

CITY OF FORT MITCHELL, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2015

CITY OF FORT MITCHELL, KENTUCKY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2015

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CITY OF FORT MITCHELL, KENTUCKY

LIST OF CITY OFFICIALS

For the Year Ended June 30, 2015

Mayor

Jude Hehman

Council Members

Vicki Boerger

Joseph Hayes

Kim Nachazel

Dan Rice

Beth Rose

Michael Stoeckle

Denny Zahler

Department Heads

City Administrator

Sharmili Reddy

Police Chief

Jeff Eldridge

Interim Acting Police Chief

Matt Robinson

City Attorney

Robert Ziegler

City Clerk

Linda Bartels

City Treasurer

Amy Guenther

Fire Chief

Scott McVey

Public Works Director/

Building Zoning Administrator

David Noll



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Council
City of Fort Mitchell, 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 Fort Mitchell, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City of Fort Mitchell, Kentucky as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-9, the pension disclosures on page 30 and the budgetary comparison schedules on pages 31-32 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.

-Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedules of the non-major governmental funds on pages 33-35 are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015 on our consideration of the City of Fort Mitchell, 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 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 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 Fort Mitchell, Kentucky's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
December 30, 2015

MAYOR
Jude Hehman

CITY ADMINISTRATOR
Sharmili Reddy



CITY COUNCIL
Vicki Boerger
Joseph A. Hayes
Kim Nachazel
Beth Ruttle Rose
Michael Stoeckle
Dan Rice
Dennis Zahler

Our discussion and analysis of City of Ft. Mitchell, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's basic financial statements.

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 of the City as a whole and present a longer-term 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 the City's operations in more detail than the government-wide statements by providing information about the City's funds.

Financial Highlights

As of the close of the current and prior fiscal years, the City's governmental funds reported fund balances as follows:

| Funds | FYE 2014 Amount | FYE 2015 Amount | Percentage Increase/ (Decrease) | Increase Incr/(Decr) From FYE 14 |
|---------------------|---------------------|---------------------|---------------------------------------|--|
| General | \$ 2,813,251 | \$ 3,179,539 | 13.02% | \$ 366,288 |
| Road Tax | 965,873 | 865,843 | -10.36% | (100,030) |
| Capital Replacement | 5,351,250 | 1,724,009 | -67.78% | (3,627,241) |
| Municipal Road Aid | 396,346 | 388,642 | -1.94% | (7,704) |
| Park Tax | 153,861 | 212,420 | 38.06% | 58,559 |
| Total Fund Balance | <u>\$ 9,680,581</u> | <u>\$ 6,370,453</u> | -34.19% | <u>\$ (3,310,128)</u> |

The General Fund and the Park Fund balances increased through normal operations. Both the Road Tax and Municipal Road Aid Fund balances decreased due to a significant amount of road work that was undertaken during the year. Some of the larger projects were on Grace Court, Fortside, Marquette, Wexford, Edenderry, Sheffield, and Longmeadow; along with numerous other smaller projects.

The Capital Replacement Fund decreased due to the purchase of a fire pumper truck and an addition to the City Building.

The Park Fund increased because there were no large capital expenditures during this fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Statement of Net Position and Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole in a better or worse financial position as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position as the difference between assets, what the citizens own, and liabilities, what the citizens owe. This is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other factors also, such as changes in the City's property tax, gross receipts, payroll and insurance premium tax base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we have listed the governmental activities:

- Governmental activities: Most of the City's basic services are reported here, including general government, police, fire & EMS, public works, parks and recreation. Gross receipts and payroll license fees, insurance premium taxes, charges for services and property taxes, as well as government grants finance most of these activities.

Fund Financial Statements

The Governmental Fund financial statements provide detailed information about the City's funds. Some funds are required to be established by State Statute or Municipal Ordinance (Ex. General, Road Tax, and Park Tax Funds). However, the City Council establishes a few other funds to help it control and manage money for particular purposes (Ex. Capital Projects) or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Aid Fund).

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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. We describe the differences between the government wide net position financial statements and the governmental fund financial statements in the reconciliations within the audited financial statements.

City of Fort Mitchell
 Management's Discussion and Analysis (Continued)

Government-Wide Change in Net Position

For the year ended June 30, 2015, net position for all of the changed as follows:

| | <u>Governmental Activities</u> |
|--------------------------|------------------------------------|
| Beginning Net Position | \$ 23,044,100 |
| Prior Period Adjustments | (3,543,429) |
| Increase in Net Position | <u>464,039</u> |
| Ending Net Position | <u>\$ 19,964,710</u> |

Government-Wide Statement of Net Position Summary

| | <u>Governmental Activities</u> | |
|--|------------------------------------|----------------------|
| | <u>2014</u> | <u>2015</u> |
| Current Assets | \$ 9,811,365 | \$ 7,955,469 |
| Other Noncurrent Assets | 537,453 | - |
| Capital Assets, Net | <u>13,320,629</u> | <u>16,960,029</u> |
| Total Assets | <u>23,669,447</u> | <u>24,915,498</u> |
| Deferred Outflow of Resources | - | 554,236 |
| Total Assets and Deferred Outflows | <u>23,669,447</u> | <u>25,469,734</u> |
| Current Liabilities | 625,347 | 1,516,320 |
| Long Term Liabilites | - | <u>3,622,136</u> |
| Total Liabilities | <u>625,347</u> | 5,138,456 |
| Deferred Inflow of Resources | - | 366,568 |
| Total Liabilities and Deferred Inflows | <u>625,347</u> | <u>5,505,024</u> |
| Net Assets | <u>\$ 23,044,100</u> | <u>\$ 19,964,710</u> |

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expense, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers.

City of Fort Mitchell
Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The following schedule presents a summary of general and special revenues for all of the funds for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

| Revenues | FYE 2014 Amount | FYE 2015 Amount | Percentage Incr(Decr) | Increase (Decrease) From FYE 14 |
|-----------------------------|----------------------------|----------------------------|--------------------------|---------------------------------------|
| Property Tax | \$ 1,439,254 | \$ 1,499,758 | 4.2% | \$ 60,504 |
| Bank Deposit Tax | 71,816 | 97,858 | 36.3% | 26,042 |
| Telecommunication Tax | 77,474 | 77,468 | 0.0% | (6) |
| Payroll License Fees | 1,494,857 | 1,615,289 | 8.1% | 120,432 |
| Insurance Premium Tax | 1,285,656 | 1,146,338 | -10.8% | (139,318) |
| Gross Receipts License Fees | 432,941 | 518,278 | 19.7% | 85,337 |
| Other Licenses and Permits | 83,491 | 91,135 | 9.2% | 7,644 |
| Intergovernmental | 350,907 | 344,688 | -1.8% | (6,219) |
| Fines and Forfeitures | 35,286 | 23,648 | -33.0% | (11,638) |
| Charges for Services | 1,141,372 | 1,015,647 | -11.0% | (125,725) |
| Investment Income | 27,656 | 43,280 | 56.5% | 15,624 |
| Contributions | 63,408 | 1,071 | -98.3% | (62,337) |
| Sale of Surplus Property | 5,158 | 237 | -95.4% | (4,921) |
| Miscellaneous | 9,575 | 19,245 | 101.0% | 9,670 |
| Total Revenues | <u>\$ 6,518,851</u> | <u>\$ 6,493,940</u> | -0.4% | <u>\$ (24,911)</u> |

Property Taxes, Payroll License Fees, and Gross Receipts License Fees all increased due to economic development within the City, as well as the continued upswing of the economy.

