

CITY OF LAKESIDE PARK, KENTUCKY

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2021

CITY OF LAKESIDE PARK, KENTUCKY

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>	
INTRODUCTORY SECTION		
List of Principal Officials.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	3	
Management's Discussion and Analysis.....	7	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position.....	12	
Statement of Activities.....	13	
Fund Financial Statements		
Balance Sheet-Governmental Funds.....	14	
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	15	
Notes to the Financial Statements.....	16	
Required Supplementary Information:		
Budgetary Comparison Schedule		
General Fund.....	33	
Budgetary Comparison Schedule		
Special Revenue Fund.....	34	
Schedule of City Contributions-Pension.....	35	
Schedule of Proportionate Share of Net Pension Liability-		
Non-Hazardous.....	36	
Schedule of City Contributions-OPEB.....	37	
Schedule of Proportionate Share of Net OPEB Liability-		
Non-Hazardous.....	38	
Notes to Required Supplementary Information.....	39	
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.....		41
Schedule of Findings and Responses.....	44	

City of LAKESIDE PARK

LIST OF PRINCIPAL OFFICIALS

Mayor - Council Form of Government

CITY COUNCIL

David Jansing
Mayor

Dave Wolfer
Council Member

Paul Markgraf
Council Member

Matt Stegman
Council Member

Tyler Gastright
Council Member

Brian Waite
Council Member

Mary Ann Thaman
Council Member

CITY ADMINISTRATION

Diana Davis, City Clerk/Treasurer

Greg Voss, City Attorney

CT Consultants, City Engineer

NKAPC, Zoning

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INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council
City of Lakeside Park, Kentucky**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lakeside Park, 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 Lakeside Park, 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 of 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.

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Opinions

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 Lakeside Park, Kentucky, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity 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 contributions, and schedule of proportionate share of net pension liability-non hazardous on pages 7-11 and 33-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of the City of Lakeside Park, 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 Lakeside Park, 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 Lakeside Park, Kentucky's internal control over financial reporting and compliance.

RANKIN, RANKIN, & COMPANY

**Ft. Wright, Kentucky
November 22, 2021**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Lakeside Park, Kentucky's financial performance provides an overview of the City of Lakeside Park, Kentucky's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's basic financial statements, which are on pages 12 through 15.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities for the City as a whole and present a view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report to the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

FINANCIAL HIGHLIGHTS

- The City's cash balances increased \$681,084 compared to the prior year and the total fund balances increased \$588,558.
- Revenue increased \$395,937 mainly due CARES money received from the state but also from an increase in taxes, licenses and permits.
- Expenditures decreased \$816,082 mostly due to payments for the city building.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets and liabilities and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, the increases and decreases in net position are one indicator of whether the City's financial position is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure will also assist in assessing the overall financial health of the City.

The statement of activities presents 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 cash flows. As a result, revenues and

expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods (e.g. uncollected revenue.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, license fees and intergovernmental activities which are considered governmental activities from those functions that are intended to cover all or a significant portion of their costs through user fees and charges which are considered business-type activities. The governmental activities include most of the City's basic services. These include but are not limited to police, fire, street maintenance, parks and recreation, and general administration.

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 and objectives. Some funds are required to be established by State law. However, the City Council can establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for grant funds. All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City of Lakeside Park uses only 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 how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for the 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 governments' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lakeside Park maintains three individual governmental funds. Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and change in fund balances for the general fund and special revenue fund, each of which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government’s financial position. Lakeside Park’s total assets exceeded liabilities by \$8,055,465 at the close of the 2021 fiscal year. By far the largest portion of the net position reflects cash and cash equivalents and investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure). These capital assets are used to provide services to citizens, and consequently, are not available for future spending. Although the City of Lakeside Park’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 2,793,207	\$ 2,204,610
Capital assets, net	5,420,967	5,611,457
Total assets	<u>8,214,174</u>	<u>7,816,067</u>
Total deferred outflows of resources	52,340	36,819
Total pension and OPEB liability	166,799	137,872
Other liabilities	34,309	33,623
Total liabilities	<u>201,108</u>	<u>171,495</u>
Total deferred inflows of resources	9,941	14,996
Net Position		
Invested in capital assets, net of related debt	5,420,967	5,611,457
Unrestricted	2,634,498	2,054,938
Total net position	<u>\$ 8,055,465</u>	<u>\$ 7,666,395</u>

At the end of the current fiscal year, Lakeside Park is able to report positive balances in net position. The same held true for prior fiscal years.

