

CITY OF LYNDON, KENTUCKY

REPORT OF AUDIT

FOR THE YEAR ENDED

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lyndon, Kentucky as of and for the year ended June 30, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lyndon, Kentucky, as of June 30, 2023, and the respective changes in financial position, and, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lyndon, 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 Lyndon, 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lyndon, 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 Lyndon, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–9 and 17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023, 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 City of Lyndon, Kentucky's internal control over financial reporting and compliance.

Richard F. Paulmann CPA, LLC

City, State
November 22, 2023



CITY OF LYNDON, KENTUCKY

Management's Discussion and Analysis

The management of the City of Lyndon, Kentucky desires to offer the readers of these financial statements this narrative and analysis of the financial activities of the City of Lyndon, Kentucky for the fiscal year ended June 30, 2023.

Financial Highlights

During the fiscal year 2023, the City had general revenues of \$3,928,581, a decrease from 2022 of \$655,473. Total expenditures for fiscal year 2023 were \$5,558,564, representing an increase of \$2,709,387. With expenditures exceeding revenues by \$1,629,983, the City's Net Assets decreased from \$16,543,614 to \$14,913,631.

The financial position of the City remains strong. Tax revenues remain consistent as well as operating expenses. The main variance overall in revenues is related to Reimbursed ARPA funds. The combined general and special fund balance at June 30, 2023 was \$5,892,163, a decrease of \$2,189,692. Non-major governmental funds balance was \$1,155,135, an decrease of \$265,169. Total fund balances decreased \$1,629,983 or 10%. The non-major governmental fund balance is restricted for roads. The general fund balance is not restricted and is available for future use.

The ending cash balance for the City was \$5,634,201. This reflects a decrease in cash during the year of \$2,510,585.

The City applied for and received ARPA Funds related expenses and grants for the community due to the COVID-19 pandemic as explained further in footnote 7. The amount received was \$1,633,414.

Overview of the Financial Statements

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

CITY OF LYNDON, KENTUCKY

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements are designed to provide readers with a broad overview of the City of Lyndon, Kentucky's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of a statement of net position, and a statement of activities.

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

The statement of activities presents information showing how the government'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.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues. The City of Lyndon Kentucky's activities include administration, law enforcement, public works and waste management. Capital outlays and related debt are also supported by these revenue sources. The government-wide financial statements can be found on pages 9-15 of this report.

Fund financial statements are a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The basic government fund financial statements can be found on pages 11-15 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-25 of this report.

CITY OF LYNDON, KENTUCKY

Management's Discussion and Analysis

	FYE' 23 <u>Amount</u>	FYE'22 <u>Amount</u>	Increase <u>(Decrease)</u>
Current and other assets	\$4,417,369	\$6,403,786	(\$1,986,417)
Investments	1,216,832	1,741,000	(\$524,168)
Receivables	495,135	309,902	\$185,233
Prepays			\$0
Capital assets and land	<u>9,682,327</u>	<u>8,898,818</u>	<u>\$783,509</u>
Total Assets	<u>\$15,811,663</u>	<u>\$17,353,506</u>	<u>(\$1,541,843)</u>
Deferred Outflow Resources			
Pension plan	\$82,192	\$45,066	\$37,126
Post employment benefits	\$123,149	\$110,133	\$13,016
Payables	\$165,348	\$118,955	\$46,393
Accrued expenses	71,823	16,707	\$55,116
Net Pension Liability	557,791	485,771	\$72,020
Net OPEB Liability	<u>152,237</u>	<u>148,884</u>	<u>\$3,353</u>
Total Liabilities	<u>947,199</u>	<u>770,317</u>	<u>\$176,882</u>
Deferred Inflows of Resources			
License Fee Revenue	5,219	16,319	(\$11,100)
Deferred Pension Investment Earnings	68,518	96,657	(\$28,139)
Deferred OPEB	82,438	81,798	\$640
Invested in Capital Assets	9,682,327	8,898,818	\$783,509
Restricted	1,155,135	1,420,304	(\$265,169)
Unrestricted	<u>4,076,168</u>	<u>6,224,492</u>	<u>(\$2,148,324)</u>
Total Net Assets	<u>14,913,631</u>	<u>16,543,614</u>	<u>(\$1,629,983)</u>

The statement of Net Position shows that the City of Lyndon, Kentucky has assets of \$16,017,700 with liabilities of \$947,199. Of the \$16,017,700 total assets, \$9,682,327 is comprised of capital assets, net of depreciation. During fiscal year 2023, the total capital assets, net of depreciation increased by \$783,509 or 9 %. This increase was mostly due to the land purchased during the fiscal year.

