

**CITY OF WEST BUECHEL, KENTUCKY**

**FINANCIAL STATEMENTS**

**AND REPORT OF AUDIT**

**JUNE 30, 2022**

**ANNUAL FINANCIAL REPORT**  
**CITY OF WEST BUECHEL, KENTUCKY**

**Year Ended June 30, 2022**

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# COBB & ASSOCIATES PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
City Council  
City of West Buechel, Kentucky

### Report on the Audit of the Financial Statements

#### Opinions

We have audited accompanying the financial statements of the governmental activities and each major fund, of the City of West Buechel, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of West Buechel, 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 West Buechel, Kentucky as of June 30, 2022, and the respective changes in financial position for the City of West Buechel, Kentucky 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of West Buechel, 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 West Buechel, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of West Buechel, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of West Buechel, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the management's budgetary comparison information, net pension liability, and retirement system contributions on pages 38-45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the City of West Buechel, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of West Buechel, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of West Buechel, Kentucky's internal control over financial reporting and compliance.

*Cobb & Associates PLLC*

COBB & ASSOCIATES PLLC  
Louisville, Kentucky

December 14, 2022

**CITY OF WEST BUECHEL, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 868,795	\$ 868,795
Investments	577,485	577,485
Prepaid Expenses	55,035	55,035
Deposit	21,552	21,552
Receivables		
Taxes	454,740	454,740
Total Current Assets	1,977,607	1,977,607
Noncurrent Assets:		
Capital Assets (Net)	1,364,144	1,364,144
Total Noncurrent Assets	1,364,144	1,364,144
Total Assets	3,341,751	3,341,751
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred Outflow of Resources OPEB	553,023	553,023
Deferred Outflow of Resources Pension	908,288	908,288
Total Deferred Outflow of Resources	1,461,311	1,461,311
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	8,895	8,895
Accrued Payroll Liabilities	21,514	21,514
Accrued Vacation	25,144	25,144
Total Current Liabilities	55,553	55,553
Noncurrent Liabilities		
Net OPEB Liability	892,234	892,234
Net Pension Liability	2,944,074	2,944,074
Total Noncurrent Liabilities	3,836,308	3,836,308
Total Liabilities	3,891,861	3,891,861
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Inflow of Resources OPEB	465,374	465,374
Deferred Inflow of Resources Pension	557,988	557,988
Deferred Inflow of Resources Taxes	24,884	24,884
Deferred Inflow of Resources Road Aid	2,029	2,029
Deferred Inflow of Resources Delinquent Property Taxes	28,865	28,865
Total Deferred Inflow of Resources	1,079,140	1,079,140
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,364,144	1,364,144
Restricted for Roads	147,449	147,449
Restricted for Lawsuit	335,000	335,000
Unrestricted	(2,014,532)	(2,014,532)
Total Net Position	\$ (167,939)	\$ (167,939)

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position Primary Governmental Activities</b>
<b>Expenses</b>	<b>Charges for Services</b>	<b>Capital Grants and Contributions</b>	<b>Operating Grants and Contributions</b>		
<b>PRIMARY GOVERNMENT:</b>					
Governmental Activities:					
General Government	\$ 964,001	\$ -	\$ -	\$ 174,716	\$ (789,285)
Police Department	1,107,864	-	-	50,727	(1,057,137)
Public Works	100,363	-	-	-	(100,363)
Code Enforcement	43,367	-	-	-	(43,367)
Community Center	96,347	-	-	-	(96,347)
Pension Expense	30,618	-	-	-	(30,618)
Interest on Long-Term Debt	3,775	-	-	-	(3,775)
Unallocated Depreciation	152,941	-	-	-	(152,941)
Total Governmental Activities	2,499,276	-	-	225,443	(2,273,833)
Total Primary Government	\$ 2,499,276	\$ -	\$ -	\$ 225,443	\$ (2,273,833)
General Revenues:					
				\$	2,560,896
Taxes					23,122
Road Aid					55,268
License and Fees					150
Police Forfeiture					22,879
Other					(98,169)
Interest and Investment Gain (Loss) net					2,564,146
Total General Revenues					290,313
Change in Net Position					(458,252)
Net Position - Beginning of Year					\$ (167,939)
Net Position - June 30, 2022					\$ (167,939)

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 721,346	\$ 147,449	\$ 868,795
Investments	577,485	-	577,485
Taxes Receivable	452,711	2,029	454,740
Prepaid Expenses	55,035	-	55,035
Deposit	21,552	-	21,552
Total Assets	<u>\$ 1,828,129</u>	<u>\$ 149,478</u>	<u>\$ 1,977,607</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 8,895	\$ -	\$ 8,895
Accrued Payroll Liabilities	21,514	-	21,514
Accrued Vacation	25,144	-	25,144
Total Liabilities	<u>55,553</u>	<u>-</u>	<u>55,553</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable Revenue	53,749	2,029	55,778
Total Deferred Inflows of Resources	<u>53,749</u>	<u>2,029</u>	<u>55,778</u>
<b>FUND BALANCE</b>			
Restricted for:			
Road Maintenance	-	147,449	147,449
Restricted for Lawsuit	335,000	-	335,000
Nonspendable	76,587	-	76,587
Unassigned, reported in:			
General Fund	1,307,240	-	1,307,240
Total Fund Balance	<u>1,718,827</u>	<u>147,449</u>	<u>1,866,276</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,828,129</u>	<u>\$ 149,478</u>	<u>\$ 1,977,607</u>

See accompanying notes to financial statements



**CITY OF WEST BUECHEL, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance	\$	1,866,276
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,162,332		1,364,144
Certain deferred outflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements		1,461,311
Certain deferred inflows of resources are recognized in the government-wide financial statements, but are not recognized in the governmental fund financial statements		(1,023,362)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but are presented in statement of net position:		
Net OPEB Liability		(892,234)
Net Pension Liability		(2,944,074)
		<u>                    </u>
Net Position of Governmental Activities	\$	<u><u>          (167,939)</u></u>