Governmental Activities. Governmental activities (i.e.: taxes, licenses, and fees) increased the City’s net position by \$389,070. Key elements of the increase are as follows:

<u>City of Lakeside Park Changes in Net Position</u>		
<u>Governmental Activities</u>		
	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 234,219	\$ 226,306
Capital grants and contributions	51,857	53,107
General Revenues:		
Taxes	989,599	915,809
Licenses and permits	718,560	668,951
Other revenues	286,181	20,339
Total revenues	<u>\$ 2,280,416</u>	<u>\$ 1,884,512</u>
Expenses:		
General government	226,687	304,206
Public Safety	926,463	716,022
Public works/streets	549,469	472,380
Waste collection	179,082	224,739
Pension expense	9,645	10,817
Total expenses	<u>1,891,346</u>	<u>1,728,164</u>
Increase/decrease in net position	389,070	156,348
Net position prior year	7,666,395	7,510,047
Net position current year	<u>\$ 8,055,465</u>	<u>\$ 7,666,395</u>

- Capital grants and contributions increased due to certain street improvement reimbursements from other local governments in the current year.
- Taxes, licenses and permits increased slightly due to normal increases, rates and taxpayer business activities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$2,758,253, which is an increase of \$588,558 from last year. It is anticipated that streets outflows will continue to increase as additional projects are scheduled.

- The General Fund had an end of year balance of \$2,677,518 to be available for a carryover to the next year to be used for operations until the next year's taxes are available as well as for emergencies and planned street projects. The Municipal Road Aid Fund had an end of year restricted balance of \$80,735.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final appropriations for the General Fund at year-end were \$536,853 less than the final budget. The budget to actual variance in appropriations was principally due to general government expenditures being less than budgeted during the year.

CAPTIAL ASSET ADMINISTRATION

In fiscal year 2021, there were two street projects. This included Paul Hesser Drive reconstruction and 2020 Street Program. Neither one was complete at 6/30/21.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Lakeside Park is a residential community with minimal growth opportunities. The zoning code currently does not allow commercial use within the city, except for three businesses previously established. Therefore, revenue growth is limited. Estimated budgeted revenue for 2020-21 will not be significantly different and expenditures are budgeted for increases in police and fire protections.

REQUESTS FOR INFORMATION

This financial report is designed to provide for all those with an interest in the government's finances, a general overview of the City's finances. If you have questions about this report or requests for additional financial information, contact the City Clerk, Diana Davis at the City of Lakeside Park, 9 Buttermilk Parkway, Lakeside Park, Kentucky 41017.

CITY OF LAKESIDE PARK, KENTUCKY**Statement of Net Position**

June 30, 2021

	Primary Governmental Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,658,315
Receivables	
Taxes	4,858
Licenses and permits	117,914
Prepays	9,997
Restricted cash	2,123
Total current assets	<u>2,793,207</u>
Noncurrent assets	
Capital assets not being depreciated	214,631
Capital assets, net of accumulated depreciation	5,206,336
Total noncurrent assets	<u>5,420,967</u>
Total assets	<u>8,214,174</u>
DEFERRED OUTFLOWS OF RESOURCES	
Contributions subsequent to the measurement date	17,901
Deferred outflows from pension liability	17,386
Deferred outflows from OPEB liability	17,053
Total deferred outflows of resources	<u>52,340</u>
LIABILITIES	
Accrued liabilities	34,309
Noncurrent liabilities:	
Net Pension Liability	126,860
Net OPEB liability	39,939
Total liabilities	<u>201,108</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from net pension liability	2,324
Deferred inflows from net OPEB liability	7,617
Total deferred inflows of resources	<u>9,941</u>
NET POSITION	
Invested in capital assets	5,420,967
Unrestricted	2,634,498
Total net position	<u>\$ 8,055,465</u>

See accompanying notes to the basic financial statements.