Supplementary Information

Budgetary comparisons of the General Fund and Special Revenue Fund are shown on pages 17. These schedules show the original budget as approved and the final budget. No amendments to the budget were made during the fiscal year. The statement also shows a comparison of this final budget to "Actual". The actual is a modified accrual basis that reflects items received or paid for after the fiscal year end. The budget is also prepared on a modified accrual basis. Actual expenditures were under budget in every category. The Municipal Road Aid Fund were also not amended during the fiscal year.

CITY OF LYNDON, KENTUCKY

Management's Discussion and Analysis

	FYE' 23	FYE'22	Increase
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>
General Revenue			
Property taxes	\$ 1,627,772	\$ 1,265,008	\$ 362,764
Insurance Premium taxes	1,490,081	1,051,337	438,744
Intergovernmental Revenue	1,803	6,206	(4,403)
Municipal road aid	230,600	207,471	23,129
Interest Income	50,521	19,725	30,796
Business License and permits	58,964	119,597	(60,633)
Rental Income	16,483	14,200	2,283
Grant Income	-	1,541,964	(1,541,964)
Misc.	452,357	74,294	378,063
Total General Revenue	<u>\$ 3,928,581</u>	<u>\$ 4,299,802</u>	<u>\$ (371,221)</u>
 Net Expenses			
General government	\$ 1,482,143	\$ 877,202	\$ 604,941
public Safety	2,342,715	324,524	2,018,191
Public Works	437,826	368,654	69,172
Sanitation	596,444	596,427	17
Community Development	254,692	245,767	8,925
Total Net Expense	<u>\$ 5,113,820</u>	<u>\$ 2,412,574</u>	<u>\$ 2,701,246</u>
Capital Projects	\$ 1,241,624	\$ 252,289	\$ 989,335
Total Other Income Expense	<u>\$ 1,241,624</u>	<u>\$ 252,289</u>	<u>\$ 989,335</u>
 NET CHANGE IN FUND BALANCE	\$ (2,426,863)	\$ 1,634,939	\$ (4,061,802)
BEGINNING FUND BALANCE	8,319,026	6,684,087	1,634,939
ENDING FUND BALANCE	<u>\$ 5,892,163</u>	<u>\$ 8,319,026</u>	<u>\$ (2,426,863)</u>

Summary

The current financial statement reporting model is mandated by the Governmental Accounting Standards Board (GASB). The City of Lyndon, Kentucky implemented these changes in 2004.

Request for Information

This report is designed to provide a general overview of the City's finances and to show the City's accountability to its residents. If you have questions about this report or need additional financial information, please direct your request to the City Treasurer, City of Lyndon, Kentucky, 515 Wood Road, Louisville, KY 40202.

CITY OF LYNDON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2023

		<u>Governmental Activities</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$	4,417,369
Receivables, Net		
Property Taxes		9,695
Other Receivables		485,440
Investments		1,216,832
Land Held for Resale		1,670,143
Capital Assets Net of Accumulated Depreciation \$10,321,217		<u>8,012,184</u>
Total Assets	\$	<u>15,811,663</u>
 <u>Deferred Outflow of Resources</u>		
Defined OPEB	\$	82,192
Pension Contributions		<u>123,149</u>
Total Deferred Outflow of Resources	\$	<u><u>205,341</u></u>
 <u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$	165,348
Accrued Expenses		-
Accrued Payroll Liabilities		71,823
Net Pension Liability		557,791
Net OPEB liability		<u>152,237</u>
Total Current Liabilities	\$	<u>947,199</u>
 <u>Deferred Inflows of Resources</u>		
License fee revenue applicable to future years	\$	5,219
Deferred inflows related to pension plan		68,518
Deferred inflows related to OPEB		<u>82,438</u>
Total Deferred Inflow of Resources	\$	<u><u>156,175</u></u>
 <u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	\$	9,682,327
Restricted		1,155,135
Unrestricted		<u>4,076,168</u>
Total Net Position	\$	<u>14,913,631</u>

See Accompanying notes to the basic Financial Statements

**CITY OF LYNDON, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

Functions/Programs	Governmental Activities				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental Activities					
General Government	\$ 1,491,679	\$ -	\$ -	\$ -	\$ (1,491,679)
Public Safety	2,342,715	400,540	-	-	(1,942,175)
Public Works	781,412	-	230,600	-	(550,812)
Sanitation	596,444	-	-	-	(596,444)
Community Development	346,314	16,483	-	-	(329,831)
Depreciation	-	-	-	-	-
Total Governmental Activities	<u>5,558,564</u>	<u>417,023</u>	<u>230,600</u>	<u>-</u>	<u>(4,910,941)</u>
Total Government	<u>\$ 5,558,564</u>	<u>\$ 417,023</u>	<u>\$ 230,600</u>	<u>\$ -</u>	<u>\$ (4,910,941)</u>

