

CITY OF LYNDON, KENTUCKY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

CITY OF LYNDON, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council Members
City of Lyndon, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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 Lyndon, Kentucky, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of City's proportionate share of the net pension liability, schedule of City's pension contributions, schedule of City's proportionate share of the net OPEB liability, and schedule of City's OPEB contributions on pages 2-9 and 31-39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2022, on our consideration of the City of Lyndon, 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 Lyndon, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lyndon, Kentucky's internal control over financial reporting and compliance.



Welenken CPAs

Louisville, Kentucky
February 16, 2022

CITY OF LYNDON, KENTUCKY MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

As management of the City of Lyndon (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021.

Financial Highlights

- The City increased its net position by \$350,732 during the fiscal year ended June 30, 2021.
- The City received \$407,344 from the COVID-19 Relief Fund.
- The assets of the City exceeded its liabilities at the close of the fiscal year ended June 30, 2021 by \$14,808,736 (net position). Of this amount, \$5,155,465 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

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

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

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

The City adopts an annual appropriated budget for each fund as required by state statute. Budgetary comparison statements have been provided for each fund for the reader to demonstrate compliance with the adopted budget.

The basic governmental funds financial statements can be found on pages 12-15 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-30 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$14,808,736 as of June 30, 2021.

The largest portion of the City's net position, \$7,963,299 (54%), reflect its investment in capital assets (e.g., land, buildings and improvements, equipment, and infrastructure), less depreciation. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

CONDENSED STATEMENT OF NET POSITION Governmental Activities

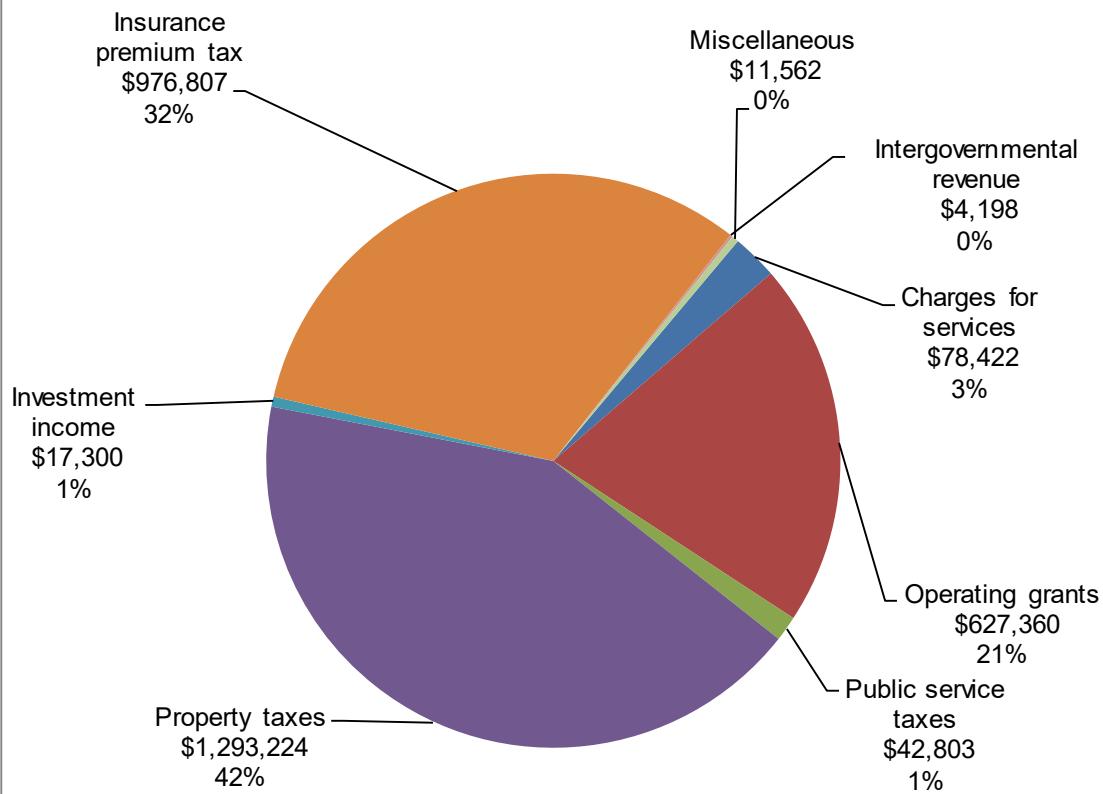
	2021	2020	Increase/ (Decrease)
Current and other assets	<u>\$10,248,422</u>	<u>\$ 9,435,828</u>	<u>\$ 812,594</u>
Capital assets	<u>5,362,063</u>	<u>5,734,566</u>	<u>(372,503)</u>
Total assets	<u>15,610,485</u>	<u>15,170,394</u>	<u>440,091</u>
Deferred outflows of resources			
Pension deferrals	108,321	140,734	(32,413)
OPEB deferrals	<u>92,283</u>	<u>61,511</u>	<u>30,772</u>
Total deferred outflows of resources	<u>200,604</u>	<u>202,245</u>	<u>(1,641)</u>
Current and other liabilities	<u>917,585</u>	<u>802,136</u>	<u>115,449</u>
Deferred inflows of resources			
License fee revenue	16,781	13,388	3,393
Pension deferrals	<u>24,822</u>	<u>45,263</u>	<u>(20,441)</u>
OPEB deferrals	<u>43,165</u>	<u>53,848</u>	<u>(10,683)</u>
Total deferred inflows of resources	<u>84,768</u>	<u>112,499</u>	<u>(27,731)</u>
Net position:			
Invested in capital assets,	7,963,299	8,335,802	(372,503)
Restricted	<u>1,689,972</u>	<u>1,602,768</u>	<u>87,204</u>
Unrestricted	<u>5,155,465</u>	<u>4,519,434</u>	<u>636,031</u>
Total net position	<u>\$14,808,736</u>	<u>\$14,458,004</u>	<u>\$ 350,732</u>