CITY OF LAKESIDE PARK, KENTUCKY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (expenses)
		Charges for Services	Capital Grants and Contributions	Revenues and Changes in Net Assets
Primary government:				Governmental Activities
Governmental activities:				
General government	\$ 226,687	\$ -	\$ -	\$ (226,687)
Waste collection	179,082	234,219	-	55,137
Public safety	926,463	-	-	(926,463)
Public works	549,469	-	51,857	(497,612)
Pension expense	9,645	-	-	(9,645)
Total governmental activities	<u>1,891,346</u>	<u>234,219</u>	<u>51,857</u>	<u>(1,605,270)</u>
Total primary government	<u>\$ 1,891,346</u>	<u>\$ 234,219</u>	<u>\$ 51,857</u>	<u>\$ (1,605,270)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes			\$	860,545
Other taxes				129,054
Licenses and permits				718,560
Fines and forfeitures				4,467
Loss on asset disposal				-
Interest				5,578
Miscellaneous				276,136
Total general revenues				<u>1,994,340</u>
Change in net assets				<u>389,070</u>
Net position-beginning				<u>7,666,395</u>
Net position-ending			\$	<u><u>8,055,465</u></u>

See accompanying notes to the basic financial statements.

CITY OF LAKESIDE PARK, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,577,580	\$ 80,735	\$ 2,658,315
Receivables			
Taxes	4,858	-	4,858
Licenses and permits	117,914	-	117,914
Prepays	9,997	-	9,997
Restricted cash	2,123	-	2,123
Total assets	<u>\$ 2,712,472</u>	<u>\$ 80,735</u>	<u>\$ 2,793,207</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 34,309	\$ -	\$ 34,309
Total liabilities	<u>34,309</u>	<u>-</u>	<u>34,309</u>
Deferred inflows of resources			
Unavailable revenue-property taxes	<u>645</u>	<u>-</u>	<u>645</u>
Fund balances:			
Non-spendable-prepays	9,997	-	9,997
Restricted-capital projects	-	80,735	80,735
Assigned to special project	2,123	-	2,123
Unassigned	2,665,398	-	2,665,398
Total fund balances	<u>2,677,518</u>	<u>80,735</u>	<u>2,758,253</u>
Total liabilities and fund balances	<u>\$ 2,712,472</u>	<u>\$ 80,735</u>	<u>\$ 2,793,207</u>
Total governmental fund balances			\$ 2,758,253
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			5,420,967
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			645
Contributions subsequent to net pension liability measurement date			13,574
Contributions subsequent to net OPEB liability measurement date			4,327
Net pension liability outflows carried as deferred charges			17,386
Net pension liability inflows carried as deferred charges			(2,324)
Net OPEB liability outflows carried as deferred charges			17,053
Net OPEB liability inflows carried as deferred charges			(7,617)
Long-term liabilities, including bonds payable, are not due and payable in current period and therefore are not reported in the funds:			
Net pension liability			(126,860)
Net OPEB liability			(39,939)
Net position of governmental activities			<u>\$ 8,055,465</u>

See accompanying notes to the basic financial statements.

CITY OF LAKESIDE PARK, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Year Ended June 30, 2021

	General	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 988,952	\$ -	\$ 988,952
Licenses and permits	718,560	-	718,560
Intergovernmental	-	51,857	51,857
Charges for services	234,219	-	234,219
Fines and forfeitures	4,467	-	4,467
Interest	5,537	41	5,578
CARES Act money	259,496	-	259,496
Miscellaneous	16,640	-	16,640
Total revenues	<u>2,227,871</u>	<u>51,898</u>	<u>2,279,769</u>
EXPENDITURES			
Current:			
General government	314,886	-	314,886
Waste collection	179,082	-	179,082
Public safety	926,463	-	926,463
Public works	185,957	84,823	270,780
Total expenditures	<u>1,606,388</u>	<u>84,823</u>	<u>1,691,211</u>
Excess (deficiency) of revenues over expenditures	<u>621,483</u>	<u>(32,925)</u>	<u>588,558</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	-	-	-
Transfer in	-	-	-
Transfer out	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>621,483</u>	<u>(32,925)</u>	<u>588,558</u>
Fund balances - beginning	<u>2,056,035</u>	<u>113,660</u>	<u>2,169,695</u>
Fund balances - ending	<u>\$ 2,677,518</u>	<u>\$ 80,735</u>	<u>\$ 2,758,253</u>
Reconciliation to government-wide changes in net position:			
Net change in fund balances			\$ 588,558
Capital outlay expenditures capitalized			216,953
Depreciation on governmental activities assets			(407,443)
Change in deferred revenue			647
Repayment of debt			-
Loss on asset disposal			-
Net pension liability expenses based on proportionate share of service cost and calculated pension cost from measurement date to measurement date			(8,610)
Net OPEB liability expenses based on proportionate share of service cost and calculated pension cost from measurement date to measurement date			(1,035)
Change in net position of governmental activities			<u>\$ 389,070</u>

See accompanying notes to the basic financial statements.