Charges for Services decreased due to the City's loss of a portion of contracted EMS & fire billing services with Crestview Hills.

Contributions decreased due to significant increase in the prior year a large contribution from Mercedes dealership.

The following schedule presents a summary of general expenditures for all of the funds for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

| Expenditures | FYE 2014 Amount | FYE 2015 Amount | Percentage Increase/ (Decrease) | Increase (Decrease) From FYE 14 |
|---------------------------|----------------------------|----------------------------|---------------------------------------|---------------------------------------|
| General Government | \$ 864,510 | \$ 4,301,614 | 397.58% | \$ 3,437,104 |
| Police | 1,430,716 | 1,354,076 | -5.36% | (76,640) |
| Fire/EMS | 1,293,694 | 1,983,829 | 53.35% | 690,135 |
| Public Works | 2,463,451 | 1,970,985 | -19.99% | (492,466) |
| Recreation | 87,747 | 95,671 | 9.03% | 7,924 |
| Parks | 176,728 | 79,144 | -55.22% | (97,584) |
| Total Expenditures | <u>\$ 6,316,846</u> | <u>\$ 9,785,319</u> | 54.91% | <u>\$ 3,468,473</u> |

City of Fort Mitchell
Management's Discussion and Analysis (Continued)

General Government expenditures increased due to renovation costs of the City Building that the City has planned and saved for over the past 10 years.

Police expenditures were lower due the final payment to Kenton County for the mobile data terminals made during the fiscal year and the car show that occurred last year for "Northern Kentucky Hates Heroin", the decrease in the retirement rate charged by CERS, lower gasoline prices, and the City's police chief being out on workers compensation.

Fire and EMS expenditures were higher due to the purchase of a new fire truck and the increase in the part-time wages to cover shifts due a general decrease in volunteerism.

Public works expenditures decreased due the large amount of road work that was completed in the previous fiscal year.

Recreation expenditures increased only slightly and Park expenditures decreased due to the renovation of the soccer field and the removal of the caretaker house in the previous fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets were reported for the fiscal years ended as follows:

City of Fort Mitchell
 Management's Discussion and Analysis (Continued)

| | Governmental Activities | |
|-----------------------------|------------------------------------|-----------------------------|
| | <u>2014</u> | <u>2015</u> |
| Construction in Progress | \$ 638,744 | \$ 613,900 |
| Land | 590,078 | 308,669 |
| Buildings | 643,095 | 4,020,993 |
| Buildings/Land Improvements | 1,188,492 | 1,041,113 |
| Infrastructure | 19,391,000 | 20,311,875 |
| Equipment | 1,761,170 | 1,665,455 |
| Furniture and Fixtures | 251,774 | 168,645 |
| Vehicles | 2,163,621 | 2,799,486 |
| Totals | <u>\$ 26,627,974</u> | <u>\$ 30,930,136</u> |

This year's net increase of \$4,302,162 in capital assets included:

| | |
|--|----------------------------|
| Building additions and improvements | \$ 3,481,410 |
| Public works road projects | 944,151 |
| Fire vehicles | 573,678 |
| Police vehicles | 62,187 |
| Fire equipment | 29,558 |
| Police furniture & fixtures | 6,697 |
| Public works infrastructure disposals | (23,276) |
| Public works, roads and change in net construction in progress | (31,141) |
| Equipment disposals | (30,759) |
| Furniture & fixtures disposals | (69,041) |
| Fire pumper truck disposal | (115,299) |
| Building improvement disposals due to renovation | (244,594) |
| Building disposal, Dusing House | (281,409) |
| | <u>\$ 4,302,162</u> |

Debt

The City has no long term debt. In fiscal year 2015, as required per GASB 68, the City did recognize \$3,622,136 in net pension liability as its proportionate share of Kentucky's County Employee Retirement Systems (CERS) net unfunded pension liability. The City has no direct liability for the payment of the amount held in this liability account.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the city council revised the General Fund budget once. The budget amendment was made to increase the beginning fund balance to actual and to decrease revenues and expenditures to more closely reflect the anticipated revenues and expenditures for the year.

Actual revenue came in higher than budgeted amounts by \$57,218 (+1.0%). Actual expenditures and transfers came in under the amended budget by \$350,932 (+7.3%) due to significant efforts by management to control costs. The City's General Fund ended the year with revenues exceeding expenditures by \$1,235,037; however, \$850,000 was then transferred to the Road Tax and the Capital Replacement Funds for building renovation and road construction costs.

FUND BALANCE

The City has been vigilant in building up a healthy fund balance (3-6 months) and this year is no different – there is a full 6 month reserve as recommended by our auditors as well as some additional reserve funding, so that the City can better deal with economic down turns and unexpected expenditures. As a city, we provide services that are of the highest quality that makes Fort Mitchell one of the most desirable cities to live in.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator's Office at (859)331-1212 or 2355 Dixie Highway, Ft. Mitchell, KY 41017.

| |
|--|
| CITY OF FORT MITCHELL, KENTUCKY Statement of Net Position June 30, 2015 |
|--|

| Assets | Governmental Activities |
|--|------------------------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 5,366,581 |
| Investments - current | 1,589,865 |
| Receivables | |
| Property taxes | 25,008 |
| Assessments | 24,668 |
| Intergovernmental | 56,711 |
| Accounts | 852,937 |
| Accrued investment income | 4,746 |
| Prepaid expenses | 34,953 |
| Total Current Assets | 7,955,469 |
| Noncurrent Assets | |
| Capital Assets | |
| Land and construction in progress | 922,569 |
| Depreciable capital assets | 30,007,567 |
| Less: accumulated depreciation | (13,970,107) |
| Net Capital Assets | 16,960,029 |
| Total Assets | 24,915,498 |
| Deferred Outflows of Resources | |
| Pension contribution for fiscal year 2015 | 554,236 |
| Total Assets and Deferred Outflows of Resources | 25,469,734 |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | 1,302,563 |
| Accrued liabilities | 162,209 |
| Deferred revenue (KLC and Beechwood Sewer Access) | 51,548 |
| Total Current Liabilities | 1,516,320 |
| Noncurrent liabilities: | |
| Net pension liability | 3,622,136 |
| Total Liabilities | 5,138,456 |
| Deferred Inflows of Resources | |
| Deferred inflow related to pensions | 366,568 |
| Total Liabilities and Deferred Inflows of Resources | 5,505,024 |
| Net Position | |
| Net investment in capital assets | 16,960,029 |
| Unrestricted | 3,004,681 |
| Total Net Position | \$ 19,964,710 |

The accompanying notes are an integral part of the financial statements.