Analysis of City's operations – Governmental activities increased the City's net position by \$350,732. Total governmental activities revenues increased by \$478,052 from prior year. The most significant changes in revenue was an increase in operating grants and property taxes and a decrease in investment income. Governmental activities expenses increased by \$195,006, with the most significant increase coming from public works. The following is a more detailed review of operations.

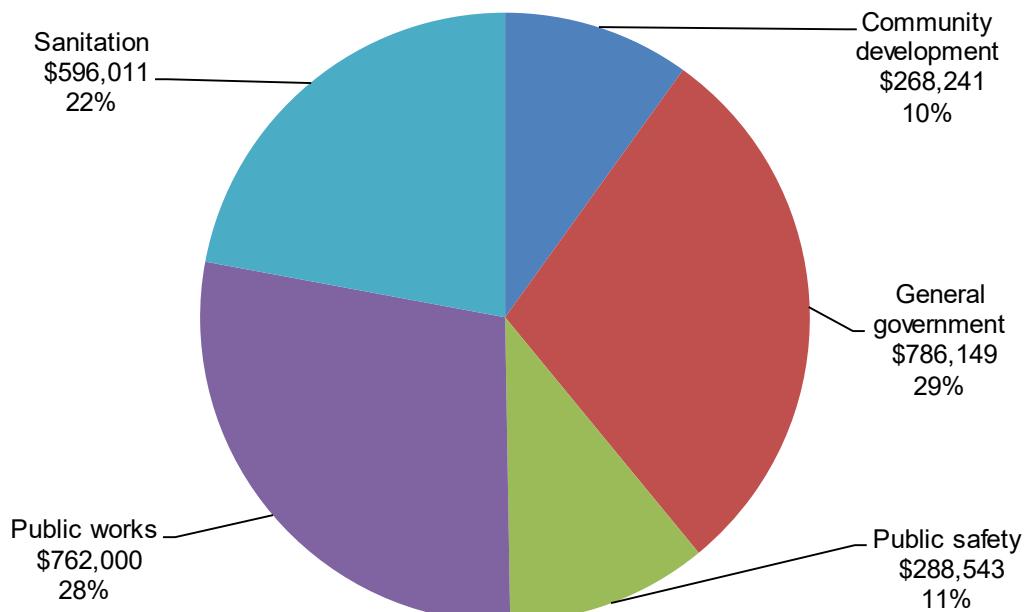
CHANGES IN NET POSITION
Governmental Activities

	2021	2020	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenues:				
Program Revenues:				
Charges for services	\$ 78,422	\$ 92,178	\$ (13,756)	(14.92%)
Operating grants	627,360	225,195	402,165	178.59%
General Revenues:				
Property taxes, levied for general purpose	1,293,224	1,206,798	86,426	7.16%
Insurance premium tax	976,807	950,113	26,694	2.81%
Public service taxes	42,803	42,511	292	0.69%
Intergovernmental revenues	4,198	6,702	(2,504)	(37.36%)
Investment income	17,300	45,913	(28,613)	(62.32%)
Miscellaneous	11,562	4,214	7,348	174.37%
Total Revenues	<u>3,051,676</u>	<u>2,573,624</u>	<u>478,052</u>	<u>18.58%</u>
Expenses:				
General government	786,149	787,037	(888)	(0.11%)
Public safety	288,543	277,728	10,815	3.89%
Public works	762,000	583,645	178,355	30.56%
Sanitation	596,011	595,058	953	0.16%
Community development	268,241	262,470	5,771	2.20%
Total expense	<u>2,700,944</u>	<u>2,505,938</u>	<u>195,006</u>	<u>7.78%</u>
Increase in net position	350,732	67,686	283,046	418.18%
Net position - beginning of year	<u>14,458,004</u>	<u>14,390,318</u>	<u>67,686</u>	<u>0.47%</u>
Net position - end of year	<u>\$ 14,808,736</u>	<u>\$ 14,458,004</u>	<u>\$ 350,732</u>	<u>2.43%</u>

Total Sources of Revenue



Total Expenses by Activity



Financial Analysis of the Government Funds

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,435,266. \$751,179 (10%) of the balance is nonspendable due to land held for resale. \$1,689,972 (23%) of the balance is restricted due to external limitations on its use. \$530,100 (7%) is assigned to subsequent year's budget. The remaining balance of \$4,464,015 (60%) is unassigned.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,464,015. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to fund expenditures. Unassigned fund balance represents 209% of total general fund expenditures and total fund balance represents 270% of total fund expenditures.