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Lakeside Park, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

Date of Management's Review

Subsequent events were evaluated through November 22, 2021, which is the date the financial statements were available to be issued.

Financial Reporting Entity

The City of Lakeside Park is a municipality governed by a mayor and six-member council. Legislative authority is vested in the city council members. As required by accounting principles generally accepted in the United States of America, these financial statements present the government.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The City of Lakeside Park has no business-type activities or blended or discretely presented component units.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicant who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Measurement 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 and expenses are recorded when a liability is incurred, related of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating 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 fund is used to account for financial resources to be used for the acquisition and construction of major capital projects.

Assets, deferred outflows, liabilities, deferred inflows and net position or equity

Cash and Cash Equivalents

Cash and cash equivalents including amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities;
2. Obligations and contracts for future delivery or purchases of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligation permitted by Section 41.240(4) of the Kentucky Revised Statutes.
5. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of these highest categories by a nationally recognized rating agency.

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. Bankers' acceptances for banks rated in one of the highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
9. Securities issued by a state or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
10. Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b) The management company of the investment company shall have been in operation for at least five (5) years; and
 - c) All of the securities in the mutual fund shall be eligible investments under this section.

Property Taxes and Tax Calendar

Property taxes are levied as of July 1 on property values assessed as of the previous January 1. The taxes are billed on approximately September 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. Property tax rates for the year ended June 30, 2021 were \$.309 per \$100 valuation for real property, \$1.182 for personal property and \$.2769 for motor vehicles. The assessed value of property upon which the levy for 2019 was based was \$250,832,650.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". For fiscal year 2021, the City had no due from/due to other funds, nor made transfers between funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items.

Capital Assets

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased capital assets are valued at cost where historical records are available and at an esti-

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

mated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

Buildings	40 years
Building Improvements	10-20 years
Public Domain Infrastructure	20 years
Vehicles	7 years
Office Equipment	5 years

Under GASB 34, the City has elected not to report major infrastructure retroactively.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Deferred Outflows/Inflows of Revenues

The City reports a separate section of deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods. The City's unavailable revenue is reported only in the governmental funds balance sheet, from one source – property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred pension contributions subsequent to the measurement date, differences between projected and actual earnings on pension plan, and other deferred outflow/inflow elements.

Fund Equity

In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, assigned or unassigned. Nonspendable fund balances arise when resources cannot be spent because of their form and because resources

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

must be maintained intact. Restricted fund balances arise when constraints placed on the use of resources are either externally imposed or imposed by law. Assigned fund balances are those that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. Unassigned fund balance is the residual classification for the General Fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed.

Required Supplementary Information Budgetary Policies

All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules present actual expenditures in accordance with the accounting principles generally accepted in the U.S. on a basis consistent with the legally adopted budgets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Restricted Revenues

When there are restricted and unrestricted revenues in a program, the City's policy is the restricted revenues are expended first.

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by May 15, the Mayor submits to the Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain citizen comment.
- C. By July 1, the budget is legally enacted through passage of an ordinance.

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

- D. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council may authorize supplemental appropriations during the year. Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made. All appropriations lapse at fiscal year end.

NOTE C-DEPOSITS

As of June 30, 2021, the City held no investments:

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2021, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Additions	Retirements/ Deletions	Balance June 30, 2021
Governmental activities:				
Not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	214,631	-	214,631
Subtotal	<u>-</u>	<u>214,631</u>	<u>-</u>	<u>214,631</u>
Other capital assets:				
Buildings	1,261,715	-	-	1,261,715
Improvements/infrastructure	7,316,684	-	-	7,316,684
Equipment	66,098	2,322	-	68,420
Vehicles	19,116	-	-	19,116
Subtotal	<u>8,663,613</u>	<u>2,322</u>	<u>-</u>	<u>8,665,935</u>
Accumulated depreciation:				
Buildings	42,001	33,600	-	75,601
Improvements/infrastructure	2,973,641	365,834	-	3,339,475
Equipment	17,398	8,009	-	25,407
Vehicles	19,116	-	-	19,116
Subtotal	<u>3,052,156</u>	<u>407,443</u>	<u>-</u>	<u>3,459,599</u>
Net other assets	<u>5,611,457</u>	<u>(405,121)</u>	<u>-</u>	<u>5,206,336</u>
Net capital assets	<u>\$ 5,611,457</u>	<u>\$ (190,490)</u>	<u>\$ -</u>	<u>\$ 5,420,967</u>