CITY OF FORT MITCHELL, KENTUCKY
Statement of Activities
For the Year Ended June 30, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position |
|-------------------------------|---------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities |
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| General government | \$ 942,844 | \$ 74,905 | \$ - | \$ - | \$ (867,939) |
| Police | 1,332,135 | 24,201 | 138,123 | - | (1,169,811) |
| Fire and EMS | 1,509,124 | 474,940 | - | 26,989 | (1,007,195) |
| Public works | 1,748,751 | 438,983 | - | 206,565 | (1,103,203) |
| Parks | 117,916 | - | - | - | (117,916) |
| Recreation | 90,109 | 2,618 | - | - | (87,491) |
| Total Governmental Activities | <u>\$ 5,740,879</u> | <u>\$ 1,015,647</u> | <u>\$ 138,123</u> | <u>\$ 233,554</u> | <u>(4,353,555)</u> |
| General Revenues | | | | | |
| Taxes | | | | | |
| | | | | | 1,498,575 |
| | | | | | 97,858 |
| | | | | | 77,468 |
| | | | | | 1,615,289 |
| | | | | | 1,146,338 |
| | | | | | 518,278 |
| | | | | | 91,135 |
| | | | | | 43,280 |
| | | | | | 20,316 |
| | | | | | 23,648 |
| | | | | | (314,591) |
| | | | | | <u>4,817,594</u> |
| | | | | | 464,039 |
| | | | | | 23,044,100 |
| | | | | | (3,543,429) |
| | | | | | <u>\$ 19,964,710</u> |

The accompanying notes are an integral part of the financial statements.

| |
|---|
| CITY OF FORT MITCHELL, KENTUCKY Balance Sheet - Governmental Funds June 30, 2015 |
|---|

| | General Fund | Road Tax Fund | Capital Projects Fund | Municipal Road Aid | Park Fund | Total Governmental Funds |
|--|---------------------|---------------------|-----------------------------|-----------------------|-------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 5,366,581 | \$ - | \$ - | \$ - | \$ - | \$ 5,366,581 |
| Investments | 1,589,865 | - | - | - | - | 1,589,865 |
| Receivables | | | | | | |
| Property taxes | 18,872 | 4,632 | - | - | 1,504 | 25,008 |
| Assessments | 24,668 | - | - | - | - | 24,668 |
| Intergovernmental | 39,415 | - | - | 17,296 | - | 56,711 |
| Accounts | 821,618 | 12,330 | 18,989 | - | - | 852,937 |
| Accrued investment income | 4,746 | - | - | - | - | 4,746 |
| Prepaid expenses | 34,840 | - | - | - | 113 | 34,953 |
| Due from other funds | - | 1,058,484 | 2,531,694 | 380,292 | 216,884 | 4,187,354 |
| TOTAL ASSETS | \$ 7,900,605 | \$ 1,075,446 | \$ 2,550,683 | \$ 397,588 | \$ 218,501 | \$ 12,142,823 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 259,345 | \$ 204,971 | \$ 826,674 | \$ 6,996 | \$ 4,577 | \$ 1,302,563 |
| Accrued liabilities | 162,209 | - | - | - | - | 162,209 |
| Deferred revenue | 112,158 | 4,632 | - | 1,950 | 1,504 | 120,244 |
| Due to other funds | 4,187,354 | - | - | - | - | 4,187,354 |
| TOTAL LIABILITIES | 4,721,066 | 209,603 | 826,674 | 8,946 | 6,081 | 5,772,370 |
| FUND BALANCES | | | | | | |
| Unspendable | 34,840 | - | - | - | - | 34,840 |
| Restricted | - | - | - | 388,642 | 212,420 | 601,062 |
| Committed | - | 865,843 | 1,724,009 | - | - | 2,589,852 |
| Stabilization | 2,389,222 | - | - | - | - | 2,389,222 |
| Unassigned | 755,477 | - | - | - | - | 755,477 |
| TOTAL FUND BALANCES | 3,179,539 | 865,843 | 1,724,009 | 388,642 | 212,420 | 6,370,453 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 7,900,605 | \$ 1,075,446 | \$ 2,550,683 | \$ 397,588 | \$ 218,501 | \$ 12,142,823 |

The accompanying notes are an integral part of the financial statements.

| |
|---|
| <p>CITY OF FORT MITCHELL, KENTUCKY Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position June 30, 2015</p> |
|---|

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

| | |
|---|----------------------|
| Total fund balance per balance sheet | \$ 6,370,453 |
| Capital assets of \$30,930,136, less accumulated depreciation of (\$13,970,107), used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 16,960,029 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore not reportable in the funds: | |
| Deferred outflow of resources | 554,236 |
| Deferred inflow of resources | (366,568) |
| Long-term liabilities, including bonds payable, capital leases, compensated absences, and net pension liability are not due and payable in current period and therefore are not reported in the funds | (3,622,136) |
| Deferred charges represent funds received for future projects that will not require current funds and therefore are reported as deferred revenues in the governmental funds | 68,696 |
| | <hr/> |
| Net position of governmental activities | <u>\$ 19,964,710</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF FORT MITCHELL, KENTUCKY
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2015