Budgetary Highlights

Significant budget versus actual variances include the following:

- The most significant increase for revenues was in grant income which exceeded the budget by \$407,344.
- Insurance taxes exceeded the budget by \$201,807.
- The most significant positive variance for expenditures occurred in general government, where budget exceeded actual by \$104,525.
- The second most significant positive variance for expenditures occurred in sanitation, where budget exceeded actual by \$18,989.
- The most significant negative variance in expenditures occurred in community development, where actual exceeded budget by \$44,408.

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$7,963,299. This investment in capital assets includes land, building, improvements, machinery and equipment, roads and sidewalks, and park facilities.

Capital Assets Governmental Activities

	Year Ending June 30, 2021			
	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Equipment - vehicles	\$ 72,784	\$ -	\$ -	\$ 72,784
Equipment - parks	891,583	36,811	-	928,394
Office equipment	48,180	3,741	-	51,921
Equipment - streets	76,438	-	-	76,438
City Hall - land & building	781,992	-	-	781,992
Land & improvements - parks	232,000	-	-	232,000
Land - Robsion park	443,780	-	-	443,780
Land	166,321	-	-	166,321
Park - Romara Place	1,306,789	-	-	1,306,789
Improvements - Romara Place	932,554	-	-	932,554
Infrastructure	11,719,124	-	-	11,719,124
Streetscape phase II	587,702	-	-	587,702
 Total Cost	 17,259,247	 40,552	 -	 17,299,799
 Less: accumulated depreciation	 <u>(8,923,444)</u>	 <u>(413,056)</u>	 <u>-</u>	 <u>(9,336,500)</u>
 Net Fixed Assets	 <u>\$8,335,803</u>	 <u>\$ (372,504)</u>	 <u>\$ -</u>	 <u>\$ 7,963,299</u>

Additional information on the City's capital assets can be found in Note 3 on page 22 of this report.

Debt Administration

The City had no debt during fiscal year 2021.

Economic Factors and Next Year's Budgets and Rates

The local economy of the City remains strong. The number of businesses and property values remain stable.

In adopting the budget for the fiscal year 2022, the City officials considered many factors in making decisions and estimates about the finances of the upcoming year. A primary objective of the Council was to continue to provide basic city services to the citizens while keeping the property tax rate the same.

A summary for the 2022 fiscal year budgeted expenses are as follows:

- General government \$855,200
- Public works \$377,500
- Sanitation \$615,000
- Public safety \$300,000
- Community development \$152,000
- Capital projects \$555,000

Requests for Information

This financial report is designed to provide a general overview of the City of Lyndon's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the City Treasurer, 515 Wood Road, Louisville, KY 40222.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LYNDON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,843,452
Investments	1,741,000
Property taxes receivable, net of allowance	55,200
Other receivables	256,355
Land held for resale	751,179
Nondepreciable capital assets	2,601,236
Capital assets, net of accumulated depreciation	<u>5,362,063</u>
Total Assets	<u>15,610,485</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	108,321
Deferred outflows related to other post-employment benefits (OPEB)	<u>92,283</u>
Total Deferred Outflows of Resources	<u>200,604</u>
LIABILITIES	
Accounts payable	133,759
Accrued expenses	6,450
Net pension liability	591,275
Net OPEB liability	<u>186,101</u>
Total Liabilities	<u>917,585</u>
DEFERRED INFLOWS OF RESOURCES	
License fee revenue applicable to future years	16,781
Deferred inflows related to pension plan	24,822
Deferred inflows related to OPEB	<u>43,165</u>
Total Deferred Inflows of Resources	<u>84,768</u>
NET POSITION	
Invested in capital assets	7,963,299
Restricted	1,689,972
Unrestricted	<u>5,155,465</u>
Total Net Position	<u>\$ 14,808,736</u>

See accompanying notes to financial statements.