<p>CITY OF LAKESIDE PARK, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021</p>

Depreciation was charged to functions as follows:
Governmental activities:

General government	\$ 41,609
Highways and streets	365,834
Total governmental activities depreciation expense	<u>\$ 407,443</u>

NOTE E-CLAIMS AND JUDGMENTS

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

NOTE F-EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

General Information about the Pension Plan

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous positions of each county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, cost-of-living (COLA) adjustments were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5%.

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Non-hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 5-high creditable compensation years with a minimum of 48 months and a minimum of five fiscal years. Final compensation is determined by dividing the total salary earned during the 5-high years by the number of months worked, then multiplying by twelve. Non-hazardous members, age 65 or older, or with 27 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For non-hazardous members who began contributing to CERS on or after September 1, 2008, any member age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87. In addition, a member, age 65, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

Non-hazardous Contributions - For the year ended June 30, 2021, all plan members who began participating before September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2021, participating employers contributed 24.06% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2021 was 24.06% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set per-

<p>CITY OF LAKESIDE PARK, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021</p>

centage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the non-hazardous pension plan from the City were \$13,574 for the year ended June 30, 2021.

The City has no hazardous pension contributions.

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 \$126,860 for its proportionate share of the net pension liability for non-hazardous. The City's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's proportion was 0.0017 percent for non-hazardous.

For the year ended June 30, 2021, the City recognized pension expense of \$12,603 for non-hazardous and, 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.	\$ 3,163	\$ -
Change in assumptions.	4,954	-
Net difference between projected and actual earnings on pension plan investments.	5,499	2,324
Changes in proportion and differences between contributions and proportionate share of contributions.	3,770	-
Contributions subsequent to the measurement date.	13,574	-
Total	<u>\$ 30,960</u>	<u>\$ 2,324</u>

The \$13,754 reported as deferred outflows of resources relating to pensions resulting from the City's contributions made after the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<p>CITY OF LAKESIDE PARK, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2021</p>

Year Ended June 30	Net Outflows/ Inflows
2021	\$ 7,085
2022	4,950
2023	1,782
2024	1,275
Totals	\$ <u>15,092</u>

Actuarial 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:

Inflation	2.30 percent
Salary increases	2.0 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

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

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Asset Class	Target Allocation	Long-Term Expected Nominal Return
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash Equivalent	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	6.26%

Discount Rate – The single discount rates were based on the expected rate of return on pension investments of 6.25% for each plan. Based on the stated assumptions and the projection of cash flows for each fiscal year ending, the Pension Plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of the projected benefit payments to determine the Total Pension Liability for each plan. The projection of cash flows used to determine the single discount rate assumes that each fund receives the employer required contributions each future year, as determined by the current funding policy established in Statute, which includes the phase-in provisions from House Bill 362 (passed 2018) that applies to CERS.

401 (h) Subaccount – Based on guidance issued by GASB in connection with BASB Statement No. 74, the 1% member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount is considered as an Other Post Employment Benefit (OPEB) asset. As a result, the reported pension fiduciary net positions as of June 30, 2017 and later are net of the 401(h) asset balance.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The discount rate used to measure the total pension liability for the system was 6.25% for both, nonhazardous and hazardous. The following presents the net pension liability calculated using the discount rate of percent, as well as what the systems’ net position liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate for non-hazardous and (5.25%) or one percentage point higher (7.25%) than the current rate for hazardous (\$ thousands):

	1% Decrease	Current	1% Increase
	5.25%	Discount Rate 6.25%	7.25%
CERS			
Non-hazardous	\$ 9,458,677	\$ 7,669,917	\$ 6,188,756
City's Share	\$ 156	\$ 111	\$ 88

Pension Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued CERS financial report.