Functions/Programs	Governmental Activities
Net (Expense) Revenue	<u>(4,910,941)</u>
General Revenues	
Taxes	
Property Taxes	1,627,772
Insurance Taxes	1,490,081
Intergovernmental Revenue	1,803
Interest Income	50,521
License and Permits	58,964
Franchise Income	45,643
Miscellaneous	6,174
Total General Revenues	<u>3,280,958</u>
Change in Net Position	<u>(1,629,983)</u>
Net Position, July 1, 2022	<u>16,543,614</u>
Net Position, June 30, 2023	<u>\$ 14,913,631</u>

CITY OF LYNDON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 3,262,234	\$ 1,155,135	\$ 4,417,369
Receivables, Net			
Property Taxes	9,694		9,694
Other Receivables	485,440		485,440
Land held for resale	-		-
Investments	1,216,832	-	1,216,832
Total Assets	<u>\$ 4,974,199</u>	<u>\$ 1,155,135</u>	<u>\$ 6,129,334</u>
 Liabilities			
Accounts Payable	\$ 165,348		\$ 165,348
Accrued Expenses	-		-
Accrued Payroll Liabilities	71,823		71,823
Total Liabilities	<u>\$ 237,171</u>	<u>\$ -</u>	<u>\$ 237,171</u>
 Fund Balance			
Nonspendable -Land held for resale	-		-
Restricted		1,155,135	1,155,135
Unassigned	4,737,028	-	4,737,028
Total Fund Balance	<u>4,737,028</u>	<u>1,155,135</u>	<u>5,892,163</u>
Total Liabilities and Fund Balance	<u>\$ 4,974,199</u>	<u>\$ 1,155,135</u>	<u>\$ 6,129,334</u>

See accompanying notes to the basic financial statements

CITY OF LYNDON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

Reconciliation of Fund Balance - Total Governmental Funds to Net Position of Governmental Funds

Fund Balance - Total Governmental Funds	\$ 5,892,163
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in the governmental activities are not financial	9,682,327
Deferred outflows and inflows for resources related to pension and	
Deferred outflows relate to pension plan	82,193
Deferred outflows related to OPEB	123,150
Deferred inflows related to pension plan	(68,516)
Deferred inflows related to OPEB	(82,439)

The City's proportionate share of the collective net liability for the pension and OPEB as of June 30, 2021 (measurement date) are not due and payable at June 30, 2022 and, therefore, are not reported in the

Net Pension liability	(557,791)
Net OPEB liability	(152,237)

Certain License Fees collection are not available to pay for Current period expenditures and therefore not reported as deferred inflows resources in the funds.	(5,219)
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Net Position of Governmental Activities	\$ <u>14,913,631</u>
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CITY OF LYNDON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	<u>General Activities</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes			
Property Taxes	1,627,772		1,627,772
Insurance Taxes	1,490,081		1,490,081
Interovernmental Revenue	1,803		1,803
Interest Income	48,124	2,398	50,521
License and Permits	58,964		58,964
Rental Income	16,483		16,483
Municipal Road Aid		230,600	230,600
Grant Income		-	-
Miscellaneous	452,357		452,357
Total Revenues	<u>3,695,584</u>	<u>232,997</u>	<u>3,928,581</u>
Expenditures			
Current Operating			
General Government	1,482,143		1,482,143
Public Safety	2,342,715		2,342,715
Public Works		437,826	437,826
Sanitation	596,444		596,444
Community Development	254,692		254,692
Total Expenditures	<u>4,675,994</u>	<u>437,826</u>	<u>5,113,820</u>
Other Financing Sources (Uses)			
Transfers in	60,340		60,340
Transfers out		(60,340)	(60,340)
Purchase of Capital Assets	(1,241,624)		(1,241,624)
Total Other Financing Sources (Uses)	<u>(1,181,284)</u>	<u>(60,340)</u>	<u>(1,241,624)</u>
Net Change in Fund Balance	<u>(2,161,694)</u>	<u>(265,169)</u>	<u>(2,426,863)</u>
Fund Balance, July 1, 2022	<u>6,898,722</u>	<u>1,420,304</u>	<u>8,319,026</u>
Fund Balance, June 30, 2023	<u>\$ 4,737,028</u>	<u>1,155,135</u>	<u>\$ 5,892,163</u>

See accompanying notes to the basic financial statements

CITY OF LYNDON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023
(CONTINUED)

**Reconciliation of the Change in Fund Balance - Total Governmental
Funds to the Change in Net Position of Governmental Activities**

Net Change in Fund Balance - Total Governmental Funds \$ (2,426,863)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$436,603) exceeded capital outlays (\$470,943) in the current period.

Capital Outlay	1,241,624
Depreciation	(458,114)

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.