**CITY OF WEST BUECHEL, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 2,560,896	\$ -	\$ 2,560,896
CARES Act and ARPA	174,716	-	174,716
Intergovernmental	50,727	23,122	73,849
License and Fees	55,268	-	55,268
Police Forfeiture	150	-	150
Other	22,505	-	22,505
Interest and Investment Gain (Loss) net	(98,466)	297	(98,169)
Sale of Asset	375	-	375
Total Revenue	<u>2,766,171</u>	<u>23,419</u>	<u>2,789,590</u>
<b>EXPENDITURES</b>			
General Government	1,070,544	-	1,070,544
Police Department	1,317,451	-	1,317,451
Public Works	198,263	-	198,263
Code Enforcement	43,367	-	43,367
Community Center	96,347	-	96,347
Roads and Sidewalks	-	-	-
Debt Service	115,441	-	115,441
Total Expenditures	<u>2,841,413</u>	<u>-</u>	<u>2,841,413</u>
Net Change in Fund Balance	(75,242)	23,419	(51,823)
Fund balances-Beginning of Year	<u>1,794,069</u>	<u>124,030</u>	<u>1,918,099</u>
Fund balances-June 30, 2022	<u>\$ 1,718,827</u>	<u>\$ 147,449</u>	<u>\$ 1,866,276</u>

See accompanying notes to financial statements

**CITY OF WEST BUECHEL, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Net change in fund balances - Total Governmental Funds \$ (51,823)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	414,029
Depreciation expense	<u>(152,941)</u>
	261,088

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principle reduces long-term liabilities in the Statement of Net Position. 111,666

Some expenses reported in the statement of activities do not require the use of current financial resources and therefor are not reported as expenditures in the governmental funds. This amount related to:

Pension and OPEB expense	<u>(30,618)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 290,313</u></u>
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**CITY OF WEST BUECHEL, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City's financial statements are prepared in accordance with accounting principles generally accepted in the U.S (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

**1.A. FINANCIAL REPORTING ENTITY**

The City of West Buechel, Kentucky (the City) is a home rule city located in Jefferson County, Kentucky. It operates under an elected mayor-council form of government. The City provides the following services authorized by its charter: public safety, public works, recreation, and community development. Primary revenue sources are property taxes, gross receipts tax, occupational taxes, insurance premium taxes, business licenses, municipal road aid, and base court revenue. Those revenues susceptible to accrual are property taxes, gross receipts tax, occupational taxes, insurance premium taxes and municipal road aid.

All significant activities and organizations on which the City of West Buechel, Kentucky exercises oversight responsibility have been included in the City's financial statements, for the year ended June 30, 2022. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial Interdependency – The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority – The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions and accountable for the decisions it makes.

Ability to significantly influence operations – The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. The authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters – The responsibility and accountability over all funds is vested in the City Council.

Following consideration of the above criteria, no additional entities are deemed to be component units of the City.

**1.B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the City accompanied by a total column.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.B. BASIS OF PRESENTATION (CONTINUED)**

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. As of June 30, 2022, the City did not have any business-type activities.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets and deferred outflows, liabilities and deferred inflows, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental fund are at least 10 % of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 5 % of the corresponding total for all governmental funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Road Fund is presented as a special revenue fund.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year for which they are levied.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

**Encumbrances**

The City does not employ encumbrance accounting; under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to preserve that portion of the applicable appropriation.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.D. ASSETS, LIABILITIES, AND EQUITY**

**Cash and Cash Equivalents**

The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less to be cash and cash equivalents.

**Investments**

Investments of the primary government are valued at fair market value in accordance with current accounting standards. All investments of the City comply with the current Kentucky Revised Statutes concerning the types of investments allowed.

**Receivables**

In the government-wide statements, are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Major receivable balances for the government activities primarily include property taxes, occupational taxes, and insurance taxes. Property taxes receivable represents property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. The portion of the property tax receivable not received within 60 days from the close of the year is offset to deferred inflows of resources delinquent property taxes. Road aid receivable represents road aid receivable which are measurable as of June 30, 2022.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Material receivables in government funds include revenue accruals such as property tax, occupational tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Property taxes receivable represents property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. Property taxes receivable represents property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. The portion of the property tax receivable not received within 60 days from the close of the year is offset to deferred inflows of resources unavailable revenue.

**Fixed Assets**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. For financial reporting purposes, the City has decided to capitalize individual assets with a value of \$5,000 or greater. Fixed assets are not reported on the fund financial statements.

Prior to June 30, 2003, governmental funds' infrastructure assets were not required to be capitalized by the City nor were these assets capitalized by the City. Starting on July 1, 2003 the City was required to keep a record of all infrastructure assets placed in service from that date forward.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**Fixed Assets (Continued)**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings 30-40 years  
Improvements 10-20 years  
Furniture and Fixtures 5 to 15 years  
Machinery and Equipment 5 -15 years  
Vehicles 5 to 10 years  
Infrastructure 7 to 25 years

**Inventories**

Disbursements for inventory type items are considered expenditures at the time of purchase.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has four items that qualify for reporting in this category all of which are related to the City's pension/opeb obligations as discussed in further detail at Note 4.A Employee Pension Plan. These include the City's pension contributions made subsequent to the measurement date, differences between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments and changes in assumptions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has reported in this category resources relating to property taxes and advanced collection of gross receipts taxes. The City has also reported in this category resources relating to change in proportion and differences between employer contributions and proportionate share of contributions. Refer to the Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension in Note 4.A, Retirement Plan and the Post- Employment Benefits Other than Pensions (OPEB).

In the governmental funds balance sheet, the City has reported unavailable revenue. The unavailable revenue is from three sources: property taxes, advanced collection of gross receipts taxes, and municipal road aid. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.



CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**Due to and Due from Other Funds**

Activities between funds that are representative outstanding balances at the end of the fiscal year are referred to as either "due to/from other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**Accounts Payable**

Accounts payable consists of trades payable to vendors who provide goods and services to the City.