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE G-POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Insurance Benefits County Employees Retirement System (CERS)

The City's employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.701, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the insurance fund for members participating in CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

General Information about the Insurance Fund

Plan Description – The Kentucky Retirement Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for members receiving benefits from KERS, CERS and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to eligible retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for the whole or partial payment of required premiums to purchase hospital and medical insurance. The 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.

Insurance Benefits – For members participating prior to July 1, 2003, the amount of contribution paid for hospital and medical insurance is based on the years of service and respective percentages of the maximum contribution as follows:

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

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 ten 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. Dollar contributions for fiscal year 2020 was \$13.78 for non-hazardous. This benefit is not protected under the inviolable contract provisions of the Kentucky Revised

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Insurance Contributions – Future contributions are projected in accordance with the Board’s current funding policy, which includes the requirement that each participating employer in the system contribute the actuarially determined contribution rate, which is determined using a closed funding period (30 years as of June 30, 2020) and the actuarial assumptions and methods adopted by the Board. Current assets, future contributions and investment earnings are projected to be sufficient to pay the projected benefit payment from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system’s actuarial determined contributions. It is the understanding that cost associated with the implicit subsidy will not be paid out of the system’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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 \$39,939 for its proportionate share of the net OPEB liability for non-hazardous. The City’s net OPEB liability was measured at June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on a projection of the City’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City’s proportion was 0.0017 percent for non-hazardous.

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,035 for non-hazardous. At June 30, 2021, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	GENERAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,673	\$ 6,678
Change in assumptions	6,947	42
Net difference between projected and actual earnings on OPEB plan investments	2,142	815
Changes in proportion and difference between City contributions and proportionate share of contributions	1,291	82
City contributions subsequent to the measurement date	4,327	-
Total	<u>\$ 21,380</u>	<u>\$ 7,617</u>

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

The \$4,327 is reported as deferred outflows of resources relating to OPEB resulting from the City's contributions made after the measurement date of the net OPEB liability but before the end of the The City's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Net Outflows/ Inflows
2021	\$ 2,510
2022	2,903
2023	2,149
2024	1,973
2025	(99)
Totals	\$ 9,436

Actuarial 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 percent
Payroll growth	2.0 percent, average
Investment rate of return	6.25 percent
Health cost trend rates Pre-65	7.0% for 2020, decreasing to an ultimate rate of 4.05% over a period of twelve years
Health cost trend rates Post-65	5.0% for 2020, decreasing to an ultimate rate of 4.05% over a period of ten years

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

The actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Target Asset Allocation – The long-term expected rates of return were determined by using a building block method in which the best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocations and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

CERS Insurance Plans		
Asset Class	Target Allocation	Long-Term Expected Nominal 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%
Cash Equivalent	1.00%	-0.75%
Real Estate*	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return*	15.00%	3.95%
Total	<u>100%</u>	<u>6.26%</u>

*Long-term expected real rates of return may vary depending on risk tolerance.

Discount Rate – The single discount rates are based on the expected rate of return on OPEB plan investments 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 28, 2020. Based on the stated assumptions and the projection of cash flows for each fiscal year ended, the plan’s insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the Plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed 2018) that applies to CERS.

401 (h) Subaccount – Based on guidance issued by GASB in connection with GASB Statement No. 74, the 1% member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount is considered as an OPEB asset. As a result, these member contributions and associated investment income are included in the reconciliation of the fiduciary net position.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The discount rate of 5.34% for non-hazardous was used to measure the total OPEB liability for the system as of June 30, 2020. The following presents the net OPEB liability calculated using the discount rate of percent, as well as what the systems’ net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.34%) or one percentage point higher (6.34%) than the current rate for non-hazardous:

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

	1% Decrease	Current	1% Increase
CERS	4.34% Non-hazardous	5.34% Non-hazardous	6.34% Non-hazardous
City Proportionate Share	\$ 51,310	\$ 39,939	\$ 30,600

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates - For both the non-hazardous and hazardous plans the initial trend rate for Pre-65 starts at 7.50% and is expected to gradually decrease to an ultimate trend rate of 5.00% over a period of 5 years. For both the non-hazardous and hazardous plans the initial trend rate for Post-65 starts at 5.50% and is expected to gradually decrease to an ultimate trend rate of 5.00% over a period of 2 years.

	1% Decrease	Health Trend Rate	1% Increase
CERS			
City Proportionate Share	\$ 30,923	\$ 39,939	\$ 50,888

OPEB Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued KRS financial report.