Net Pension Liability	72,020
CERS OPEB expenses	(23,940)
Net Benefit Liability	6,525
CERS pension expense	(41,235)

Change in Net Position of Governmental Activities \$ (1,629,983)

CITY OF LYNDON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Budget		Actual Amounts	Variance with Final Budget
	Original	Actual		
Revenues				
Taxes				
Property Taxes	1,792,500	1,792,500	1,627,772	164,728
Insurance Taxes	1,800,000	1,800,000	1,490,081	309,919
License and Permits	73,000	73,000	58,964	14,036
Intergovernmental Revenue	221,700	221,700	1,803	219,897
Franchise Fees	47,500	47,500	-	47,500
Interest Income	14,500	14,500	50,521	(36,021)
Facilities Rental	10,500	10,500	16,483	(5,983)
Other	1,615,500	1,615,500	452,357	1,163,143
Municipal Road Aid		-	230,600	(230,600)
Grant Income		-	-	-
Total Revenues	<u>5,575,200</u>	<u>5,575,200</u>	<u>3,928,581</u>	<u>1,646,619</u>
Expenditures				
Current Operating				
General Government	1,894,805	1,894,805	1,482,143	412,662
Public Works	1,340,500	1,340,500	596,444	744,056
Sanitation	840,000	840,000	437,826	402,174
Public Safety	2,500,000	2,500,000	2,342,715	157,285
Community Development	162,500	162,500	254,692	(92,192)
Capital Projects	<u>2,133,000</u>	<u>2,133,000</u>	<u>1,241,624</u>	<u>891,376</u>
Total Expenditures	<u>8,870,805</u>	<u>8,870,805</u>	<u>6,355,444</u>	<u>2,515,361</u>
Excess of Revenue Over (Under) Expenditures	(3,295,605)	(3,295,605)	(2,426,863) 237,171	(868,742)
Fund Balance, Beginning	<u>5,475,500</u>	<u>5,475,500</u>	<u>8,319,026</u>	<u>(2,843,526)</u>
Fund Balance, Ending	<u>\$ 2,179,895</u>	<u>\$ 2,179,895</u>	<u>\$ 5,892,163</u>	<u>\$ (3,712,268)</u>

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The basic financial statements of the City of Lyndon, Kentucky have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities reflect financial information of the City as a whole. These statements include the primary government and its component units if applicable. Government-wide statements distinguish between governmental and business – type activities. Currently, the City does not engage in any business-type activities nor have any reportable component units.

The governmental -wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

These financial statements follow the provisions of GASB Statement "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

Governmental' activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Currently the city does not engage in any business-type activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure.

Invested in capital assets, net of related debt- This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and are reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. If there is significant unspent proceeds at year-end, the

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

portion of debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt;. The portion of the debt included in the same net position component as unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position-This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The City's policy is to use restricted assets first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The Statement of Net Position and Statement of Net Activities reflect information of the City as a whole. These statements include the primary government and its component units if applicable. Governmental-wide statements distinguish between governmental and business-type activities. Currently, the City does not engage in any business-type, inter-governmental revenues, and non-exchange revenue type activities.

The statement of activities presents direct expenses, which are clearly identifiable with a specific function or segment. Program revenues include 1), grants from the State of Kentucky for public safety/police protection 2), Kentucky Municipal Aid grants for public safety/road improvements, repairs and maintenance. Taxes and other revenue items are reported as general revenues.

Long-term debt is reflected on the statement of net assets and principal payments on long-term debt are reported as reductions of long-term debt.

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain governmental functions or activities. A fund is a separate entity with a self-balancing set of accounts. Funds of the City's general activities including the collection of legally restricted monies, administrative expense and the acquisition or construction of capital assets.

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

The government reports the following funds of the financial reporting entity: The general fund is the government's primary operating fund, and is considered the City's only major governmental fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund. The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City accounts for Kentucky municipal road aid, the local government economic assistance in the special revenue funds group. Municipal road aid is restricted to road construction, repairs and maintenance.

Measurement Focus and Basis of Accounting

The government -wide financial 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 related cash flows. Revenues are recognized in the year for which they are due. This method differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds. Expenses are classified by function.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business – type activities of the City and for each governmental program. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The City's program revenue for the year included charges for services and operating grants including police grants and municipal aid road grants. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenue and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis to accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when they are measurable and available. Measurable means the amount can be determined.

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

Available means collectible within the period or soon enough thereafter to pay current liabilities. The City considers property taxes as available if they are collected within sixty days after year-end. A ninety-day period is used for revenue recognition for all other governmental fund revenues. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for capital asset acquisitions and general obligation debt and interest which are reported as expenditures in the year due.

Budgetary Accounting

The budget information reflected in the financial statements is the annual budget adopted by the City in accordance with the provisions of Kentucky law. It is presented to the Council in the form of an ordinance and may be amended by subsequent ordinance or by municipal order.