**Compensated Absences**

All unpaid, compensated absences that will be liquidated with expendable available financial resources have been accrued as a liability in the General Fund. In the combined government-wide statement of net position, the total amount of unpaid, compensated absences is reported within accrued wages and benefits. Earned vacation pay up to two weeks may be paid upon termination of employment.

**Pensions**

For the 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 benefit terms. Investments are reported at fair value; the liability was measured at June 30, 2021.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the City's 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 CERS' Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms; the liability was measured at June 30, 2021.

**Equity Classifications**

Government-wide Statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

**Equity Classifications (Continued)**

- b. Restricted net position – Consist of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other assets that do not meet the definition of "restricted" or "Net investment in capital assets."

**Fund Financial Statements:**

The City of West Buechel adopted GASB 54, Fund Balance Reporting and governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

*Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Mayor or designee may assign amounts for specific purposes.

*Unassigned* – all other spendable amounts.

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

**Property Tax Revenue**

The City assesses property taxes in July of each calendar year (.210 per \$100 of assessed value) based upon an assessment date of January 1st. Bills are mailed on October 1st payable by January 2nd of the next calendar year. Bills paid on or before November 1st are allowed a 2% discount; bills paid after that date, but before January 2nd are not allowed a discount nor are subject to a penalty. Any tax bill paid after January 2, 2022 shall be considered delinquent and shall incur an additional penalty of 12% of the total tax due. Additionally, all delinquent taxes shall pay, in addition to the 12% penalty, interest of 8% per annum until paid in full. Any taxes paid after July 1st shall be subject to an additional delinquency penalty of 12% and continued accrued interest at 8% until paid in full. Any taxes still due and owing on January 2, 2022, and each subsequent year thereafter, shall accrue an additional 12% annual penalty, and continued interest at 8% until paid in full.

**CITY OF WEST BUECHEL, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**1.E. REVENUES, EXPENDITURES, AND EXPENSES (CONTINUED)**

**Occupational License Tax**

The City assesses an occupational tax of 1.5% of wages on persons who work within the City of West Buechel in any business, profession, trade or occupation. Such amounts are to be withheld from the employee's wages and remitted quarterly with a completed payroll tax return detailing wages and tax withholdings. The maximum liability for an individual under this ordinance is \$50,000.

**Gross Receipts Taxes**

The City imposed a tax of .25% of gross receipts for business operating within the City with a minimum fee of \$500.

**Expenditures/Expenses**

Expenses are classified by function/program in the government-wide statement of activities. Expenditures are classified by function in the governmental fund financial statements. Indirect expenses are not allocated to functions in the statement of activities.

**1.F. ESTIMATES**

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

**1.G. ADOPTION OF NEW ACCOUNTING STANDARD**

Effective July 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of this new standard had no significant impact on the financial statements of the City and there was no adjustment necessary to the opening balance of net position or fund balance as a result of the implementation of GASB Statement No. 87, Leases.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2.A. DEPOSITS AND INVESTMENTS**

The City maintains their cash accounts with local banks and investment account through the Kentucky League of Cities. Cash consists of direct deposit accounts and investments consist of one investment account invested in government and corporate bonds. At June 30, 2022 the carrying amount of cash and investments was \$1,446,280 and the bank and investment balance was \$1,582,488.

**CITY OF WEST BUECHEL, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2022**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**2.A. DEPOSITS AND INVESTMENTS (CONTINUED)**

In accordance with Kentucky Revised Statute (KRS) 66.480, the deposits are to be insured by the federal depository insurance or collateralized to the extent uninsured by any obligations permitted by KRS 41.240(4). According to KRS 41.240(4), it shall either pledge or provide as collateral securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. According to KRS.66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks.

At year-end, the carrying amount of the City's cash and cash equivalents was covered by Federal Deposit Insurance Corporation (FDIC) and pledged securities. The City has not experience any losses in its accounts and believes it is not exposed to any significant custodial credit risk or concentration of credit risk.

The City of West Buechel, Kentucky categorizes deposits at local financial institutions to give an indication of the level of custodial credit risk assumed by the City at fiscal yearend.

The categories are described as follows:

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

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

Category 3 - Uncollateralized.

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

Account	Bank Balance	Category			Carrying Amount
		1	2	3	
Total	\$ 1,005,003	\$ 816,558	\$ 188,445	\$ -	\$ 1,005,003

Investments consist of one investment account invested in government and corporate bonds. Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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. All investments are Level 1.

Investment Type	Cost	Fair Value
Bonds	\$ 642,984	\$ 577,485
Total	\$ 642,984	\$ 577,485

**CITY OF WEST BUECHEL, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2022**

**NOTE 3— DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.A. ACCOUNTS RECEIVABLE**

Accounts Receivable for the year ended June 30, 2022 was as follows:

Receivable Type	Statement of Net Position Governmental Activities	Balance Sheet- Governmental Funds
Property Tax	\$ 29,359	\$ 29,359
Occupational Tax	288,558	288,558
Insurance Premium Tax	46,812	46,812
Municipal Road Aid	2,029	2,029
Business License	23,350	23,350
Accounts Receivable-Other	64,632	64,632
Total Receivables	\$ 454,740	\$ 454,740

**3.B. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
<b>Governmental activities:</b>				
Land	\$ 250,997	\$ -	\$ -	\$ 250,997
Buildings	942,157	-	-	942,157
Vehicles	422,863	179,844	-	602,707
Equipment, Furniture, and Fixtures	83,992	36,715	-	120,707
Infrastructure	412,438	197,470	-	609,908
Totals at historical cost	2,112,447	414,029	-	2,526,476
Less accumulated depreciation				
Buildings	(561,924)	(15,904)	-	(577,828)
Vehicles	(185,495)	(89,280)	-	(274,775)
Equipment, Furniture, and Fixtures	(44,847)	(19,570)	-	(64,417)
Infrastructure	(217,125)	(28,187)	-	(245,312)
Total accumulated depreciation	(1,009,391)	(152,941)	-	(1,162,332)
Net capital assets	\$ 1,103,056	\$ 261,088	\$ -	\$ 1,364,144

**CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (CONTINUED)**

**3.C. LONG-TERM DEBT**

On July 31, 2012, the City entered into an agreement with the Kentucky Bond Corporation to finance the acquisition, construction, and installation of a building to be used as a maintenance garage by the City. The note payable had an initial principal balance of \$260,000 and matures on January 1, 2027. The amount due as of June 30, 2021 was \$111,666. The balance was paid off during the year ended June 30, 2022.