NOTE H-CONTINGENT LIABILITIES

The City is not a defendant in lawsuits.

NOTE I-RISK MANAGEMENT

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

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2021, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE J-JOINTLY GOVERNED ORGANIZATION

The City, in conjunction with one other local governmental entity that provides police protection services, created the Lakeside Park-Crestview Hills Police Authority. The Police Authority, a separate legal entity, provides police services to the two governmental entities. The Authority’s board is comprised of three members from each entity. Except for the annual contribution, no

CITY OF LAKESIDE PARK, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

participant has any obligation, entitlement or residual interest. The City's annual contribution for the year ended June 30, 2021 was \$595,619.

NOTE K-COMMITMENTS

At June 30, 2021, the City had two commitments. The first commitment was for the completion of the 2020 Street Program. The second commitment was for the reconstruction of Paul Hesser Drive.

The City requires a carry forward balance at the beginning of each fiscal year as its real estate taxes are not received until the September through December period.

CITY OF LAKESIDE PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2021

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balance, July 1	\$ 2,793,156	\$ 2,793,156	\$ 2,056,035	\$ (737,121)
Resources (inflows):				
Taxes	1,085,000	1,085,000	988,952	(96,048)
Licenses and permits	475,000	475,000	718,560	243,560
Intergovernmental			-	-
Charges for services	217,150	217,150	234,219	17,069
Fines and forfeitures	4,500	4,500	4,467	(33)
Interest	-	-	5,537	5,537
CARES Act money			259,496	
Miscellaneous	11,015	11,015	16,640	5,625
Amounts available for appropriation	<u>4,585,821</u>	<u>4,585,821</u>	<u>4,283,906</u>	<u>(301,915)</u>
Charges to appropriations (outflows)				
General government	341,450	341,450	314,886	26,564
Waste collection	214,150	214,150	179,082	35,068
Public safety	899,891	899,891	926,463	(26,572)
Public works	687,750	687,750	185,957	501,793
Transfer out	-	-	-	-
Total charges to appropriations	<u>2,143,241</u>	<u>2,143,241</u>	<u>1,606,388</u>	<u>536,853</u>
Budgetary fund balance, June 30	\$ <u><u>2,442,580</u></u>	\$ <u><u>2,442,580</u></u>	\$ <u><u>2,677,518</u></u>	\$ <u><u>234,938</u></u>

CITY OF LAKESIDE PARK, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE - MUNICIPAL AID ROAD FUND

For the Year Ended June 30, 2021

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balances, July 1	\$ -	\$ -	\$ 113,660	\$ 113,660
Resources (inflows):				
Intergovernmental	50,000	50,000	51,857	1,857
Interest	300	300	41	(259)
Miscellaneous	115,000	115,000	-	(115,000)
Transfer in	-	-	-	-
Amounts available for appropriation	<u>165,300</u>	<u>165,300</u>	<u>165,558</u>	<u>258</u>
Charges to appropriations (outflows):				
Public works	<u>165,300</u>	<u>165,300</u>	<u>84,823</u>	<u>80,477</u>
Total charges to appropriations	<u>165,300</u>	<u>165,300</u>	<u>84,823</u>	<u>80,477</u>
Budgetary fund balances, June 30	\$ <u>-</u>	\$ <u>-</u>	\$ <u>80,735</u>	\$ <u>80,735</u>

CITY OF LAKESIDE PARK, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS-PENSION
For the Year Ended June 30, 2021

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Non-hazardous:								
Contractually required contribution	\$ 8,335	\$ 7,738	\$ 6,953	\$ 6,960	\$ 5,637	\$ 6,473	\$ 8,179	\$ 13,573
Contributions in relation to the contractually required contribution	8,335	7,738	6,953	6,960	5,637	6,473	8,179	13,573
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 44,125	\$ 43,793	\$ 40,757	\$ 37,257	\$ 38,927	\$ 39,911	\$ 42,377	\$ 70,327
Contributions as a percentage of covered-employee payroll	18.89%	17.67%	17.06%	18.68%	14.48%	16.22%	19.30%	19.30%

Required supplementary information is intended to show ten years of data.
Additional years information will be shown once it becomes available
Beginning in the 2018 year, pension contributions exclude the separately presented
OBEB benefits.