CITY OF LYNDON, KENTUCKY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

PRIMARY GOVERNMENT	Governmental Activities			
	Expenses	Charges for Services	Operating Grants and Contributions	Total
<u>FUNCTIONS/PROGRAMS</u>				
General government	\$ (786,149)	\$ 74,142	\$ 407,344	\$ (304,663)
Public safety	(288,543)	-	-	(288,543)
Public works	(762,000)	-	213,840	(548,160)
Sanitation	(596,011)	-	-	(596,011)
Community development	(268,241)	4,280	6,176	(257,785)
Total Primary Government	(2,700,944)	78,422	627,360	(1,995,162)
<u>GENERAL REVENUES</u>				
Property taxes				1,293,224
Insurance taxes				976,807
Public service taxes				42,803
Intergovernmental revenues				4,198
Interest income				17,300
Miscellaneous				11,562
Total general revenues				<u>2,345,894</u>
CHANGE IN NET POSITION				350,732
NET POSITION, BEGINNING OF YEAR				<u>14,458,004</u>
NET POSITION, END OF YEAR				<u><u>\$ 14,808,736</u></u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF LYNDON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

ASSETS

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,403,480	\$ 1,439,972	\$ 4,843,452
Investments	1,491,000	250,000	1,741,000
Land held for resale	751,179	-	751,179
Property taxes receivable, net of allowance	55,200	-	55,200
Other receivables	256,355	-	256,355
Total Assets	\$ 5,957,214	\$ 1,689,972	\$ 7,647,186

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

Liabilities			
Accounts payable	\$ 133,759	\$ -	\$ 133,759
Accrued expenses	6,450	-	6,450
Total Liabilities	140,209	-	140,209
Deferred Inflows of Resources			
Unavailable revenue - property taxes	54,930	-	54,930
License fee revenue applicable to future years	16,781	-	16,781
Total Deferred Inflows of Resources	71,711	-	71,711
Fund Balances			
Nonspendable - Land held for resale	751,179	-	751,179
Restricted - Special Revenue Fund	-	1,689,972	1,689,972
Assigned - Subsequent year's budget	530,100	-	530,100
Unassigned	4,464,015	-	4,464,015
Total Fund Balances	5,745,294	1,689,972	7,435,266
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,957,214	\$ 1,689,972	\$ 7,647,186

See accompanying notes to financial statements.

CITY OF LYNDON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances for governmental funds	\$ 7,435,266
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Total net position reported for governmental activities
in the statement of net position is different because:

Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, not reported in the funds.	7,963,299
Deferred outflows and inflows of resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows related to pension plan	108,321
Deferred outflows related to OPEB	92,283
Deferred inflows related to pension plan	(24,822)
Deferred inflows related to OPEB	(43,165)

The City's proportionate share of the collective net liability for the
pension and OPEB as of June 30, 2020 (measurement date)
are not due and payable at June 30, 2021 and, therefore,
are not reported in the funds:

Net pension liability	(591,275)
Net OPEB liability	(186,101)

Certain property tax collections are not available to pay for
current-period expenditures and therefore are reported
as deferred inflows of resources in the funds.

54,930

Total net position of governmental activities	\$ <u>14,808,736</u>
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See accompanying notes to financial statements.

CITY OF LYNDON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,289,516	\$ -	\$ 1,289,516
Insurance taxes	976,807	-	976,807
Licenses, permits, and fees	116,945	-	116,945
Intergovernmental revenues	10,025	-	10,025
Rental income	4,280	-	4,280
Grant Income	407,344	214,189	621,533
Interest income	16,652	648	17,300
Miscellaneous	11,562	-	11,562
 Total Revenues	 2,833,131	 214,837	 3,047,968
EXPENDITURES			
General government	697,575	-	697,575
Public safety	288,543	-	288,543
Public works	322,214	127,633	449,847
Sanitation	596,011	-	596,011
Community development	186,408	-	186,408
Capital projects	40,552	-	40,552
 Total Expenditures	 2,131,303	 127,633	 2,258,936
 Excess of revenues over expenditures	 701,828	 87,204	 789,032
 Net Change in Fund Balances	 701,828	 87,204	 789,032
 FUND BALANCES - BEGINNING	 5,043,466	 1,602,768	 6,646,234
 FUND BALANCES - ENDING	 \$ 5,745,294	 \$ 1,689,972	 \$ 7,435,266

See accompanying notes to financial statements.

CITY OF LYNDON, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
JUNE 30, 2021

Changes in fund balances - governmental funds	\$ 789,032
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The change in net position reported for governmental activities in the statement of net position is different because:

Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	3,708
Pension and OPEB expenses in the statement of activities is recognized as the City's proportionate share of the collective pension and OPEB expenses for the plan whereas governmental funds recognize pension and OPEB expenses as the contribution made in the fiscal year.	(69,504)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays Depreciation expense	40,552 <u>(413,056)</u>
Change in net position of governmental activities	<u>\$ 350,732</u>

See accompanying notes to financial statements.

**CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Lyndon, Kentucky (the City) was founded in 1871 and was incorporated in 1965 and operates under the Kentucky Revised Statutes, as amended. The City operates under the Mayor-Council form of government and provides the following services as authorized by its charter: municipal services, including care and maintenance of streets, police protection, garbage collection, and administrative services. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

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

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

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

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

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

**CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the City considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

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

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

The City reports the following major governmental funds:

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

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

**CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents - The City considers all cash in bank and highly liquid investments with a maturity of ninety days or less (certificates of deposit) to be cash and cash equivalents.