Long-term debt activity for the fiscal year ended June 30, 2022 was as follows:

		<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>
Note Payable	\$	111,666	\$	-	\$	111,666	\$	-
		<u>111,666</u>		<u>-</u>		<u>111,666</u>		<u>-</u>

**3.D. COMPENSATED ABSENCES**

All unpaid, compensated absences that will be liquidated with expendable available financial resources have been accrued as a liability in the General Fund. In the combined government-wide statement of net position and governmental funds balance sheet, the total amount of unpaid, compensated absences is reported within accrued wages and benefits. Earned vacation pay may be paid upon termination of employment.

A summary of the City's compensated absences activity is as follows:

		<u>June 30, 2021</u>		<u>Net Decrease</u>		<u>June 30, 2022</u>
Compensated absences	\$	30,448	\$	(5,304)	\$	25,144

**NOTE 4 – OTHER NOTES**

**4.A. EMPLOYEE PENSION PLAN**

**Plan Description**

Employees of the City contribute to the County Employees Retirement System ("CERS"), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov> or by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

Benefits Provided: Nonhazardous

	Tier 1 Nonhazardous Participation beginning prior to 9/1/2008	Tier 2 Nonhazardous Participation beginning 9/1/2008 through 12/31/2013	Tier 3 Nonhazardous Participation beginning on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in nonhazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months and a minimum of 5 fiscal years)	5 complete fiscal years immediately preceding retirement; Each year must contain 12 months	No final compensation factor
Benefit Factor	2.00% - If member began participating after 8/1/2004 and before 9/1/2008. 2.20% - If member began participating prior to 8/1/2004	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment ("COLA"):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Age 65 or older, with at least 1 month of service and receive a benefit for life that is an actuarial equivalent to twice the member's contributions and interest	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65 or has less than 27 years service, whichever is smaller	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65 and is younger than age 57, whichever is smaller.	No Reduced retirement benefit

**CITY OF WEST BUECHEL, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2022**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

Benefits Provided: Hazardous

	<u>Tier 1 Hazardous Participation beginning prior to 9/1/2008</u>	<u>Tier 2 Hazardous Participation beginning 9/1/2008 through 12/31/2013</u>	<u>Tier 3 Hazardous Participation beginning on or after 1/1/2014</u>
Covered Employees:	Substantially all regular full-time members employed in hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula	Final compensation x Benefit factor x Years of service	Final compensation x Benefit factor x Years of service	Cash balance plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months and a minimum of 3 fiscal years)	Average of the highest 3 fiscal years; Each year must contain 12 months. Lump-sum compensation payments are	No final compensation factor
Benefit Factor	2.49%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. 25 years and greater 2.50%	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the KRS Board based on member's accumulated account balance.
Cost of Living Adjustment ("COLA"):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	20+ years of service credit at any age. Age 55 or older, with at least 1 month of hazardous duty service, and receive a benefit for life that is an actuarial equivalent to twice the member's contributions and interest. Age 55 or older, with at least 60 months hazardous duty service credit, and receive an unreduced benefit based on the member's salary and service.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 55 or has less than 20 years service, whichever is smaller	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 60 or has less than 25 years service, whichever is	No Reduced retirement benefit



CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

Contributions

Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Employees contribute 5% of their salary if they were plan members prior to September 1, 2008. For employees that entered the plan after September 1, 2008, they are required to contribute 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Plan members who began participating prior to September 1, 2008, are required to contribute 5% for Non-Hazardous or 8% Hazardous of their annual creditable compensation. Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KPPA Insurance Fund. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation.

For the year ended June 30, 2022, employers contributed 33.86% of Hazardous employees' creditable compensation and 21.17% of each Nonhazardous employees' creditable compensation as set by KRS. For the year ended June 30, 2022, employer contributions for the City were \$217,952. By law, employer contributions are required to be paid. The KPPA may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

The City has met 100% of the pension contribution funding requirement for the fiscal years ended June 30, 2022, 2021 and 2020, which were \$217,952, \$244,853 and \$180,104, respectively.

Net Pension Liability--The City's net pension liability was \$2,944,074 (\$551,059 nonhazardous and \$2,393,015 hazardous) for its proportionate share of the CERS net pension liability measured as of June 30, 2021, based on an actuarial valuation date as of June 30, 2021. The City's portion of nonhazardous and hazardous net pension liability was 0.008643% and 0.08989%, respectively.

Actuarial Assumptions – Total Pension Liability

The total pension liability, net pension liability, and sensitivity information were based on an actuarial valuation date as of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021, using the following actuarial assumptions applied to all prior periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service, non-hazardous
	3.55% to 19.50%, varies by service, hazardous
Investment Rate of Return	6.25%

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

The mortality table used for active members was a PUB-2010 Generally Mortality table, for the Nonhazardous System and the Pub-2010 Public Safety Mortality table for the Hazardous System projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

For disabled members, the PUB-2010 Disabled Mortality Table with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**Actuarial Assumptions--Contributions**

The following were the actuarial methods and assumptions used for the actuarially determined contributions:

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	30-year closed period at June 30, 2019 Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service, for Nonhazardous; 3.55% to 19.05%, varies by service for Hazardous
Investment Rate of Return	6.25%
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-In provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

The capital market assumptions developed by the investment consultant are intended for use over a 10- year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

CITY OF WEST BUECHEL, KENTUCKY  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
U.S. Equity	21.75%	5.70%
Non- U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/ High Yield	15.00%	2.80%
Liquidity		
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversified Strategies:		
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
	<u>100.00%</u>	

Projected Cash Flows-- The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently reviewed by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions for CERS reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028..