| | <u>General Fund</u> | <u>Road Tax Fund</u> | <u>Capital Projects Fund</u> | <u>Municipal Road Aid Fund</u> | <u>Park Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------|--------------------------------------|--|----------------------|---|
| Revenues | | | | | | |
| Property tax | \$ 952,566 | \$ 410,308 | \$ - | \$ - | \$ 136,884 | \$ 1,499,758 |
| Bank deposit tax | 97,858 | - | - | - | - | 97,858 |
| Telecommunications tax | 77,468 | - | - | - | - | 77,468 |
| Payroll license | 1,615,289 | - | - | - | - | 1,615,289 |
| Insurance premium tax | 1,146,338 | - | - | - | - | 1,146,338 |
| Gross receipts license | 518,278 | - | - | - | - | 518,278 |
| Other licenses and permits | 91,135 | - | - | - | - | 91,135 |
| Intergovernmental | 138,123 | 12,330 | - | 194,235 | - | 344,688 |
| Fines and forfeitures | 23,648 | - | - | - | - | 23,648 |
| Charges for services | 1,015,647 | - | - | - | - | 1,015,647 |
| Investment income | 18,754 | 5,311 | 16,492 | 1,904 | 819 | 43,280 |
| Contributions | 1,071 | - | - | - | - | 1,071 |
| Sale of surplus property | 237 | - | - | - | - | 237 |
| Miscellaneous | (1,309) | - | 20,554 | - | - | 19,245 |
| Total Revenues | <u>5,695,103</u> | <u>427,949</u> | <u>37,046</u> | <u>196,139</u> | <u>137,703</u> | <u>6,493,940</u> |
| Expenditures | | | | | | |
| General government | 773,191 | - | 3,528,423 | - | - | 4,301,614 |
| Police | 1,291,889 | - | 62,187 | - | - | 1,354,076 |
| Fire and EMS | 1,410,152 | - | 573,677 | - | - | 1,983,829 |
| Public works | 889,163 | 877,979 | - | 203,843 | - | 1,970,985 |
| Parks | - | - | - | - | 79,144 | 79,144 |
| Recreation | 95,671 | - | - | - | - | 95,671 |
| Total Expenditures | <u>4,460,066</u> | <u>877,979</u> | <u>4,164,287</u> | <u>203,843</u> | <u>79,144</u> | <u>9,785,319</u> |
| Excess (Deficit) of Revenues Over Expenditures | <u>1,235,037</u> | <u>(450,030)</u> | <u>(4,127,241)</u> | <u>(7,704)</u> | <u>58,559</u> | <u>(3,291,379)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers in | - | 350,000 | 500,000 | - | - | 850,000 |
| Operating transfers out | (850,000) | - | - | - | - | (850,000) |
| Total Other Financing Sources (Uses) | <u>(850,000)</u> | <u>350,000</u> | <u>500,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses) | <u>385,037</u> | <u>(100,030)</u> | <u>(3,627,241)</u> | <u>(7,704)</u> | <u>58,559</u> | <u>(3,291,379)</u> |
| Fund Balance, beginning | 2,813,251 | 965,873 | 5,351,250 | 396,346 | 153,861 | 9,680,581 |
| Prior period adjustment | (18,749) | - | - | - | - | (18,749) |
| Fund Balance, ending | <u>\$ 3,179,539</u> | <u>\$ 865,843</u> | <u>\$ 1,724,009</u> | <u>\$ 388,642</u> | <u>\$ 212,420</u> | <u>\$ 6,370,453</u> |

The accompanying notes are an integral part of the financial statements.

| |
|---|
| <p>CITY OF FORT MITCHELL, KENTUCKY Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2015</p> |
|---|

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

Net change in fund balance - total governmental funds \$ (3,291,379)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports on the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold. (314,828)

Governmental funds report capital outlays as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 5,066,540 | |
| Depreciation expense | <u>(1,112,312)</u> | 3,954,228 |

Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of the pension benefits earned, net of employer contributions, is reported as pension expense:

| | |
|--------------------------|-----------|
| Pension contributions | 554,236 |
| Costs of benefits earned | (464,024) |

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

25,806

Change in net position of governmental activities \$ 464,039

The accompanying notes are an integral part of the financial statements.

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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NOTE A – ACCOUNTING POLICIES

Kentucky Revised Statutes and Ordinances of the City Council of the City of Fort Mitchell, Kentucky (City) designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General, Capital Projects, Road Tax, Municipal Road Aid, Park, and Storm Sewer Contingency Funds.

Reporting Entity

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

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

Basis of Presentation Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and Activities) report information on all activities of the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business-type activities.

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

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

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements of the City 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.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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. Material revenues susceptible to accrual are payroll license fees, insurance fees and grant revenues. 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.

Governmental Fund Types

The City reports the following governmental funds:

- (A) The General Fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Road Tax Fund (a special revenue fund) is used to build and repair roads. This is a major fund of the City.
- (C) The Capital Projects Fund (a special revenue fund) is used to make purchases of large capital expenditures. This is a non-major fund of the City.
- (D) The Municipal Road Aid Fund (a special revenue fund) consists of funds received from the state to build and repair roads. This is a non-major fund of the City.
- (E) The Park Fund is (a special revenue fund) consists of funds received from City taxpayers for park repair and maintenance. This is a non-major fund of the City.

Cash and Cash Equivalents

Cash and cash equivalents include 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:

- Obligations of the United States and of its Agencies and Instrumentalities
- Certificates of Deposit
- Banker's Acceptances
- Commercial Paper
- Bonds of Other State or Local Governments

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| <p>CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015</p> |
|---|

- Mutual Funds

Investments

In accordance with the *Government Accounting Standards Board*, investments held at June 30, 2015 are recorded at fair value based on quoted market prices.

Property Tax Receivable

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately September 1 and are due and payable on October 31. On November 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on November 1.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items.

Capital Assets

General capital assets are assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

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 governmental funds and capitalized. Infrastructure, such as streets, sidewalks and storm sewers are capitalized, including infrastructure acquired prior to the implementation of GASB. The valuation basis for general capital assets is historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are recorded at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The City maintains a capitalization threshold of two thousand dollars with the exception of infrastructure for which the threshold is five thousand dollars.

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 useful lives used for depreciation purposes for each fixed asset class is as follows:

| <u>Description</u> | Governmental Activities <u>Estimated Lives</u> |
|---------------------------------|--|
| Buildings | 20 - 28 Years |
| Buildings and Land Improvements | 7 - 20 Years |
| Public Domain Infrastructure | 15 - 30 Years |
| Vehicles | 5 - 20 Years |
| Equipment and Furniture | 5 - 10 Years |

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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Pensions

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

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All annual appropriations continue in effect until a new budget is adopted.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. At June 30, 2015 the liability for compensated absences is \$66,706.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures.

Unearned/Deferred Revenue

In the government-wide financial statements, unearned revenue represents the amount for which revenue recognition criteria have not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for the unearned revenues is removed and the revenue is recognized. In the governmental fund financial statements, revenues are deferred for amounts that are unearned or unavailable within 60 days of the fiscal year end.