Investments - Investments are stated at amortized cost, which approximates fair value. The City maintains investments in certificates of deposit with maturities varying from twelve to twenty-four months.

Land Held For Resale – On June 27, 2018, the City purchased land and land improvements near Lyndon Lane. Part of the land totaling \$443,780 will be used as additional park space and has been recorded as a capital asset on the government-wide financial statements. The remaining portion of the land and land improvements totaling \$751,179 is being held for resale. This portion has been recorded as an asset for both government-wide and fund financial statements. The land and land improvements held for resale are valued at cost which approximates fair market value.

Property Taxes and Other Receivables - Property taxes and other receivables are recorded at gross amount less uncollectible amounts recognized under the allowance method.

The allowance for doubtful accounts was \$47,672 at June 30, 2021. By statute, the City is only allowed to collect the amounts from the prior 11 years, which is the full balance listed. The outstanding balances could still be paid by those taxpayers who have outstanding balances.

Capital Assets - Capital assets, which include land, buildings and improvements, equipment and infrastructure (i.e. roads, sidewalks, traffic lights and signals, street lights, signage, etc.), are reported in the governmental activity column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$3,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2021.

Capital assets of the City are depreciated using the straight-line method over their estimated useful lives.

Deferred Outflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net positions that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has seven items that qualify for reporting in this category, four relate to the pension plan, one item is employer contributions to pension plan subsequent to the Measurement Date (June 30, 2020), one relates to OPEB, and one item is employer contributions to OPEB subsequent to the Measurement Date (June 30, 2020). All items are reported on the government wide financial statements.

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and the balance sheet - governmental funds report a separate section for deferred inflows of resources. This separate financial statement element 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. For the statement of net position and the balance sheet - governmental fund, the City has one item that qualifies for reporting in this category, license fee revenue applicable to future years. For the balance sheet - governmental funds, the City has another item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from certain property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. For the statement of net position in the government wide statements, the City also has six items that qualify for reporting in this category, three relate to the pension plan and three relate to the OPEB.

Net Position/Fund Balances

Government-Wide Statements - In the statement of net position, the difference between the City's assets and liabilities is recorded as net position. The three components of net position are as follows:

Invested in Capital Assets – This category records capital assets net of accumulated depreciation and related debt.

Restricted Net Position – Net position that is restricted by external sources or by law are reported separately as restricted net position. When assets are required to be retained in perpetuity, the non-expendable net position is recorded separately from expendable net position. These are components of restricted net position. The City has \$1,689,972 of restricted net position related to municipal road aid monies received from the State of Kentucky.

Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements - In the balance sheet of governmental funds, fund balances are segregated as follows:

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

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

**CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Council adopted policy, only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

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

Budgetary Accounting - The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City including any authorized revisions.

Compensated Absences – Employees are allowed to accumulate 100 days of sick leave at the rate of one sick day per 60 working days. Sick days can be carried over indefinitely but can only be used for illness. All accumulated sick days are forfeited upon resignation or termination. Since the employee's accumulating rights are contingent upon future events that cannot be reasonably estimated, no liability or expense has been recorded.

Management's Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 2 – DEPOSITS AND INVESTMENTS

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

The City invests surplus cash at local banks. All amounts over FDIC limits are fully collateralized.

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

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

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

Category 3: Uncollateralized.

Deposits, categorized by level of risk as June 30, 2021 are as follows:

Account	Bank Balance	Category			Carrying Amount
		1	2	3	
Cash and cash equivalents	\$4,856,605	\$ 250,000	\$4,606,605	\$ -	\$4,856,605
Investments in CDs	<u>1,741,000</u>	<u>1,741,000</u>	-	-	<u>1,741,000</u>
	<u>\$6,597,605</u>	<u>\$1,991,000</u>	<u>\$4,606,605</u>	<u>\$ -</u>	<u>\$6,597,605</u>

At June 30, 2021, the breakdown of investments in certificates of deposit with maturities were as follows:

	Investment Maturities		
	Less than	1 year	1-5 years
Total		<u>\$ 994,000</u>	<u>\$ 747,000</u>
<u>\$1,741,000</u>			

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 3 – CAPITAL ASSETS

A summary of changes in the City's capital assets is as follows:

	Capital Assets Governmental Activities			
	Year Ending June 30, 2021			
	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental Activities:</u>				
Equipment - vehicles	\$ 72,784	\$ -	\$ -	\$ 72,784
Equipment - parks	891,583	36,811	-	928,394
Office equipment	48,180	3,741	-	51,921
Equipment - streets	76,438	-	-	76,438
City Hall - land & building	781,992	-	-	781,992
Land & improvements - parks	232,000	-	-	232,000
Land - Robsion park	443,780	-	-	443,780
Land	166,321	-	-	166,321
Park - Romara Place	1,306,789	-	-	1,306,789
Improvements - Romara Place	932,554	-	-	932,554
Infrastructure	11,719,124	-	-	11,719,124
Streetscape phase II	<u>587,702</u>	<u>-</u>	<u>-</u>	<u>587,702</u>
Total Cost	17,259,247	40,552	-	17,299,799
Less: accumulated depreciation	<u>(8,923,444)</u>	<u>(413,056)</u>	<u>-</u>	<u>(9,336,500)</u>
Net Fixed Assets	<u>\$8,335,803</u>	<u>\$(372,504)</u>	<u>\$ -</u>	<u>\$ 7,963,299</u>

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

Governmental activities:

General government	\$ 19,070
Public works	312,153
Community development	81,833
	<u>\$413,056</u>

Note 4 – PROPERTY TAXES

As generally provided in the Constitution of the Commonwealth of Kentucky, the City's property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real property located in the City. The Jefferson County Property Valuation Administrator establishes assessed values. The tax payments are due and payable when levied. The City adopted a tax rate of \$0.11 per \$100 of property assessed for taxation.

Property tax revenues are recognized when they become available. A discount of 10% shall be allowed on tax bills paid prior to August 1. Bills paid after that date but before October 1 are not allowed a discount or subject to a penalty. All bills paid after September 30 are charged a penalty of 10% plus interest at the rate of 1.5% per month, or part thereof, until paid. The City files a tax lien in the Office of the Clerk of the Jefferson County Court after February 1 of the following year.

**CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

Note 5 – INSURANCE PREMIUMS TAXES

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

Note 6 – INTERGOVERNMENTAL REVENUE

Under the provisions of state law, the Commonwealth of Kentucky reimbursed the City for contracted police services during the year ended June 30, 2021 that are recorded in the General Fund.

Note 7 – RELATED PARTY TRANSACTIONS

The City leases one building to an employee. Rental payments received are \$200 per month. The lease expires on 12/01/2021. Rental income totaled \$2,400 for the fiscal year ended June 30, 2021.

Note 8 – COMMITMENTS

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

Note 9 – PENSION PLAN

General Information about the Pension Plan

Plan description - The City has elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees. A stand-alone financial report can be obtained by going to the Kentucky Retirement System website at <https://kyret.ky.gov>.

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

Contributions – The employee contribution rate is set by statute. Employees will contribute 5% of all their creditable compensation to KRS. Due to legislation enacted by the 2008 Special Session of the General Assembly, employees with a participation date on or after September 1, 2008 will also contribute an additional non-refundable 1% of their creditable compensation. Employers contribute at the rate determined by the Board of Trustees to be necessary for the actuarial soundness of KRS as required by Kentucky Revised Statute 61.565 and 61.702. The City's contractually required contribution rate for the year ended June 30, 2021, was 19.30 percent. Contributions to the pension plan from the City were \$37,561 for the year ended June 30, 2021. There are no non-employer contributing entities to this plan.

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 9 – PENSION PLAN (continued)

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

At June 30, 2021, the City reported a liability of \$591,275 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability (TPL) used to calculate the net pension liability (NPL) was determined by an actuarial valuation as of that date. The TPL, NPL, and sensitivity information as of June 30, 2020 were based on an actuarial evaluation rate of June 30, 2019. The TPL was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. No updated procedures were used to determine the TPL. Changes in benefit terms since the prior measurement period are reported in the notes to required supplementary information. There were no changes between the measurement date of the collective net pension liability and the employer's reporting date. As of June 30, 2020, the City's proportion was .007709%.

For the year ended June 30, 2021, the City recognized pension expense of \$90,185. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,745	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	25,630	10,834
Changes in assumptions	23,088	-
Changes in proportion and differences between City contributions and proportionate share of contributions	7,297	13,988
City contributions subsequent to the Measurement Date	<u>37,561</u>	<u>-</u>
Total	<u><u>\$ 108,321</u></u>	<u><u>\$ 24,822</u></u>

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 9 – PENSION PLAN (continued)

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

At June 30, 2021, \$37,561 was reported as deferred pension contributions resulting from the City's contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

<u>Year</u>	<u>Amount</u>
2021	\$22,328
2022	10,821
2023	6,845
2024	5,943
2025	-
Total	<u><u>\$45,937</u></u>

Actuarial methods and assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of the assets and the expected actuarial value of the assets is recognized
Inflation	2.30%
Salary increase	3.30%, average
Investment rate of return	6.25%

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

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 9 – PENSION PLAN (continued)

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

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	(0.25%)
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Cash	1.00%	(0.75%)
Total	<u>100.00%</u>	<u>3.96%</u>

Discount Rate – The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

**CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

Note 9 – PENSION PLAN (continued)

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

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability	\$729,169	\$591,275	\$477,091