Long-Term Rate of Return--The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Discount Rate--For CERS Hazardous and Non-Hazardous, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

	1% Decrease - 5.25%	Current Discount Rate- 6.25%	1% Increase - 7.25%
Non-hazardous	\$ 706,759	\$ 551,059	\$ 422,221
Hazardous	3,050,230	2,393,015	1,857,388
Total Net Pension Liability	\$ 3,756,989	\$ 2,944,074	\$ 2,279,609

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

Pension Expense--For the year ended June 30, 2022, the City recognized pension expense of \$217,952 (\$47,473 for nonhazardous employees and \$170,479 for hazardous employees).

Deferred Outflows of Resources and Deferred Inflows of Resources--For the year ended June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Nonhazardous:		
Difference between expected and actual experience	\$ 6,328	\$ 5,348
Assumption Change	7,396	-
Net difference between projected and actual earnings on investments	21,377	94,824
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,359	37,870
Hazardous:		
Difference between expected and actual experience	65,991	-
Assumption Change	29,888	-
Net difference between projected and actual earnings on investments	76,415	333,310
Changes in proportion and differences between employer contributions and proportionate share of contributions	433,581	86,636
	<u>690,335</u>	<u>557,988</u>
Contributions subsequent to measurement date	217,953	-
Total \$	<u><u>908,288</u></u>	<u><u>557,988</u></u>

**CITY OF WEST BUECHEL, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2022**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

The \$908,288 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,		
2022	\$	43,007
2023		130,073
2024		38,046
2025		(78,779)
2026		-
		<hr style="width: 20%; margin-left: auto; margin-right: 0;"/>
	\$	132,347

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

The City's employees are provided with a postemployment benefit plan other than pensions. The County Employees Retirement System, Hazardous and Non-hazardous ("CERS") covers all employees of the City, except for employees that are already receiving pension benefits.

Plan Description

Kentucky Revised Statute ("KRS") Section 61.645 requires CERS to provide post-employment healthcare benefits to eligible members and dependents. The CERS insurance funds are a cost-sharing multiple- employer defined Other Postemployment Benefits ("OPEB") retiree healthcare plan for members that cover all regular full-time members employed in hazardous and nonhazardous duty positions at the City.

The plans provide for hospital and medical insurance benefits to eligible plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov>.

Benefits Provided--Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. If a participating employee suffers a work-related death, CERS will provide a lump sum payment of \$10,000 plus a lifetime monthly payment of 75% of the member's monthly average until the spouse's death or remarriage. If a participating employee dies prior to retirement and the death is not work-related, the beneficiary may choose from a selection of actuarial calculated lump sum or annuity payments. Five years' service is required for non-service-related disability benefits, and the disabled employee must be determined as disabled by a Medical Review Physicians panel.

Contributions--To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. For medical insurance purposes, employees are grouped into three tiers, based on hire date:

**CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

		Non-hazardous Members	Hazardous members
Tier 1	Participation before 7/1/2003	Based on years of service and type of service KRS pays a percentage of the monthly contribution rate	Based on years of service, it includes coverage for spouse & dependent insurance
	Participation after 7/1/2003	\$13.78 per month for each year of earned service without regard to a maximum dollar amount; adjusted annually	\$20.68 per month of each year of earned service; includes spouse and dependent coverage
Tier 2	Participation after 9/1/2008	At least 15 years of service \$13.78 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually	At least 15 years of service \$20.68 per month for each year of earned service adjusted by 1.5% annually \$10 per month for each year for surviving spouse; includes coverage for spouse
Tier 3	Participation after 1/1/2015	At least 15 years of service \$13.78 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually	At least 15 years of service \$20.68 per month for each year of earned service adjusted by 1.5% annually \$20.68 per month for each year for surviving spouse includes coverage for spouse & dependents

Funding Policy--KPPA set the employer rate allocable to the health insurance benefits at 5.78% in 2022, 4.76% in 2021, and 4.76% in 2020 for nonhazardous employees. The rates for hazardous employees were 10.47% in 2022, 9.52% in 2021, and 9.52%, in 2020. The contribution rates are created by statute and were 100% funded during 2022, 2021, and 2020.

The following information was extracted from the KPPA for the fiscal year ended June 30, 2021.

The KPPA Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The KPPA Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. The amount of contribution paid by the funds is based on years of service. The plan provides the following benefits based on the employees starting participation date:

**CITY OF WEST BUECHEL, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2022**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

Insurance Tier 1 - For members participating prior to July 1, 2003 and before September 1, 2018, the insurance fund contributes a percentage of a single monthly plan based on years of service as follows:

<u>Years of Service</u>	<u>Portion Paid by KRS Insurance Fund</u>
Less than 4	0%
4-9 years	25%
10-14 years	50%
15-19 years	75%
20+ years	100%

Health insurance benefits are not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The contribution requirements of employers and plan members are established and may be amended by the Board of Trustees. The City was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KPPA Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KPPA 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 bases adopted by the KPPA Board.

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

The City's contributions to the CERS OPEB were \$65,677 (\$12,962 nonhazardous and \$52,715 hazardous) and \$74,526 (\$10,623 nonhazardous and \$63,903 hazardous) for the years ended June 30, 2022 and 2021, respectively. The OPEB contributions do not include the implicit subsidy amount.

At June 30, 2022, the City reported a net OPEB liability of \$892,234 (\$165,428 nonhazardous and \$726,806 hazardous) for its proportionate share of the CERS net OPEB liability.