Budgetary Comparison Schedules

As required by generally accepted governmental accounting principles, the budget comparison schedules have been prepared in the same form as the legally adopted budget; therefore its form varies somewhat from the Statement of Revenues, Expenditures and Changes in Fund Balances on page 15. The City prepares its annual budget on the modified accrual basis of accounting which is consistent with the amounts reflected in the funds financial statements. During the year, the City amended its general fund budget.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as money market accounts. For purposes of these financial statements the City considers as cash equivalents all highly liquid investments with maturities of three months or less when purchased and readily convertible to cash.

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investing policies complying with state statutes and the City Charter. City funds may be invested in: (1) obligation of the United States and its agencies and instrumentalities, (2) obligations of any corporation of the United States government, (3) certificates of deposit in institutions insured by the Federal Deposit Insurance Corporation (FDIC) and (4) bonds or certificates of indebtedness of the Commonwealth of Kentucky.

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificate of deposit, money market savings accounts, repurchase agreement, passbooks and other available bank investment provided that such financial institutions are insured by an agency of the U.S. Government. Investment in excess of the insured amount must be secured with approved securities pledged by the financial institution.

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

As of June 30, 2023, \$1,155,135 was restricted for road construction and related repairs.

Property Taxes and Property Tax Receivable

Property taxes are levied as of July 1, on assessed value listed as of the proceeding January 1 for all real property located in the City. The tax assessed for the year ended June 30, 2022 to finance general fund operations was based on \$.12 per \$100 assessed valuation for real and personal property. A discount of 2% was allowed on property taxes if paid by August 1; the gross tax (or face value) is due if paid by September 30; and a 10% penalty is assessed if paid after December 1 with 1.0% per month interest after December 1. A lien may be placed on the property if the balance is not paid within six months.

The statement of net position reflects property taxes receivable for amounts billed during the year ended June 30, 2022 and prior, for which tax liens have been placed on the properties.

The balance sheet – governmental funds reflected properties taxes receivable for accounts collected within sixty days after year end in accordance with the modified accrual basis of accounting. None of the delinquent tax bills at June 30, 2023 have been collected during the ensuing sixty day period.

Insurance Premium Taxes

Insurance premium taxes are assessed at a tax rate of 10%. The tax is assessed on first year life insurance premiums and on non-life premiums except for health insurance policies issued to individuals and state employees.

Prepaid Expenses

Prepaid expenses represent payments to vendors that benefit future reporting periods. Prepaid expenses are reported in government-wide and fund financial statements.

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

Due from General Fund

Certain revenues are temporarily deposited into the General Fund bank account on behalf of the Municipal Road Aid Fund and the other Funds and are expected to be reimbursed within the following fiscal period.

Capital Assets

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the government fund statements and capitalized (recorded and accounted for) in the government-wide statements of net assets.

Effective for the year ended June 30, 2004, the City implemented GASB Statement No. 34. One of the requirements of GASB 34 is to capitalize and depreciate infrastructure expenditures and other capital assets. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The City's policy is to record as capital assets those expenditures amounting to \$1,000 and over with useful lives of three years or more.

In accordance with GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries, City's management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of capital assets has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. No impairment losses were identified or recognized for the year ended June 30, 2017.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net assets.

The estimated useful lives of various classes of capital assets are as *follows*:

Buildings	40 years
Building improvements	10 years
Furniture, machinery and equipment	5-7 years
Road, sidewalk and bridge improvements	12-15 years

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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

Net Position and Fund Balance

Net position on the statement of net position is the difference between assets and liabilities. Net position is restricted when constraints are placed on net assets use either externally imposed by creditors, grantors or contributors or regulations of governments, or imposed by law.

The City's policy is to use restricted assets according to budgeted amounts.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes for the governmental fund financial statements.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable, such as fund balance amounts associated with inventories, prepaids, long- term loans and notes receivable; and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.
4. Assigned fund balance classification is intended to be used by the government for specific purpose but not meeting the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Expenditures/Expenses

In the government -wide financial statements, expenses are classified by function.

In the fund financial statements, governmental funds are classified by character and function. In the fund financial statements governmental funds report expenditures of financial resources.

The City's policy for spending restricted resources is to allocate disbursements to restricted funds to the extent such disbursements were budgeted to be paid from restricted fund.

CITY OF LYNDON, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities; and disclosure of contingent assets and liabilities at the date of financial statement; and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments are recorded at costs (which approximates market value) and consists of the following:

	<u>Government Fund Types</u>		
	Special		
<u>Cash and Cash Equivalents</u>	<u>General</u>	<u>Revenue</u>	<u>Total</u>
Road Fund Cash	\$	\$1,155,135	1,155,135
Other	\$3,262,234	-0-	3,262,234
Total	\$3,262,234	\$1,155,135	\$4,417,369

All accounts were collateralized as required per Kentucky Statues

NOTE 3 – RISK MANAGEMENT

The City is subject to normal insurance risks as other cities it size. The City carries general liability, worker's compensation and errors and omissions coverage. The City has not had any significant reduction in coverage in the past year.