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

Note 10 – OTHER POST-EMPLOYMENT BENEFITS

General Information about the Insurance Plan

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

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

Contributions – The employee contribution rate is set by statute. Plan members who initiated participation in the plan after July 1, 2003 until August 31, 2008, must have 120 months of service to qualify for participation in the plan. Members who began participation after September 1, 2008, must have 180 months of service to qualify for participation in the plan. Employers contribute at the rate determined by the Board of Trustees to be necessary for the actuarial soundness of KRS as required by Kentucky Revised Statute 61.565 and 61.702. The City's contractually required contribution rate for the year ended June 30, 2021, was 4.76 percent. Contributions to the insurance plan from the City were \$9,264 for the year ended June 30, 2021. There are no non-employer contributing entities to this plan.

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 10 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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

At June 30, 2021, the City reported a liability of \$186,101 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability (TOL) used to calculate the net pension liability was determined by an actuarial valuation as of that date. No updated procedures were used to determine the TOL. Changes in benefit terms since the prior measurement period are reported in the notes to required supplementary information. There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date. As of June 30, 2020, the City's proportion was .007707%.

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$26,144. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 31,094	\$ 31,118
Net difference between projected and actual investment earnings on OPEB plan investments	9,983	3,797
Changes in assumptions	32,371	197
Changes in proportion and differences between City contributions and proportionate share of contributions	9,571	8,053
City contributions subsequent to the Measurement Date	9,264	-
Total	<u>\$ 92,283</u>	<u>\$ 43,165</u>

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 10 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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

At June 30, 2021, \$9,264 was reported as deferred OPEB contributions resulting from the City's contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

Year	Amount
2021	\$11,141
2022	12,972
2023	9,462
2024	7,078
2025	(799)
Thereafter	-
Total	<u>\$ 39,854</u>

Actuarial methods and assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.00% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post - 65	Initial trend starting at 5.00% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

CITY OF LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Note 10 – OTHER POST-EMPLOYMENT BENEFITS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	(0.25%)
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Cash	1.00%	(0.75%)
Total	<u>100.00%</u>	<u>3.96%</u>

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
– The following represents the City's proportionate share of the net OPEB liability, calculated using the discount rate of 5.34 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34 percent), 1-percentage-point higher (6.34 percent), health care trend rate 1 percent discount and health care trend rate 1 percent increase:

	1% Decrease <u>(4.34%)</u>	Current Discount Rate <u>(5.34%)</u>	1% Increase <u>(6.34%)</u>	Health Care Trend Rate 1% Decrease	Health Care Trend Rate 1% Increase
City's Proportionate Share of the Net OPEB Liability	\$239,085	\$186,101	\$142,583	\$144,088	\$237,083

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

Note 11 – SUBSEQUENT EVENTS

The City was awarded \$1,629,000 in funds from American Rescue Plan Act to be used for qualifying expenditures and projects. \$814,500 of the funds was received by the City on July 29, 2021 and the remaining balance of \$814,500 is expected to be received in 2022. The City also received an additional \$192,337 in funds from the COVID-19 Relief Fund in November 2021 to be used for eligible expenses.

The City has evaluated subsequent events through February 16, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LYNDON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Property taxes	\$ 1,187,000	\$ 1,187,000	\$ 1,289,516	\$ 102,516
Insurance taxes	775,000	775,000	976,807	201,807
Licenses, permits and fees	118,000	118,000	116,945	(1,055)
Intergovernmental revenues	12,500	12,500	10,025	(2,475)
Rental income	9,500	9,500	4,280	(5,220)
Grant income	-	-	407,344	407,344
Interest income	40,000	40,000	16,652	(23,348)
Miscellaneous	5,000	5,000	11,562	6,562
Total revenues	<u>2,147,000</u>	<u>2,147,000</u>	<u>2,833,131</u>	<u>686,131</u>
Charges to appropriations (outflows):				
General government	802,100	802,100	697,575	104,525
Public safety	280,000	280,000	288,543	(8,543)
Public works	302,500	302,500	322,214	(19,714)
Sanitation	615,000	615,000	596,011	18,989
Community development	142,000	142,000	186,408	(44,408)
Capital projects	30,000	30,000	40,552	(10,552)
Total expenditures	<u>2,171,600</u>	<u>2,171,600</u>	<u>2,131,303</u>	<u>40,297</u>
Net change in fund balance	(24,600)	(24,600)	701,828	726,428
Fund balance - beginning	<u>5,043,466</u>	<u>5,043,466</u>	<u>5,043,466</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 5,018,866</u></u>	<u><u>\$ 5,018,866</u></u>	<u><u>\$ 5,745,294</u></u>	<u><u>\$ 726,428</u></u>