Fund Equity

Net position is the difference between assets and liabilities. Assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

The City uses funds and account groups to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Nonspendable fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses to be non-spendable.

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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Restricted fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Aid Road and Park Funds.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. These include residual balances from the Road Tax and the Capital Project Funds.

Assigned fund balances consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. The City has no balances that are considered to be *assigned*.

Stabilization fund balances are set aside by an ordinance of the City Council for the purpose of providing funds for an urgent event that affects the safety of the general public (e.g. flood, tornado, etc.), for unexpected revenue declines that are projected to continue for more than 2 years, for unanticipated one-time expenditures that are deemed necessary or in the City's best interest or significant expenditures where the fund will be reimbursed within 12 months. Stabilization fund balances will not be used to fund operating or regular capital expenditures that should otherwise be funded with operating revenues and reserves. The minimum and maximum level of the stabilization fund balance is two and six months, respectively, of the most current budgeted expenditures. All requests for use of or an addition to the General Fund stabilization fund balance will be included in the budget presented and approved by the City Council. Any proposed appropriation that would result in the balance of the Stabilization Fund dropping below the established minimum fund balance must be submitted with a plan to restore the minimum Stabilization Fund balance within two years.

Unassigned fund balances consist of all residual funds not included in nonspendable, restricted, committed, or assigned fund balances.

Operating Revenues and Expenditures

Operating revenues and expenditures are reported by fund. It also includes all revenue and expenditures related to capital and related financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental funds report expenditures of financial resources.

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- 1) In accordance with Kentucky Revised Statutes and City ordinance, prior to May 31, the Mayor submits to the City 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.
- 2) A public meeting is conducted to obtain citizen comment.
- 3) By July 1, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City 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. The Council adopted one supplementary appropriation ordinance during the year. All appropriations lapse at fiscal yearend.

NOTE D – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2015, the City's cash equivalents (bank deposits, money market accounts and certificates of deposit with less than 90 days maturity and cash on hand) had a carrying amount of \$5,366,581 and a bank balance of \$5,638,254, the difference being items that had not cleared the bank, and petty cash, at June 30, 2015.

All of the City's cash equivalents with the exception of petty cash are insured by the FDIC or are collateralized with securities held by the pledging institution's trust department in the City's name or owned directly by the City. As of June 30, 2015, the City did not have any deposits in excess of insured and/or collateralized amounts.

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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Investments

As of June 30, 2015, the City had the following investment balances:

| Description | Cost | Unrealized Gains/Losses | Fair Market Value | Investment Level |
|-------------------------|---------------------|----------------------------|----------------------|---------------------|
| Government Securities | \$ 1,401,943 | \$ (64,437) | \$ 1,337,506 | Level 1 |
| Certificates of Deposit | 252,359 | - | 252,359 | Level 1 |
| | <u>\$ 1,654,302</u> | <u>\$ (64,437)</u> | <u>\$ 1,589,865</u> | |

As of June 30, 2015, \$252,359 of the City's investment is insured by FDIC. The remaining \$1,337,506 are government securities owned by the City. Level 1 investments are investments that have readily observable prices, are bought and sold on an open market, and whose prices have a reliable fair market value.

Custodial Credit Risk and Investment Policy

It is the policy of the City to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City and conforming to all state statutes and City regulations governing the investments of public funds.

For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will be able to recover the value of its cash, investments or collateral securities that are in the possession of an outside party. All deposits and investments are made in accordance with state statutes. The City Treasurer shall maintain a list of financial institutions authorized to provide investment services to the City. In addition, a list shall be maintained of approved security brokers/dealers selected by creditworthiness who maintain an office in the Commonwealth of Kentucky.

No financial institution shall be selected as a depository of the City funds if the City funds on deposit at any time will exceed ten percent (10%) of the institution's capital stock and surplus. The City Treasurer shall evaluate the financial capacity and creditworthiness of financial institutions and broker/dealers prior to the placement of the City's funds. The City Treasurer shall conduct an annual review of the financial condition and registrations of financial institutions and broker/dealers, and based on the review, make any recommendations regarding investment policy or program changes determined to be necessary.

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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NOTE E – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follow:

| | Balance at June 30, 2014 | Reclass. | Additions | Deletions | Balance at June 30, 2015 |
|--|---|-----------------|---------------------|----------------------|---|
| Governmental Activities | | | | | |
| Capital Assets not Depreciated | | | | | |
| Land | \$ 590,078 | \$ - | \$ - | \$ (281,409) | \$ 308,669 |
| Construction in progress | 638,744 | 6,297 | 4,291,446 | (4,322,587) | 613,900 |
| Total Capital Assets Not Being Depreciated | <u>1,228,822</u> | <u>6,297</u> | <u>4,291,446</u> | <u>(4,603,996)</u> | <u>922,569</u> |
| Depreciable Capital Assets | | | | | |
| Infrastructure | 19,391,000 | - | 944,151 | (23,276) | 20,311,875 |
| Buildings | 643,095 | - | 3,377,898 | - | 4,020,993 |
| Buildings/land improvements | 1,188,492 | (6,297) | 103,512 | (244,594) | 1,041,113 |
| Equipment | 1,761,170 | 20,785 | 29,558 | (146,058) | 1,665,455 |
| Furniture and fixtures | 251,774 | (20,785) | 6,697 | (69,041) | 168,645 |
| Vehicles | 2,163,621 | - | 635,865 | - | 2,799,486 |
| Total Depreciable Capital Assets | <u>25,399,152</u> | <u>(6,297)</u> | <u>5,097,681</u> | <u>(482,969)</u> | <u>30,007,567</u> |
| Total Capital Assets at Historical Cost | <u>26,627,974</u> | <u>-</u> | <u>9,389,127</u> | <u>(5,086,965)</u> | <u>30,930,136</u> |
| Less Accumulated Depreciation | | | | | |
| Infrastructure | 8,380,688 | - | 807,071 | (11,172) | 9,176,587 |
| Buildings | 634,981 | - | 6,592 | - | 641,573 |
| Buildings/land improvements | 945,512 | - | 49,560 | (227,360) | 767,712 |
| Equipment | 1,600,433 | - | 79,140 | (141,975) | 1,537,598 |
| Furniture and fixtures | 222,608 | - | 6,055 | (69,041) | 159,622 |
| Vehicles | 1,523,123 | - | 163,894 | (2) | 1,687,015 |
| Total Accumulated Depreciation | <u>13,307,345</u> | <u>-</u> | <u>1,112,312</u> | <u>(449,550)</u> | <u>13,970,107</u> |
| Depreciable Capital Assets, Net | <u>12,091,807</u> | <u>(6,297)</u> | <u>3,985,369</u> | <u>(33,419)</u> | <u>16,037,460</u> |
| Total Capital Assets, Net | <u>\$ 13,320,629</u> | <u>\$ -</u> | <u>\$ 8,276,815</u> | <u>\$(4,637,415)</u> | <u>\$ 16,960,029</u> |

Depreciation was charged to functions as follows:

| Governmental Activities | Amount |
|--------------------------------|---------------------|
| General Government | \$ 20,142 |
| Police | 84,579 |
| Fire and EMS | 129,519 |
| Public Works | 839,300 |
| Park | 38,772 |
| Total Depreciation | <u>\$ 1,112,312</u> |

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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NOTE F – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

The City participates in the County Employees’ Retirement System of Kentucky (“Plan”). The Plan is a cost-sharing, multi-employer public retirement plan created by and operating under Kentucky law. It is a defined benefit plan that covers substantially all regular employees of the City.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The Plan provides for retirement, disability and death benefits.