The net OPEB liability is calculated by KPPA. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the City's proportionate share was 0.008641 percent for Non-hazardous and 0.089889 percent for Hazardous plan.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The deferred outflows and deferred inflows of resources related to OPEB for FY2022 from the following sources are reflected below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous:		
Difference between expected and actual experience	\$ 26,014	\$ 49,391
Assumption Change	43,858	154
Net difference between projected and actual earnings on investments	8,335	34,214
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,568	36,359
Hazardous:		
Difference between expected and actual experience	22,712	78,192
Assumption Change	182,266	272
Net difference between projected and actual earnings on investments	45,847	182,649
Changes in proportion and differences between employer contributions and proportionate share of contributions	138,747	84,143
	487,347	465,374
Contributions subsequent to measurement date	65,676	-
Total \$	553,023	\$ 465,374

The \$65,676 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	
2022	\$ (38,774)
2023	2,035
2024	25,829
2025	7,360
2026	25,523
	\$ 21,973



**CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

Actuarial Assumptions--The total OPEB liability, net OPEB liability, and sensitivity information were based on the actuarial valuation date as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021, using the following actuarial assumptions applied in all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service, for Nonhazardous; 3.55% to 19.50%, varies by service for Hazardous
Investment Rate of Return	6.25%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Healthcare Trend Rates (pre-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare Trend Rates (post-65)	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

The mortality table used for active members is PUB-2010 Generally Mortality table for the nonhazardous system, and the PUB-2010 Public Safety Mortality table for the hazardous systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For non-disabled retired members and beneficiaries, the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

For disabled members, the PUB-2010 Disabled Mortality Table with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The following were the actuarial methods and assumptions used for the actuarially determined contributions:

**CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

Actuarial Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level percent of pay
Amortization Period	30-year closed period at June 30, 2019 Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.00%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service, for Nonhazardous; 3.55% to 19.05%, varies by service for Hazardous
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Trend Rates (pre-65)	Initial trend starting at 6.40% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (post-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 4 – OTHER NOTES (CONTINUED)

4.A. EMPLOYEE PENSION PLAN (CONTINUED)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth:		
U.S. Equity	21.75%	5.70%
Non- U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/ High Yield	15.00%	2.80%
Liquidity		
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversified Strategies:		
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
	<u>100.00%</u>	

Discount Rate--For CERS Non-hazardous, the discount rate used to measure the total OPEB liability was 5.20% and 5.05% for Hazardous. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of CERS Proportionate Share of Net OPEB Liability to Changes in the Discount Rate--The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Current		
	1% Decrease - 4.20%	Discount Rate- 5.20%	1% Increase - 6.20%
Non-hazardous	\$ 227,131	\$ 165,428	\$ 114,790
	Current		
	1% Decrease - 4.05%	Discount Rate- 5.05%	1% Increase - 6.05%
Hazardous	1,053,731	726,806	464,141
Total Net Pension Liability	\$ 1,280,862	\$ 892,234	\$ 578,931

CITY OF WEST BUECHEL, KENTUCKY  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.A. EMPLOYEE PENSION PLAN (CONTINUED)**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

Sensitivity of the City's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates--The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Care Trend</u>	<u>1% Increase</u>
Non-hazardous	\$ 119,088	\$ 165,428	\$ 221,360
Hazardous	<u>476,243</u>	<u>726,806</u>	<u>1,033,686</u>
Total	<u>\$ 595,331</u>	<u>\$ 892,234</u>	<u>\$ 1,255,046</u>

OPEB Plan Fiduciary Net Position--Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KPPA financial report.

**4.B. INTERGOVERNMENTAL REVENUE**

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for police incentive training and other miscellaneous operating costs during the year ended June 30, 2022 that are recorded in the General Fund.

**4.C. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables as of June 30, 2022 were \$0.

**4.D. MAJOR TAXPAYERS**

Walmart, Kroger, Lowes, and Target are major taxpayer of the City of West Buechel. Occupational, Gross Receipts, and Property taxes collected from them represented the majority these taxes collected.

**4.E. LITIGATION**

The City is a party to several pending lawsuits that normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels any potential loss is uncertain.

**CITY OF WEST BUECHEL, KENTUCKY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2022**

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.F. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City maintains commercial insurance coverage for each of the above risks of loss. Management believes that such coverage is sufficient to preclude any significant uninsured losses to the City.

**4.G. - BUDGET**

The City did not exceed total budgeted appropriations in the fiscal year ended June 30, 2022. Variances did exist between individual line items.

**4.H.- SUBSEQUENT EVENTS**

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through December 14, 2022.

Subsequent to year end, a case the City was named as a defendant, was tried before a jury and the jury returned a verdict in favor of the Plaintiff. This is a case that challenged the code enforcement ordinance passed by the City of West Buechel city council. The updated ordinance at issue in the litigation was passed by the council in 2019. The plaintiffs alleged the City of West Buechel targeted and arbitrarily enforced handicap parking violations on private properties in violation of the Kentucky Constitution and sought class action status for those citizens who have received code enforcement citations pursuant to the city ordinance. In addition to the request for certification as class action, the plaintiffs requested the Court find the ordinance unconstitutional, and for the payment of compensatory and punitive damages. The parties attended mediation and were able to reach a satisfactory settlement to all claims made by the litigants. Due to the nature of the litigation and the fact there is a class of potential litigants affected, the settlement has been presented to the Court for its approval. Once the Court approves the terms of the settlement the case will be settled and dismissed. The settlement ensured the City's total potential exposure was finite and, therefore, the resolution, if approved by the Court, would be a very positive outcome for the city. Since the resolution is waiting Court approval, the case is technically still pending. Pursuant to the terms of the mediated agreement, the City placed \$335,000 into a restricted account for the future settlement of class claims.

**4.H.- COVID IMPACT**

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The City continues to monitor the direct and indirect effects of COVID-19, which has led to closing of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projects reflecting any significant changes in revenues, other activities affecting the City as a result of the coronavirus. During the year end June 30, 2022, the City received \$164,698 in funding from the American Relief Plan Act.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

**NOTE 4 – OTHER NOTES (CONTINUED)**

**4.J.-RECENT GASB PRONOUNCEMENTS**

Management has not currently determined what, if any, effects of implementation of the following statements may have on the financial statements:

In May 2020, the GASB issued Statement No. 96 "Subscription-Based Information Technology Arrangements" (SBITA) requiring all SBITAs to be recognized as a right-to-use subscription intangible asset and a corresponding subscription liability, unless the SBITA is a short-term agreement (generally an agreement with a term of twelve months or less). At the commencement date of the agreement, the City will recognize: 1) a subscription liability for the City's obligation to make payments under the SBITA, measured on a present value basis; and 2) a right-to-use subscription asset that represents the City's right to use, or control the use of, the specified asset for the SBITA term. Over the term of the SBITA, the City will report amortization expense for using the subscription asset, interest expense on the lease liability, and note disclosures about the City's SBITAs. This statement becomes effective for the fiscal year ending June 30, 2023. The City is evaluating the impact of this statement on the combined financial statements.