NOTE 4 - COMMITMENTS

The City has the following contractual commitments at June 30, 2023.

- The City has contractual commitment for Sanitation at June 30, 2023.

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

The following summarizes the changes to capital assets for the year ended June 30, 2023.

	Balance <u>07/01/22</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/23</u>
Equipment Vehicles	\$ 216,384	75,828	\$ -0-	\$ 292,212
Equipment Parks	928,394	-0-	-0-	928,394
Office Equipment	51,921	-0-	-0-	51,921
Equipment Streets	76,438	-0-	-0-	76,438
City Hall – Land & Building	781,992	-0-	-0-	781,992
Land & Improvements -Parks	232,000	-0-	-0-	232,000
Land Robinson Park	443,780	-0-	-0-	443,780
Land	166,321	918,964	-0-	1,085,285
Roads	1,078,522	246,832	-0-	1,325,354
Sidewalks	150,000	-0-	-0-	150,000
Park – Romara Place	1,306,789	-0-	-0-	1,306,789
Improvements – Romara Place	932,554	-0-	-0-	932,554
Infrastructure	11,719,124	-0-	-0-	11,719,124
Streetscape phase II	<u>587,702</u>	<u>-0-</u>	<u>-0-</u>	<u>587,702</u>
Total Capital Assets	<u>\$18,671,921</u>	<u>\$ 1,241,624</u>	<u>\$ -0-</u>	<u>\$ 19,913,545</u>

Less Accumulated Depreciation

	<u>\$ 9,773,103</u>	<u>\$ 458,114</u>	<u>\$ -0-</u>	<u>\$ 10,231,217</u>
Capital Assets Net	<u>\$8,898,818</u>	<u>\$ 783,509</u>	<u>\$ -0-</u>	<u>\$ 9,682,328</u>

Depreciation was charged to function on the Statement of Activities as follows:

General Government	\$ 21,762
Community Development	86,958
Public Works	<u>349,394</u>
Total	<u>\$ 458,114</u>

NOTE 6 – APRA - American Rescue Plan Act

The City received \$1,633,414 from the American Rescue Plan Act (ARPA) during the previous Fiscal Year. This represents the entire amount allocated to the City. The Department of Treasury, effective April 1, 2022 issued the Final Rule regarding use of Coronavirus Local Fiscal Recovery Funds established under ARPA. In the Final Rule, a provision allows municipalities to use a standard allowance of up to \$10 million for the revenue loss category as an alternative to the previous revenue loss calculation formula. This provision allows the City to claim the entirety of the State and Local Fiscal Recovery Fund grant under revenue loss. Amounts claimed under revenue loss can be used for general government services. General government services include any service traditionally provided by a government such as roads, maintenance, administration, and provision of police and other public safety services (including purchase of police vehicles). As such, the funds received are listed under the General Fund of the City.

CITY OF LYNDON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 – SUBSEQUENT EVENTS

City management has evaluated subsequent events through November 22, 2023 which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which could negatively impact the owner's equity. Other financial impact could occur, however, such potential impact is unknown at this time.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS**

To the Honorable Mayor and Commission
City of Lyndon, KY

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements for the City of Lyndon, KY for the year ended June 30, 2023 in accordance with accounting standards generally accepted in the United States of America, I considered City of Lyndon KY'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 Lyndon KY's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lyndon KY's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be a material weakness and one compliance problem.

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.

Material adjustments were required to adjust Depreciation, pension and benefits.

Management Views-In the future this will be adjusted before the audit.

Report on Compliance and Other Matters

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

City of Lyndon KY's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lyndon KY's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Lyndon KY's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

This communication is intended solely for the information and use of management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Richard Paulmann, CPA, LLC



Pewee Valley, KY
November 22, 2023

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(CONTINUED)

NOTE 9 - PENSION PLAN

Plan description

The District participated in the County Employee Retirement Systems, a cost sharing multiple-employer Public Employee Retirement System, which covers its paid employees who have achieved at least one year, of service credit. For the fiscal year ended December 31, 2023 the District's covered payroll for nonhazardous positions was \$284,170 CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS.

That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, 40601, or by calling (502)564-4646 or at <https://kyret.ky.gov>.

Benefits provided

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Benefits Provided: Benefits fully vest upon reaching five years of service. Aspects of benefits include retirement after 27 years of service or age 65. Employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Contributions

Funding for CERS is provided by members, who contribute 5% nonhazardous (6 % for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 26.95% nonhazardous (21.17% - pension, 5.78% insurance) of the member's salary.

The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

As of June 30, 2023, the District reported a liability for its proportionate share of the net pension liability of \$557,791. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2022. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the District's proportion was 0.007716% for nonhazardous employees.