CITY OF LYNDON, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Municipal road aid	\$ 225,000	\$ 225,000	\$ 214,189	\$ (10,811)
Interest income	5,500	5,500	648	(4,852)
Miscellaneous	200	200	-	(200)
Total revenues	<u>230,700</u>	<u>230,700</u>	<u>214,837</u>	<u>(15,863)</u>
Charges to appropriations (outflows):				
Streets and roads	<u>735,500</u>	<u>735,500</u>	<u>127,633</u>	<u>607,867</u>
Total expenditures	<u>735,500</u>	<u>735,500</u>	<u>127,633</u>	<u>607,867</u>
Net change in fund balance	(504,800)	(504,800)	87,204	592,004
Fund balance - beginning	<u>1,602,768</u>	<u>1,602,768</u>	<u>1,602,768</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,097,968</u>	<u>\$ 1,097,968</u>	<u>\$ 1,689,972</u>	<u>\$ 592,004</u>

CITY OF LYNDON, KENTUCKY
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2021

	6/30/2021 (Measurement) Date of 6/30/20)	6/30/2020 (Measurement) Date of 6/30/19)	6/30/2019 (Measurement) Date of 6/30/18)	6/30/2018 (Measurement) Date of 6/30/17)	6/30/2017 (Measurement) Date of 6/30/16)	6/30/2016 (Measurement) Date of 6/30/15)	6/30/2015 (Measurement) Date of 6/30/14)
City's proportion of the net pension liability	0.007709%	0.007844%	0.008276%	0.007144%	0.008440%	0.008426%	0.007725%
City's proportionate share of the net pension liability	\$ 591,275	\$ 551,672	\$ 504,034	\$ 418,160	\$ 415,554	\$ 362,000	\$ 251,000
City's covered payroll	\$ 193,185	\$ 197,870	\$ 205,128	\$ 129,930	\$ 201,337	\$ 212,094	\$ 175,982
City's proportionate share of the net pension liability as a percentage of its covered payroll	306.07%	278.81%	245.72%	321.83%	206.40%	170.68%	142.63%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.32%	59.97%	59.97%	66.80%

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

See accompanying notes to required supplementary information.

CITY OF LYNDON, KENTUCKY
SCHEDULE OF CITY'S PENSION CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2021

	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually required contribution	\$ 37,561	\$ 37,063	\$ 32,094	\$ 29,703	\$ 18,125	\$ 25,006	\$ 27,042
Contributions in relation to the contractually required contribution	<u>37,561</u>	<u>37,063</u>	<u>32,094</u>	<u>29,703</u>	<u>18,125</u>	<u>25,006</u>	<u>27,042</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>						
City's covered payroll	\$ 194,617	\$ 193,185	\$ 197,870	\$ 205,128	\$ 129,930	\$ 201,337	\$ 212,094
City's contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

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

See accompanying notes to required supplementary information.

CITY OF LYNDON, KENTUCKY
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2021

	6/30/2021 (Measurement Date of 6/30/20)	6/30/2020 (Measurement Date of 6/30/19)	6/30/2019 (Measurement Date of 6/30/18)	6/30/2018 (Measurement Date of 6/30/17)
City's proportion of the net OPEB liability	0.007707%	0.007842%	0.008276%	0.007144%
City's proportionate share of the net OPEB liability	\$ 186,101	\$ 131,899	\$ 146,939	\$ 143,619
City's covered-employee payroll	\$ 193,185	\$ 197,870	\$ 205,128	\$ 129,930
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	96.33%	66.66%	71.63%	110.54%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.39%

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

See accompanying notes to required supplementary information.

CITY OF LYNDON, KENTUCKY
SCHEDULE OF CITY'S OPEB CONTRIBUTIONS
COUNTY EMPLOYEE RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2021

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Contractually required contribution	\$ 9,264	\$ 9,141	\$ 10,408	\$ 9,641	\$ 6,146
Contributions in relation to the contractually required contribution	<u>9,264</u>	<u>9,141</u>	<u>10,408</u>	<u>9,641</u>	<u>6,146</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City's covered-employee payroll	\$ 194,617	\$ 193,185	\$ 197,870	\$ 205,128	\$ 129,930
City's contributions as a percentage of covered-employee payroll	4.76%	4.73%	5.26%	4.70%	4.73%

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

See accompanying notes to required supplementary information.

CITY OF LYNDON, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

PENSION PLAN:

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

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

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

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

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

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

2015:

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

2017:

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

CITY OF LYNDON, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

2018:

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

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

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

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

OPEB – INSURANCE PLAN:

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

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

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

2017:

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

CITY OF LYNDON, KENTUCKY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

2018:

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

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

Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of pay
Amortization period	25 years, closed
Payroll growth rate	2.00 %
Investment return	6.25 %
Inflation	2.30 %
Salary increase	3.30 %, average
Healthcare trend rates (Pre-65)	Initial trend starting at 7.00 % and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65)	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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

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

To the Honorable Mayor and Council Members
City of Lyndon, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of City of Lyndon, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 16, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Welenken CPAs

Welenken CPAs

Louisville, Kentucky
February 16, 2022