In June 2022, the GASB issued Statement No. 101 "Compensated Absences" requiring the City to recognize liabilities for compensated absences for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement becomes effective for the fiscal year ending June 30, 2025. The City is evaluating the impact of this statement on the combined financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule

Schedule of City's Proportionate Share of Net Pension Liability County Employees Retirement System

Schedule of City's Contributions County Employees Retirement System

Schedule of City's Proportionate Share of Net OPEB Liability County Employees Retirement System

Schedule of City's Contributions County Employees Retirement System OPEB

Notes to Supplemental Information

**CITY OF WEST BUECHEL, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>REVENUES</b>				
Bank Franchise Taxes	\$ 55,000	\$ 55,000	\$ 166,162	\$ 111,162
Base Court	8,000	8,000	8,575	575
Business License	45,000	45,000	53,811	8,811
Fines and Citations	220,000	220,000	-	(220,000)
CARES Act and ARPA	236,000	236,000	174,716	(61,284)
Gross Receipts Taxes	600,000	600,000	702,063	102,063
Insurance Premium Taxes	183,000	183,000	228,088	45,088
KLEFPF	50,000	50,000	42,126	(7,874)
LGEA	-	-	26	26
Occupational Taxes	980,000	980,000	1,136,766	156,766
Other Income	5,000	5,000	18,973	13,973
Penalties and Interest	8,000	8,000	-	(8,000)
Police Forfeiture	10,000	10,000	150	(9,850)
Police Reports	1,000	1,000	1,457	457
Interest and Investment Gain (Loss) net	-	-	(98,169)	(98,169)
Property Taxes	280,000	280,000	321,800	41,800
Shop with a Cop	3,000	3,000	3,532	532
Road Aid	-	-	23,122	23,122
Telecommunications Tax	5,000	5,000	6,017	1,017
Sale of asset	-	-	375	375
Total Revenue	<u>2,689,000</u>	<u>2,689,000</u>	<u>2,789,590</u>	<u>100,590</u>
<b>EXPENDITURES</b>				
Administration	1,696,000	1,696,000	1,070,544	(625,456)
Police Department	1,624,700	1,624,700	1,317,451	(307,249)
Public Works	238,000	238,000	198,263	(39,737)
Code Enforcement	210,693	210,693	43,367	(167,326)
Community Center	121,800	121,800	96,347	(25,453)
Municipal Road Aid	-	-	-	-
Debt Service	-	-	115,441	115,441
Total Expenditures	<u>3,891,193</u>	<u>3,891,193</u>	<u>2,841,413</u>	<u>(1,049,780)</u>
Excess of Revenues Over (Under) expenditures	(1,202,193)	(1,202,193)	(51,823)	1,150,370
Fund balances-Beginning of year	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,918,099</u>	<u>418,099</u>
Fund balances-June 30, 2022	<u>\$ 297,807</u>	<u>\$ 297,807</u>	<u>\$ 1,866,276</u>	<u>\$ 1,568,469</u>



**CITY OF WEST BUECHEL, KENTUCKY**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**JUNE 30, 2022**

<u>Year Ended June 30th</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered Employee Payroll</u>	<u>City's Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<b>Non Hazardous</b>					
2022	0.008643%	\$ 551,059	\$ 224,248	245.74%	57.33%
2021	0.007621%	\$ 584,524	\$ 220,769	264.77%	47.81%
2020	0.008509%	\$ 598,442	\$ 195,210	306.56%	50.45%
2019	0.011400%	\$ 691,676	\$ 158,135	437.40%	53.54%
<b>Hazardous</b>					
2022	0.08989%	\$ 2,393,015	\$ 499,999	478.60%	52.26%
2021	0.08110%	\$ 2,445,188	\$ 672,719	363.48%	44.11%
2020	0.06291%	\$ 1,737,760	\$ 473,818	366.76%	46.63%
2019	0.09910%	\$ 2,397,320	\$ 275,876	868.98%	49.26%

Note 1--This schedule is presented to illustrate the requirement to show information for 10-years. However, until a full 10-year trend is compiled, the City is presenting information for those years for which information is available.

Note 2--The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**CITY OF WEST BUECHEL, KENTUCKY  
SCHEDULE OF CITY'S CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2022**

Year Ended June 30th	Statutorily Required Contribution	Contribution Relative to Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
<b>Non Hazardous</b>					
2022	\$ 47,473	\$ 47,473	\$ -	\$ 224,248	21.17%
2021	\$ 42,494	\$ 42,494	\$ -	\$ 220,769	19.30%
2020	\$ 37,675	\$ 37,675	\$ -	\$ 195,210	19.30%
2019	\$ 35,624	\$ 35,624	\$ -	\$ 158,135	16.22%
<b>Hazardous</b>					
2022	\$ 170,479	\$ 170,479	\$ -	\$ 499,999	33.86%
2021	\$ 202,359	\$ 202,359	\$ -	\$ 672,719	30.06%
2020	\$ 142,429	\$ 142,429	\$ -	\$ 473,818	30.06%
2019	\$ 97,495	\$ 97,495	\$ -	\$ 275,876	24.87%

Note 1--This schedule is presented to illustrate the requirement to show information for 10-years. However, until a full 10-year trend is compiled, the City is presenting information for those years for which information is available.

