414)</u>	<u>(95,433)</u>	<u>(100,460)</u>	<u>(108,459)</u>	<u>(125,218)</u>	<u>(132,639)</u>	<u>(121,683)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
City's covered employee payroll	482,433	509,565	529,054	477,685	494,470	520,516	512,321	535,118	\$ 568,293	\$ 617,365
Employer contributions as a percentage of covered-employee payroll	12.42%	13.95%	14.49%	16.21%	19.30%	19.30%	21.17%	23.40%	23.34%	19.71%

CITY OF TAYLOR MILL KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF PENSION CONTRIBUTIONS - HAZARDOUS
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	256,191	256,028	251,657	233,348	275,334	304,788	396,399	535,264	\$ 587,925	\$ 600,663
Contributions relative to contractually required employer contribution	<u>(256,191)</u>	<u>(256,028)</u>	<u>(251,657)</u>	<u>(233,348)</u>	<u>(275,334)</u>	<u>(304,788)</u>	<u>(396,399)</u>	<u>(535,264)</u>	<u>(587,925)</u>	<u>(600,663)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	1,264,517	1,179,309	1,133,129	938,650	915,951	1,013,932	1,170,698	1,250,325	\$ 1,430,147	\$ 1,646,103
Employer contributions as a percentage of covered-employee payroll	20.26%	21.71%	22.21%	24.86%	30.06%	30.06%	33.86%	42.81%	41.11%	36.49%

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - NONHAZARDOUS
Last Eight Fiscal Years

Reporting Fiscal Year (Measurement Date)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net OPEB liability (asset)	0.0209%	0.0213%	0.0188%	0.0193%	0.0204%	0.0185%	0.0184%	0.0163%
City's proportionate share of the net OPEB liability (asset)	\$ 420,744	\$ 378,976	\$ 316,897	\$ 465,988	\$ 390,050	\$ 365,574	\$ (25,451)	\$ (28,232)
City's covered employee payroll	\$ 509,565	\$ 529,054	\$ 477,685	\$ 494,470	\$ 520,516	\$ 512,321	\$ 535,118	\$ 568,293
City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	82.57%	71.63%	66.34%	94.24%	74.94%	71.36%	-4.76%	-4.97%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%

*Only eight years of information available. Additional years' information will be displayed as it becomes available.

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY SCHEDULE OF
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
Last Eight Fiscal Years

Reporting Fiscal Year (Measurement Date)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
City's proportion of the net OPEB liability	0.2140%	0.1823%	0.1648%	0.1567%	0.1691%	0.1788%	0.1784%	0.1673%
City's proportionate share of the net OPEB liability	\$ 1,769,979	\$ 1,299,433	\$ 1,219,163	\$ 1,448,314	\$ 1,367,039	\$ 1,522,933	\$ 244,053	\$ 202,882
City's covered employee payroll	\$ 1,179,309	\$ 1,133,129	\$ 938,650	\$ 915,951	\$ 1,013,932	\$ 1,170,698	\$ 1,250,325	\$ 1,430,147
City's share of the net OPEB liability as a percentage of its covered employee payroll	150.09%	114.68%	129.88%	158.12%	134.83%	130.09%	19.52%	14.19%
Plan fiduciary net position as a percentage of the total OPEB liability	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%	93.53%

*Only eight years of information available. Additional years' information will be displayed as it becomes available.

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Eight Fiscal Years

	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 24,878	\$ 25,105	\$ 23,537	\$ 24,777	\$ 29,612	\$ 18,141	\$ -	\$ -
Contributions relative to contractually required employer contribution	<u>(24,878)</u>	<u>(25,105)</u>	<u>(23,537)</u>	<u>(24,777)</u>	<u>(29,612)</u>	<u>(18,141)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
City's covered employee payroll	\$ 529,054	\$ 477,685	\$ 494,470	\$ 520,516	\$ 512,321	\$ 535,118	\$ 568,293	\$ 617,365
Employer contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%	0.00%	0.00%

*Only eight years of information available. Additional years' information will be displayed as it becomes available.