Participating non-hazardous employees contribute 5% (8% for hazardous duty employees) of their creditable compensation. Hazardous duty employees who entered the plan after August 31, 2008 must also contribute an additional 1% of their annual creditable compensation for health insurance. Employer contribution rates are intended to fund the normal cost on a current basis plus 1% of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium.

Contributions

The City contributed 17.67% of the non-hazardous duty employee’s compensation and 34.31% of the hazardous duty employee’s compensation during the fiscal year ended June 30, 2015. The City of Ft. Mitchell made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2015 in the amount of \$554,236.

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

At June 30, 2015, the City reported a liability of \$3,622,136 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the City’s employer allocation proportion was 0.024002% of the total CERS non-hazardous duty employees and 0.236591% of the total CERS hazardous duty employees. For the year ended June 30, 2015, the City recognized pension expense of \$554,236.

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
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At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|----------------------------------|---------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Net difference between projected and actual earnings on plan investments | - | 366,568 |
| Changes of assumptions | - | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | - |
| City contributions subsequent to the measurement date | 554,236 | - |
| Total | <u>\$ 554,236</u> | <u>\$ 366,568</u> |

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience and changes in assumptions subject to amortization. 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.

The \$554,236 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | Net Deferral |
|--------------------------------|-------------------|
| 2016 | \$ 73,314 |
| 2017 | 73,314 |
| 2018 | 73,313 |
| 2019 | 73,313 |
| 2020 | 73,314 |
| | <u>\$ 366,568</u> |

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| |
|---|
| <p>CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015</p> |
|---|

| | |
|-------------------------------|---|
| Valuation Date | June 30, 2014 |
| Experience Study | July 1, 2005 – June 30, 2008 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 3.5% |
| Salary Increase | 4.5%, average, including inflation |
| Investment Rate of Return | 7.75%, net of pension plan expense, including inflation |

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption 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 covers a longer timeframe. 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.

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

| |
|--|
| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
|--|

| Asset Class | CERS Hazardous & Non-Hazardous Target Allocation | Long Term Expected Nominal Return |
|------------------------|---|---|
| Domestic equity | 30% | 8.5% |
| International equity | 22% | 8.9% |
| Emerging market equity | 5% | 10.5% |
| Private equity | 7% | 11.3% |
| Real estate | 5% | 7.0% |
| Core US fixed income | 10% | 5.3% |
| HY US fixed income | 5% | 7.3% |
| Non US fixed income | 5% | 5.5% |
| Commodities | 5% | 7.8% |
| TIPS | 5% | 5.0% |
| Cash | 1% | 3.3% |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity of the District'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 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

| | Discount Rate | City's Proportionate Share of Net Pension Liability |
|-----------------------|------------------|--|
| 1% decrease | 6.75% | \$ 4,744,383 |
| Current discount rate | 7.75% | 3,622,136 |
| 1% increase | 8.75% | 2,660,783 |

Plan Fiduciary Net Position

The Plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan's fiduciary net position. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE G – RISK MANAGEMENT

| |
|---|
| <p>CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015</p> |
|---|

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All 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.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2015 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 H – CLAIMS AND JUDGMENTS

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

NOTE I – FIRE AND LIFE SQUAD PROTECTION

The Cities of Lakeside Park and Crestview Hills utilize the services of Fort Mitchell, Kentucky for fire and life squad protection. These agreements were renegotiated April 1, 2013 for a four year term, expiring March 31, 2017. Revenue to the City for these contracts totaled \$474,223 for the fiscal year ended June 30, 2015.

NOTE J – CONDUIT DEBT

The City of Fort Mitchell is participating in a program established by the Kentucky League of Cities to allow other Kentucky cities access to economical financing by issuing bonds, through the program, in the name of the City of Fort Mitchell. The bonds are issued pursuant to a Trust Indenture and are payable solely and secured solely by the Trust Estate and monies drawn under an irrevocable letter of credit from a bank. The City of Fort Mitchell has no obligation under these bonds, although the City is the nominal issuer of the bonds. The amount of bonds outstanding at June 30, 2015 is \$20,870,000.

NOTE K – INTERFUND ACTIVITY

Transfers are typically used to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations and to fund debt service payments when they become due.

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> |
|----------------------|--------------------|-------------------|
| General | Road Tax | \$ 350,000 |
| General | Capital Projects | 500,000 |
| | | <u>\$ 850,000</u> |

NOTE L – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

| |
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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
|--|

Statement No. 67 – *Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25* – This statement is not currently applicable to the City of Ft. Mitchell.

Statement No. 68 – *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27* – Requires the City to report their representative share of the unfunded pension liability of the Kentucky County Employee Retirement System (CERS) on the City's Statement of Net Position. This statement is effect for the fiscal period June 30, 2015. This statement adds a liability that was booked as a prior period adjustment at June 30, 2014 in the net amount of \$3,524,680 as the City's share of the CERS unfunded liability to the City's Statement of Net Position.

Statement No. 69 – *Government Combinations and Disposals of Government Operations* – This statement is not currently applicable to the City of Ft. Mitchell.

Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This statement is not currently applicable to the City of Ft. Mitchell.

NOTE M – FUTURE ACCOUNTING STANDARDS

Statement No. 77 – *Tax Abatement Disclosures*

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

Statement No. 72 – *Fair Value Measurement and Application*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

NOTE N – PRIOR PERIOD ADJUSTMENTS

In 2014, the City received erroneous billing from its garbage collection contractor, which caused garbage collection costs to be under billed. To correct this, the City is including the amount from 2014 as adjusted, billed, and paid in fiscal year 2015, in the amount of \$18,749 as a prior period adjustment to the beginning fund balance.