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(CONTINUED)

NOTE 9 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2023, the District recognized pension expense of \$41,235 (this is from tables for pension plan year ending 06/30/22, for nonhazardous. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Nonhazardous</u>		
Difference between expected actual experience	\$ 596	\$ 4,967
Changes in assumptions..		
Net difference between projected and actual earnings on investments...	75,899...	... 61,599
Changes in proportion and differences between District District contributions and proportionate share of contributions	5,698	1,953
District contributions subsequent to The measurement date	<u>-0-</u>	<u>-0-</u>
 TOTAL	 <u>\$ 82,193</u>	 <u>.\$ 68,519</u>

At June 30, 2023, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$82,193. These contributions will be recognized as a reduction of the net pension liability during the year ended June 30, 2023.

Deferred outflows and inflows related to differences 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:

Year ending December 31:	
2023	\$ 13,447
2024	17,234
2025	14,668
2026	<u>20,275</u>
 TOTAL	 <u>\$ 65,624</u>

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(CONTINUED)

NOTE 9 - PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.30% to 10.3% average, including inflation
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The mortality rates were based on Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2020. The Mortality Table used for disabled members was PUB-2010 Disability Mortality Table, with 4-year Mortality Improvement Scale using base year 2010.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expressed returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Nominal Rate of Return</u>
<u>New rates for 2019 audits</u>		
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.355%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	(.60)%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	0.00%
Real Return	<u>10.00%</u>	4.55%
	100.00	
	29	

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(CONTINUED)

NOTE 9 - PENSION PLAN (CONTINUED)

Discount rate – 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 local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarially value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District’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%) or 1 – percentage-point higher (7.25%) than the current rate:

Current 1% Decrease	Discount Rate <u>(5.25%)</u>	1% Increase <u>(6.25%)</u>	<u>(7.25%)</u>
Lyndon, Kentucky’s Share Of the net pension liability	\$697,169	\$557,791	\$442,513

Pension plan fiduciary net position is available in the separately issued CERS financial report which is publicly available at <http://kyret.ky.gov>. Payables to the Plan – nonhazardous and Hazardous. Which includes pension and OPEB contributions.

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan description: The County Employees Retirement System (CERS) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. This system consists of two plans – *Nonhazardous* and *Hazardous*. Each Insurance Fund is a cost-sharing, multiple-employer defined benefit plan administered by the Kentucky Retirement Systems’ (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(CONTINUED)

Benefits: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The 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. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The District's contractually required contribution rate for the year ended June 30, 2022 was 4.76% nonhazardous (6 % for employees hired after September 1, 2008) of covered payroll. Contributions to the Insurance Fund from the District were \$19,350 (this is for plan year and I believe should be for calendar year which per your RSI shows \$105,000) for the year ended December 31, 2020. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is 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).

The District 's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for Fiscal Year 2020. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2020, the District's proportion for the nonhazardous was .0071618%.

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(CONTINUED)

OPEB Liability: For the period ending December 31, 2020, the Board reported a liability of \$148,884 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District 's proportion of the net OPEB liability was based on a projection of the District 's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined.

For the year ended June 30, 2023, the District recognized OPEB expense of \$23,940 (this is from tables for pension plan year ending 06/30/21, for nonhazardous in total. The District also reported deferred outflows of resources and deferred inflows of resources related to pensions as the following:

	Deferred Outflows Of Resources	Deferred Inflows
<u>Nonhazardous</u>		
<u>Liability Experience</u>		
Difference between expected actual experience	.. \$ 23,211	\$ 34,911
Changes in assumptions	729	19,840
Net difference between projected and actual earnings on investments		22,169
Changes in proportion and differences between District contributions and proportionate share of contributions		5,518
District contributions subsequent to The measurement date	99,209	-0-
TOTAL	<u>\$ 123,149</u>	<u>.. \$82,438</u>

The District's deferred outflows of resources of \$123,149 related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources as of December 31, 2020 will be recognized into OPEB expense (benefit) as follows:

Year ending December 31:	
2022	\$ 564
2023	(1,819)
2024	(9,596)
2025	947
TOTAL	<u>\$ (8,904)</u>

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(CONTINUED)

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(CONTINUED)

Net OPEB Liability: The District 's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Non-hazardous and Hazardous Inflation 2.30% Salary increases 3.30 to 10.30%, varies by service, including inflation Investment rate of return 6.25%, net of Plan investment expense, including inflation Healthcare trend Pre – 65: Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. Post – 65: Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP2014 Mortality Improvement Scale using a base year of 2010

The actuarial assumption used in the June 30, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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.

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(CONTINUED)

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the table on the following page.