CITY OF LAKESIDE PARK, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY-
NON-HAZARDOUS
For the Year Ended June 30, 2021

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2020</u>
Non-hazardous:							
City's proportion of the net pension liability	0.0019%	0.0019%	0.0017%	0.0015%	0.0015%	0.0016%	0.0017%
City's proportionate share of the net pension liability	\$ 62,000	\$ 82,332	\$ 84,120	\$ 89,556	\$ 96,227	\$ 111,263	\$ 126,860
City's covered-employee payroll	\$ 44,125	\$ 43,793	\$ 37,257	\$ 38,927	\$ 39,911	\$ 42,377	\$ 70,327
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	140.51%	188.00%	225.78%	230.06%	241.10%	262.56%	180.39%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	57.50%	55.51%	53.31%	53.50%	53.54%	47.81%

Required supplementary information is intended to show ten years of data.
Additional years information will be shown once it becomes available

CITY OF LAKESIDE PARK, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS-OPEB
For the Year Ended June 30, 2021

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Non-hazardous:					
Contractually required contribution	\$ 1,762	\$ 1,829	\$ 2,100	\$ 2,017	\$ 3,346
Contributions in relation to the contractually required contribution	1,762	1,829	2,100	2,017	3,346
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 37,257	\$ 38,927	\$ 39,911	\$ 42,377	\$ 70,327
Contributions as a percentage of covered-employee payroll	4.73%	4.70%	5.26%	4.76%	4.76%

Required supplementary information is intended to show ten years of data.
Additional years information will be shown once it becomes available

CITY OF LAKESIDE PARK, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY-
NON-HAZARDOUS

For the Year Ended June 30, 2021

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Non-hazardous:				
City's proportion of the net pension liability	0.0015%	0.0016%	0.0016%	0.0017%
City's proportionate share of the net pension liability	\$ 30,758	\$ 28,053	\$ 26,609	\$ 39,939
City's covered-employee payroll	\$ 38,927	\$ 39,911	\$ 42,377	\$ 70,327
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	79.01%	70.29%	62.79%	56.79%
Plan fiduciary net position as a percentage of the total pension liability	52.4%	57.60%	60.44%	51.70%

Required supplementary information is intended to show ten years of data.
Additional years information will be shown once it becomes available

CITY OF LAKESIDE PARK, KENTUCKY NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2021
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Pension

Valuation dates. Actuarially determined contributions rates are calculated as of July 1st preceding the fiscal year end in which the contributions were reported.

Changes in benefit terms. There were no benefit changes reported in the June 30, 2020 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which were used in the performance of the actuarial valuations as of June 30, 2020. Specifically, the total Pension liability as of June 30, 2020 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note F starting on page 22.

OPEB

Valuation dates. Actuarially determined contributions rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

Changes in benefit terms. There were no benefit changes reported in the June 30, 2020 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which were used in the performance of the actuarial valuations as of June 30, 2020. Specifically, the total Pension liability as of June 30, 2020 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note G starting on page 27.

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

**To the Mayor and Council
City of Lakeside Park, 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, each major fund, and the aggregate remaining fund information of the City of Lakeside Park, 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 Lakeside Park, Kentucky's basic financial statements, and have issued our report thereon November 22, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses.

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Compliance and Other Matters

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

City of Lakeside Park, Kentucky's Response to Findings

The City of Lakeside Park, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Lakeside Park, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company".

**Ft. Wright, Kentucky
November 22, 2021**

CITY OF LAKESIDE PARK, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

Finding 1: Lack of Segregation of Duties

The City is responsible for maintaining an adequate system of internal controls over financial activity. The City is a small unit with limited personnel that hinders the ability to provide various segregating of duties. The City Clerk/Treasurer is responsible for all accounting functions, such as preparing daily deposits, processing accounts payable and payroll, and preparing bank reconciliations with limited oversight.

Recommendation: We recommend the City consider the following:

- (1) The Mayor or other designated individual provide as much oversight as possible, such as reviewing disbursement documentation, signing checks and otherwise overseeing financial activity including a review of the monthly general ledger. We understand that the Mayor does provide some of these controls, such as signing checks and reviewing disbursement documentation.

City's Response:

The City is a small unit with one administrative employee, thus limiting the possibility of segregation of duties. The City will consider other alternatives to protect City assets. A City Finance Committee member is reviewing the bank statements and reconciliations on a monthly basis.