The City has recorded an adjustment to the Beginning Net Position of \$3,524,680 at June 30, 2014. This adjustment accounts for the estimated net pension liability at June 30, 2014, and is being recorded in accordance with Government Accounting Standards Board Statement No. 68.

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| CITY OF FORT MITCHELL, KENTUCKY Notes to Financial Statements June 30, 2015 |
|--|

NOTE O – TAX INCREMENT FINANCING COMPONENT UNIT

In fiscal year 2015, the City approved the creation of a Tax Increment Financing District (TIF) surrounding the Drawbridge development site. In forming this District, the City is creating a not-for-profit organization to manage the affairs of the District. This organization will be overseen by a board of City residents, appointed by the Mayor and City Council. The City will have complete control of the organization and, therefore, will report the organization as a component unit when activity begins.

NOTE P – SUBSEQUENT EVENTS

Management has evaluated events through December 30, 2015, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2015 through December 30, 2015 to disclose.

CITY OF FORT MITCHELL, KENTUCKY**Required Supplementary Information - Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure
For the Year Ended June 30, 2015****Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)**

(New disclosure in 2015, will display additional years as time progresses)

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Proportion of net pension liability | 0.081466% | | | | | | | | | |
| Proportionate share of the net pension liability (asset) | \$ 3,622,136 | | | | | | | | | |
| Covered employee payroll in year of measurement | 1,860,515 | | | | | | | | | |
| Share of the net pension liability (asset) as a percentage of its covered employee payroll | 194.68% | | | | | | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 65.96% | | | | | | | | | |

**Schedule of the City's Contributions
County Employees' Retirement System (CERS)**

(New disclosure in 2015, will display additional years as time progresses)

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 554,236 | \$ 565,150 | | | | | | | | |
| Actual contribution | 554,236 | 565,150 | | | | | | | | |
| Contribution deficiency (excess) | - | - | | | | | | | | |
| Covered employee payroll | 1,873,522 | 1,860,515 | | | | | | | | |
| Contributions as a percentage of covered employee payroll | 29.58% | 30.38% | | | | | | | | |

**Notes to Required Supplementary Information
for the Year Ended June 30, 2015
Changes of Assumptions**

The net pension liability as of June 30, 2015, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience and changes in assumptions subject to amortization.

CITY OF FORT MITCHELL, KENTUCKY
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (With Variances) - General Fund
For the Year Ended June 30, 2015

| | Original Budget | Amendments | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|-------------------|--|---------------------|--|
| Budgetary fund balance, July 1 | \$ 2,629,005 | \$ 184,246 | \$ 2,813,251 | \$ 2,813,251 | \$ - |
| Resources (inflows): | | | | | |
| Property tax | 965,000 | (15,000) | 950,000 | 952,566 | 2,566 |
| Bank deposit tax | 63,000 | 34,858 | 97,858 | 97,858 | - |
| Telecommunications tax | 77,400 | - | 77,400 | 77,468 | 68 |
| Payroll license | 1,512,500 | 87,500 | 1,600,000 | 1,615,289 | 15,289 |
| Insurance premium tax | 1,423,000 | (273,000) | 1,150,000 | 1,146,338 | (3,662) |
| Gross receipts license | 380,000 | 70,000 | 450,000 | 518,278 | 68,278 |
| Other licenses and permits | 81,000 | (1,000) | 80,000 | 91,135 | 11,135 |
| Intergovernmental | 302,454 | (103,400) | 199,054 | 138,123 | (60,931) |
| Fines and forfeitures | 19,500 | 2,500 | 22,000 | 23,648 | 1,648 |
| Charges for services | 1,011,932 | (30,859) | 981,073 | 1,015,647 | 34,574 |
| Investment income | 12,000 | 8,000 | 20,000 | 18,754 | (1,246) |
| Contributions | 16,000 | (15,000) | 1,000 | 1,071 | 71 |
| Sale of surplus property | 6,000 | (4,000) | 2,000 | 237 | (1,763) |
| Miscellaneous | 5,500 | 2,000 | 7,500 | (1,309) | (8,809) |
| Total resources (inflows) | <u>5,875,286</u> | <u>(237,401)</u> | <u>5,637,885</u> | <u>5,695,103</u> | <u>57,218</u> |
| Amounts available for appropriation | <u>8,504,291</u> | <u>(53,155)</u> | <u>8,451,136</u> | <u>8,508,354</u> | <u>57,218</u> |
| Charges to appropriations (outflows): | | | | | |
| General government | 944,526 | (119,516) | 825,010 | 773,191 | 51,819 |
| Police | 1,630,127 | (230,772) | 1,399,355 | 1,291,889 | 107,466 |
| Fire and EMS | 1,646,027 | (129,642) | 1,516,385 | 1,410,152 | 106,233 |
| Public works | 1,030,281 | (76,946) | 953,335 | 889,163 | 64,172 |
| Recreation | 97,218 | 19,695 | 116,913 | 95,671 | 21,242 |
| Total charges to appropriations | <u>5,348,179</u> | <u>(537,181)</u> | <u>4,810,998</u> | <u>4,460,066</u> | <u>350,932</u> |
| Interfund transfers | <u>(525,000)</u> | <u>(325,000)</u> | <u>(850,000)</u> | <u>(850,000)</u> | <u>-</u> |
| Budgetary fund balance, June 30 | <u>\$ 2,631,112</u> | <u>\$ 159,026</u> | <u>\$ 2,790,138</u> | <u>\$ 3,198,288</u> | <u>\$ 408,150</u> |
| | | | Budgetary fund balance at June 30, 2015 | \$ 3,198,288 | |
| | | | Prior period adjustment | <u>(18,749)</u> | |
| | | | Reconciled General Fund Balance at June 30, 2015 | <u>\$ 3,179,539</u> | |

The accompanying notes are an integral part of the financial statements.