Note 2--The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION OF PENSION REPORTING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2022**

**Changes in Assumptions and Benefit Terms from 2020 to 2021** – There were no changes noted.

**Changes in Assumptions and Benefit Terms from 2019 to 2020**--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

**Changes in Assumptions and Benefit Terms from 2018 to 2019**--Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

**Changes in Assumptions and Benefit Terms from 2017 to 2018**--Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.50% to 6.25%, (ii) the assumed rate of inflation was reduced from 3.25% to 2.30%, and (iii) payroll growth assumption was reduced from 4.00% to 2.00%.

**Changes in Assumptions and Benefit Terms from 2016 to 2017**--There were no changes noted.

**Changes in Assumptions and Benefit Terms from 2015 to 2016**--Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described: (i) the assumed investment rate of return was decreased from 7.75% to 7.50%, (ii) the assumed rate of inflation was reduced from 3.50% to 3.25%, (iii) the assumed rate of wage inflation was reduced from 1.00% to 0.75%, (iv) payroll growth assumption was reduced from 4.50% to 4.00%, (v) the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted, and (vi) the assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION OF PENSION REPORTING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2022

**Period Covered by the Required Supplementary Information**--GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an Amendment of GASB Statement No. 27 requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The City has been provided this information for seven fiscal years and will expand this supplementary information in future financial statements to cover additional periods as it becomes available.

**CITY OF WEST BUECHEL, KENTUCKY**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**JUNE 30, 2022**

<u>Year Ended June 30th</u>	<u>City's Proportion of the Net OPEB Liability</u>	<u>City's Proportionate Share of the Net OPEB Liability</u>	<u>City's Covered Employee Payroll</u>	<u>City's Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
<b>Non Hazardous</b>					
2022	0.008641%	\$ 165,428	\$ 224,248	73.77%	62.91%
2021	0.007619%	\$ 183,976	\$ 220,769	83.33%	51.67%
2020	0.008629%	\$ 145,136	\$ 195,210	74.35%	60.44%
2019	0.011357%	\$ 201,641	\$ 158,135	127.51%	57.62%
<b>Hazardous</b>					
2022	0.089889%	\$ 726,806	\$ 499,999	145.36%	66.81%
2021	0.081074%	\$ 749,209	\$ 672,719	111.37%	58.84%
2020	0.062897%	\$ 465,350	\$ 473,818	98.21%	64.44%
2019	0.099913%	\$ 706,771	\$ 275,876	256.19%	64.24%

Note 1--This schedule is presented to illustrate the requirement to show information for 10-years. However, until a full 10-year trend is compiled, the City is presenting information for those years for which information is available.

**CITY OF WEST BUECHEL, KENTUCKY  
SCHEDULE OF CITY'S CONTRIBUTIONS OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Year Ended June 30th</u>	<u>Contractually Required Contribution</u>	<u>Contribution Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Employee Payroll</u>	<u>Contribution as a Percentage of Covered Employee Payroll</u>
<b>Non Hazardous</b>					
2022	\$ 12,962	\$ 12,962	\$ -	\$ 224,248	5.78%
2021	\$ 10,623	\$ 10,623	\$ -	\$ 220,769	4.76%
2020	\$ 9,292	\$ 9,292	\$ -	\$ 195,210	4.76%
2019	\$ 10,641	\$ 10,641	\$ -	\$ 158,135	5.26%
<b>Hazardous</b>					
2022	\$ 52,715	\$ 52,715	\$ -	\$ 499,999	10.47%
2021	\$ 63,903	\$ 63,903	\$ -	\$ 672,719	9.52%
2020	\$ 45,107	\$ 45,107	\$ -	\$ 473,818	9.52%
2019	\$ 29,122	\$ 29,122	\$ -	\$ 275,876	10.47%

Note 1--This schedule is presented to illustrate the requirement to show information for 10-years. However, until a full 10-year trend is compiled, the City is presenting information for those years for which information is available.

**CITY OF WEST BUECHEL, KENTUCKY  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION OF OPEB REPORTING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2022**

**Changes in Assumptions and Benefit Terms from 2020 to 2021**--Since the prior measurement dated, the discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the Non-Hazardous Fund and from 5.69% to 5.30% for the Hazardous Fund. The assumed increase in future health care costs, or trend assumption was reviewed during the June 30, 2020 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

**Changes in Assumptions and Benefit Terms from 2019 to 2020**--Since the prior measurement date, annual salary increases were updated based on the 2018 Experience Study; annual rates of retirement, disability, withdrawal, and mortality were updated based on the 2018 Experience Study; the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous members; the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated (i.e. increased) to better reflect more current expectations relating to anticipated future increases in the medical costs for post-age 65 retirees; and the assumed impact of the Cadillac Tax was changed from a 3.6% to a 0.9% load on employer paid premiums for Non-Medicare retirees who became participants prior to July 1, 2003.

**Changes in Assumptions and Benefit Terms from 2018 to 2019**--Since the prior measurement date, there have been no changes in actuarial assumptions. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The TPL as of June 30, 2018 was determined using these updated benefit provisions.

**Period Covered by the Required Supplementary Information**--GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and Financial Reporting for Pensions*, an Amendment of GASB Statement No. 45 requires the accompanying supplementary information to report on trend information for the previous ten fiscal years if the information is available. The City has been provided this information for four fiscal years and will expand this supplementary information in future financial statements to cover additional periods as it becomes available.

# COBB & ASSOCIATES PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Mayor and City Council  
City of West Buechel, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund of the City of West Buechel, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of West Buechel, Kentucky's basic financial statements and have issued our report thereon dated December 14, 2022.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of West Buechel, Kentucky's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of West Buechel, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Buechel, 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, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of West Buechel, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

**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.

*Cobb & Associates PLLC*

COBB & ASSOCIATES PLLC  
Louisville, Kentucky


December 14, 2022

CITY OF WEST BUECHEL, KENTUCKY  
MANAGEMENT CERTIFICATION OF COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2022

LOCAL GOVERNMENT ASSISTANCE

The City of West Buechel, Kentucky hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Brenda Moore, Mayor

  
Debbie Batliner, City Clerk