CITY OF TAYLOR MILL, KENTUCKY
REQUIRED SUPPLEMENTARY
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Eight Fiscal Years

	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 105,990	\$ 98,371	\$ 87,198	\$ 96,526	\$ 122,572	\$ 84,772	\$ 36,897	\$ 34,897
Contributions relative to contractually required employer contribution	<u>(105,990)</u>	<u>(98,371)</u>	<u>(87,198)</u>	<u>(96,526)</u>	<u>(122,572)</u>	<u>(84,772)</u>	<u>(36,897)</u>	<u>(34,897)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 1,133,129	\$ 938,650	\$ 915,951	\$ 1,013,932	\$ 1,170,698	\$ 1,250,325	\$ 1,430,147	\$ 1,646,103
Employer contributions as a percentage of covered-employee payroll	9.35%	10.48%	9.52%	9.52%	10.47%	6.78%	2.58%	2.12%

*Only eight years of information available. Additional years' information will be displayed as it becomes available.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2024 – Pension and OPEB - Hazardous and Nonhazardous

There were no changes in assumptions in the valuation of pension. The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.80% to 7.10%. The initial healthcare trend rate for post-65 was changed from 8.50% to 8.00%.

June 30, 2023 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The Tier 3 cash balance interest crediting rate assumption was increased to 6.75% for the CERS pension funds.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The rate of inflation was increased from 2.30% to 2.50%.
- The salary productivity assumption was reduced by .20%, resulting in no change in the salary increase assumption for long-service employees of 3.30% in the non-hazardous funds.
- The individual rates of salary increases were increased during the select period for the CERS funds.
- The investment return assumption was increased from 6.25% to 6.50%.
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.8%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2022 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.40%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

June 30, 2021 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 6.40% to 6.30%. The initial healthcare trend rate for post-65 was changed from 2.90% to 6.30%.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

June 30, 2020 – Pension and OPEB – Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

CITY OF TAYLOR MILL, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

June 30, 2015 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the 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.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.



Members American Institute of Certified Public Accountants
and Kentucky Society of Certified Public Accountants

CPAs | Consultants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Commission
City of Taylor Mill, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Taylor Mill, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Taylor Mill, Kentucky's basic financial statements, and have issued our report thereon dated November 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Taylor Mill, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Taylor Mill, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Taylor Mill, 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
November 26, 2025

CITY OF TAYLOR MILL, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
for the year ended June 30, 2025

FINDING:

2025-001 – Significant Deficiency – Subscription Based IT Arrangements (SBITAs)

Criteria:

GASB Statement No. 96 requires the City to recognize a right-to-use asset and a corresponding liability on the government-wide statements at the beginning of the term for a subscription-based IT arrangement that conveys control of the right to use another party's information technology software over a period of time. The asset and liability are initially recorded at the net present value of the expected payments, and the right-to-use asset is amortized over the term of the agreement, while the liability is reduced as payments are made.

Condition:

Management did not identify, evaluate, and record two subscription-based information technology arrangements (SBITAs) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96.

Cause:

GASB 96 was effective for the year ending June 30, 2024; however, at that time the City did not have any agreements that were material to the financial statements and were required to be recorded under the standard. During the current year, the City's police department entered into two ten-year agreements that met the definition of a subscription-based IT arrangement. The City did not have adequate procedures to identify and record these arrangements under GASB 96 and the City continued to treat the agreements under previous GASB guidance, which required the payments be expensed in the current period on the government-wide statements.

Recommendation:

We recommend that the City review and modify its policies and procedures to ensure that all subscription-based IT arrangements are identified and recorded prior to the audit to ensure the government-wide statements adequately capture all of the agreements.

Response:

Management concurs with the finding. GASB 96 is a new and complex standard, and the City will begin implementing processes to identify and account for new subscription-based IT arrangements, which includes better communication between the finance department and other department heads when a multiple-year software contract is signed.