| |
|---|
| <p>CITY OF FORT MITCHELL, KENTUCKY Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (With Variances) - Road Tax Fund For the Year Ended June 30, 2015</p> |
|---|

| | Original Budget | Amendments | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-------------------|-------------------|-------------------|--|
| Budgetary fund balance, July 1 | <u>\$ 965,873</u> | <u>\$ -</u> | <u>\$ 965,873</u> | <u>\$ 965,873</u> | <u>\$ -</u> |
| Resources (inflows): | | | | | |
| Property taxes | 385,000 | 25,000 | 410,000 | 410,308 | 308 |
| Intergovernmental | - | 58,100 | 58,100 | 12,330 | (45,770) |
| Investment income | 1,700 | (700) | 1,000 | 5,311 | 4,311 |
| Contributions | - | - | - | - | - |
| Total resources (inflows) | <u>386,700</u> | <u>82,400</u> | <u>469,100</u> | <u>427,949</u> | <u>(41,151)</u> |
| Amounts available for appropriation | <u>1,352,573</u> | <u>82,400</u> | <u>1,434,973</u> | <u>1,393,822</u> | <u>(41,151)</u> |
| Charges to appropriations (outflows): | | | | | |
| Capital outlay | | | | | |
| Public works | <u>1,269,500</u> | <u>(100,500)</u> | <u>1,169,000</u> | <u>877,979</u> | <u>291,021</u> |
| Total charges to appropriations | <u>1,269,500</u> | <u>(100,500)</u> | <u>1,169,000</u> | <u>877,979</u> | <u>291,021</u> |
| Interund transfers | <u>100,000</u> | <u>250,000</u> | <u>350,000</u> | <u>350,000</u> | <u>-</u> |
| Budgetary fund balance, June 30 | <u>\$ 183,073</u> | <u>\$ 432,900</u> | <u>\$ 615,973</u> | <u>\$ 865,843</u> | <u>\$ 249,870</u> |

The accompanying notes are an integral part of the financial statements.

| |
|---|
| <p>CITY OF FORT MITCHELL, KENTUCKY Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (With Variances) - Capital Projects Fund For the Year Ended June 30, 2015</p> |
|---|

| | Original Budget | Amendments | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|--------------------|---------------------|---------------------|--|
| Budgetary fund balance, July 1 | <u>\$ 5,372,288</u> | <u>\$ (21,038)</u> | <u>\$ 5,351,250</u> | <u>\$ 5,351,250</u> | <u>\$ -</u> |
| Resources (inflows): | | | | | |
| Investment income | 5,000 | 6,000 | 11,000 | 16,492 | 5,492 |
| Insurance claims | - | 20,000 | 20,000 | 20,554 | 554 |
| Total resources (inflows) | <u>5,000</u> | <u>26,000</u> | <u>31,000</u> | <u>37,046</u> | <u>6,046</u> |
| Amounts available for appropriation | <u>5,377,288</u> | <u>4,962</u> | <u>5,382,250</u> | <u>5,388,296</u> | <u>6,046</u> |
| Charges to appropriations (outflows): | | | | | |
| General government | 3,600,000 | 250,000 | 3,850,000 | 3,528,423 | 321,577 |
| Police | 60,000 | 3,000 | 63,000 | 62,187 | 813 |
| Fire and EMS | <u>556,000</u> | <u>17,700</u> | <u>573,700</u> | <u>573,677</u> | <u>23</u> |
| Total charges to appropriations | <u>4,216,000</u> | <u>270,700</u> | <u>4,486,700</u> | <u>4,164,287</u> | <u>322,413</u> |
| Interund transfers | <u>300,000</u> | <u>200,000</u> | <u>500,000</u> | <u>500,000</u> | <u>-</u> |
| Budgetary fund balance, June 30 | <u>\$ 1,461,288</u> | <u>\$ (65,738)</u> | <u>\$ 1,395,550</u> | <u>\$ 1,724,009</u> | <u>\$ 328,459</u> |

The accompanying notes are an integral part of the financial statements.

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|---|
| <p>CITY OF FORT MITCHELL, KENTUCKY Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (With Variances) - Municipal Road Aid Special Revenue Fund For the Year Ended June 30, 2015</p> |
|---|

| | Original Budget | Amendments | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|-------------------|-------------------|-------------------|--|
| Budgetary fund balance, July 1 | \$ 364,243 | \$ 32,103 | \$ 396,346 | \$ 396,346 | \$ - |
| Resources (inflows): | | | | | |
| Intergovernmental | 181,000 | 4,000 | 185,000 | 194,235 | 9,235 |
| Investment income | 700 | (200) | 500 | 1,904 | 1,404 |
| Total resources (inflows) | <u>181,700</u> | <u>3,800</u> | <u>185,500</u> | <u>196,139</u> | <u>10,639</u> |
| Amounts available for appropriation | <u>545,943</u> | <u>35,903</u> | <u>581,846</u> | <u>592,485</u> | <u>10,639</u> |
| Charges to appropriations (outflows): | | | | | |
| Public works | 443,000 | (146,000) | 297,000 | 203,843 | 93,157 |
| Total charges to appropriations | <u>443,000</u> | <u>(146,000)</u> | <u>297,000</u> | <u>203,843</u> | <u>93,157</u> |
| Interfund transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Budgetary fund balance, June 30 | <u>\$ 102,943</u> | <u>\$ 181,903</u> | <u>\$ 284,846</u> | <u>\$ 388,642</u> | <u>\$ 103,796</u> |

The accompanying notes are an integral part of the financial statements.

| |
|---|
| <p>CITY OF FORT MITCHELL, KENTUCKY Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (With Variances) - Park Tax Special Revenue Fund For the Year Ended June 30, 2015</p> |
|---|

| | Original Budget | Amendments | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|---------------------|-------------------|-------------------|--|
| Budgetary fund balance, July 1 | \$ 145,430 | \$ 8,431 | \$ 153,861 | \$ 153,861 | \$ - |
| Resources (inflows): | | | | | |
| Property taxes | 128,000 | 9,000 | 137,000 | 136,884 | (116) |
| Intergovernmental | 75,000 | (75,000) | - | - | - |
| Investment income | 300 | - | 300 | 819 | 519 |
| Total resources (inflows) | 203,300 | (66,000) | 137,300 | 137,703 | 403 |
| Amounts available for appropriation | 348,730 | (57,569) | 291,161 | 291,564 | 403 |
| Charges to appropriations (outflows): | | | | | |
| Parks | 114,090 | 4,225 | 118,315 | 79,144 | 39,171 |
| Total charges to appropriations | 114,090 | 4,225 | 118,315 | 79,144 | 39,171 |
| Transfers to other funds | 125,000 | (125,000) | - | - | - |
| Budgetary fund balance, June 30 | <u>\$ 359,640</u> | <u>\$ (186,794)</u> | <u>\$ 172,846</u> | <u>\$ 212,420</u> | <u>\$ 39,574</u> |

The accompanying notes are an integral part of the financial statements.



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

**To the Honorable Mayor and
Members of Council of
City of Fort Mitchell, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Fort Mitchell, Kentucky as of June 30, 2015 and the related notes to the financial statements which collectively comprise the City of Ft. Mitchell, Kentucky's financial statements, and have issued our report thereon dated December 30, 2015.

Internal Control over Financial Reporting

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



Compliance and Other Matters

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

Purpose of this Report

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

Van Gorder, Walker + Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
December 30, 2015