	Target <u>Allocation</u>	Long Term Nominal Rate <u>of Return</u>
US Equity	21.75%	5.7%
Non-U.S Equity	21.75%	6.35%
Private Equity	10.00%	9.7%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	-0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Opportunistic	3.00%	2.25%
Real Return	<u>10.00%</u>	4.55
% TOTAL	<u>100.00 %</u>	

Discount Rate

The discount rates used to measure the total net OPEB liability were 5.34% and 5.30% nonhazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(CONTINUED)

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(CONTINUED)

Sensitivity of the Board’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Board’s proportionate share of the net OPEB liability calculated using the discount rates of 5.39%, as well as what the Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower, (4.34%), or 1 percentage point higher, (6.34%), than the current rate:

	<u>1% Decrease</u> <u>(4.70%)</u>	<u>Discount Rate</u> <u>(5.20%)</u>	<u>1% Increase</u> <u>(6.20%)</u>
Lyndon Kentucky’s Share Of the net pension liability	<u>\$203,516</u>	<u>\$152,237</u>	<u>\$109,846</u>

Actuarial Assumptions and Methods

Total pension liability for CERS was determined by actuarial valuation as of June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.30 percent
Salary Increases 3.3 to 10.30% percent, average, including inflation
Investment Rate of Return 6.25 percent, net of pension plan investment expense, including inflation.

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	26 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% of 10.3%, varies by service
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.25% at 1/1/2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.10% at 1/1/2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumption used in the June 30, 2019 valuation was based on the results of an actuarial experience study for the period July 1, 2013-June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plans fiscal year ending June 30, 2020.

The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the table on the following page.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. 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 cover 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.

LYNDON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023
(CONTINUED)

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report which is publicly available at <http://kyret.ky.gov>.

Payables to the OPEB plan

At June 30, 2023 there were no payables to CERS for nonhazardous and hazardous. Which includes pension and OPEB contributions.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LYNDON KENTUCKY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY

**COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) DEFERRED COMPENSATION
PLAN
(AMOUNTS IN THOUSANDS)**

	2023	2022	2021	2020
Portion of the net				
Pension liability (asset)	.0007716%	.0007169%	.007709%	%.007844
Proportionate share of				
The net pension liability (asset)	\$557,791	\$485,771	\$591,275	\$551,642
Covered employee payroll	\$284,170	\$251,570	\$193,185	\$197,870
Proportionate share of the Pension liability (asset)				
As a percentage of its Covered employee payroll	196.00%	193.00%	306.07%	278.72%
Plan fiduciary net pension				
As a percentage of the Total pension liability	51.00%	52.00%	47.81%	50,45%

SEE ACCOMPANYING NOTES AND REPORT OF INDEPENDENT AUDITORS

MOUNTAIN LYNDON KENTUCKY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

**COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) DEFERRED COMPENSATION
PLAN
(AMOUNTS IN THOUSANDS)**

	2023	2022	2021	2020	2019
Contractually required Contribution	\$45	\$44	\$37	\$37	\$32
Contributions in relation To the contractually Required contribution	\$45	\$44	\$37	<u>\$37</u>	\$32
Contribution deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$284	\$251	\$194	\$193	\$197
Contributions as a Percentage of covered Employee payroll	16.0%	19.0%	19.3%	19.3%	16.22%

SEE ACCOMPANYING NOTES AND REPORT OF INDEPENDENT AUDITORS

MOUNTAIN LYNDON KENTUCKY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

**COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) DEFERRED COMPENSATION
PLAN
(AMOUNTS IN THOUSANDS)**

	2023	2022	2021	2020	2019
Contractually required Contribution	\$45	\$44	\$37	\$37	\$32
Contributions in relation To the contractually Required contribution	\$45	\$44	\$37	<u>\$37</u>	\$32
Contribution deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$284	\$251	\$194	\$193	\$197
Contributions as a Percentage of covered Employee payroll	16.0%	19.0%	19.3%	19.3%	16.22%

SEE ACCOMPANYING NOTES AND REPORT OF INDEPENDENT AUDITORS

CITY OF LYNDON KENTUCKY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021
Portion of the net OPEB Liability	.007714%	.007162%	.007707%
Proportionate share of The net OPEB liability	\$ 152	\$ 149	\$ 186
Covered employee payroll	\$284	\$251	\$193
Proportionate share of the OPEB liability (asset) As a percentage of its Covered employee payroll	54.00%	59.00%	96.33%
Plan fiduciary net OPEB As a percentage of the Total OPEB liability	19.0%	31.0%	51.67%

SEE ACCOMPANYING NOTES AND REPORT OF INDEPENDENT AUDITORS

CITY OF LYNDON
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020
Contractually required Contribution	\$23,211	\$19,350	\$9,264	\$9,141
Contributions in relation To the contractually Required contribution	\$23,211	\$19,350	\$9,264	\$9,141
Contribution deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$284,000	\$251,570	\$194,617	\$183,185
Contributions as a Percentage of covered Employee payroll	8.0%	8.0%	5.0%	5.0%

SEE ACCOMPANYING NOTES AND REPORT OF INDEPENDENT AUDITORS