

CITY OF FORT MITCHELL, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2021

With

Independent Auditors' Report

CITY OF FORT MITCHELL, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2021

With

Independent Auditors' Report

TABLE OF CONTENTS

	<u>Pages</u>
INTRODUCTORY SECTION	
List of City Officials	1
FINANCIAL SECTION	
Independent Auditors' Report	3 - 5
Management's Discussion and Analysis	7 - 14
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet-Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Notes to the Financial Statements	21 - 42
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	44
Budgetary Comparison Schedule - Special Revenue Fund-Road Tax Fund	45
Budgetary Comparison Schedule - Special Revenue Fund - Park Tax Fund	46

TABLE OF CONTENTS (CONTINUED)

Budgetary Comparison Schedule - Capital Projects Fund	47
Schedule of the City's Proportionate Share of the Net Pension Liability	48
Schedule of City Pension Contributions	49
Schedule of the City's Proportionate Share of the Net OPEB Liability	50
Schedule of City OPEB Fund Contributions	51
Notes to Required Supplementary Information	52 - 54
Other Supplementary Information:	
Budgetary Comparison Schedule - Special Revenue Fund - Municipal Road Aid Fund	57
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59 - 60

CITY OF FORT MITCHELL, KENTUCKY

LIST OF CITY OFFICIALS

Year Ended June 30, 2021

Mayor

Jude Hehman

Council Members

Vicki Boerger

Mary Burns

Jerry Deatherage

Alyson Roeding

Kim Nachazel

Greg Pohlgeers

Michael Stoeckle

Department Heads

Police Chief

City Administrator

City Attorney

City Clerk/ Treasurer

Fire Chief

Public Works Director

Park Director

Programs Coordinator

Col. Andrew Schierberg

Edwin King

Claire Parsons

Amy Guenther

Adam Fuller

Matt Stegman

Kyle Bennett

Joe Christofield

This page is intentionally left blank.



INDEPENDENT AUDITORS' REPORT

**To the Mayor and 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Fort Mitchell, 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.

Auditors' 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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules for pension and other postemployment benefits plans, as listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fort Mitchell, Kentucky's basic financial statements. The budgetary comparison schedule of the non-major governmental fund on page 57 is supplementary information and are presented for purposes of additional analysis and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 February 15, 2022, 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 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 Fort Mitchell, 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 Fort Mitchell, Kentucky's internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

Ft. Wright, KY
February 15, 2022

This page is intentionally left blank.

CITY OF FORT MITCHELL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

Our discussion and analysis of City of Fort Mitchell, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. 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 2020 Amount	FYE 2021 Amount	Percentage Increase/ (Decrease)	Increase / (Decrease) From FYE 20
General	\$ 5,195,355	\$ 5,444,044	4.79%	\$ 248,689
Road Tax	1,769,225	1,478,773	-16.42%	(290,452)
Municipal Road Aid	377,151	326,367	-13.47%	(50,784)
Park Tax	455,987	1,610,156	253.11%	1,154,169
Capital Projects	1,718,154	837,218	-51.27%	(880,936)
Total Fund Balance	<u>\$ 9,515,872</u>	<u>\$ 9,696,558</u>	1.90%	<u>\$ 180,686</u>

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.

CITY OF FORT MITCHELL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

Government-Wide Statement of Net Position and Activities (Continued)

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.

Government-Wide Change in Net Position

For the year ended June 30, 2021, net position for all of the governmental activities changed as follows:

	<u>Governmental Activities</u>
Beginning Net Position	\$ 14,363,142
Increase in Net Position	<u>222,646</u>
Ending Net Position	<u>\$ 14,585,788</u>

CITY OF FORT MITCHELL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021

Government-Wide Statement of Net Position Summary

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2021</u>
Current Assets	\$10,698,321	\$10,680,260
Capital Assets, Net	<u>15,929,620</u>	<u>17,683,056</u>
Total Assets	26,627,941	28,363,316
Deferred Outflow of Resources	<u>3,438,233</u>	<u>3,098,726</u>
Total Assets and Deferred Outflows	<u>30,066,174</u>	<u>31,462,042</u>
Current Liabilities	1,151,806	909,401
Long Term Liabilities	<u>13,408,219</u>	<u>15,443,824</u>
Total Liabilities	14,560,025	16,353,225
Deferred Inflow of Resources	<u>1,143,007</u>	<u>523,029</u>
Total Liabilities and Deferred Inflows	<u>15,703,032</u>	<u>16,876,254</u>
Net Assets	<u>\$14,363,142</u>	<u>\$14,585,788</u>

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, 2021, and the amount and percentage of increases and decreases in relation to the prior year.

CITY OF FORT MITCHELL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Revenues	FYE 2020 Amount	FYE 2021 Amount	Percentage Incr(Decr)	Increase (Decrease) From FYE 20
Property Taxes	\$ 1,690,124	\$ 1,728,434	2.27%	\$ 38,310
Bank Deposit Taxes	92,039	139,847	51.94%	47,808
Telecommunication Taxes	65,374	62,151	-4.93%	(3,223)
Payroll License Fees	2,489,709	2,726,179	9.50%	236,470
Insurance Premium Taxes	1,494,745	1,896,053	26.85%	401,308
Gross Receipts License Fees	636,501	615,845	-3.25%	(20,656)
Other License and Permits	71,716	114,878	60.18%	43,162
Utility Franchise Taxes	173,849	269,943	100.00%	96,094
Intergovernmental	1,087,740	771,689	-29.06%	(316,051)
Fines and Forfeitures	5,892	9,926	68.47%	4,034
Charges for Services	1,378,663	1,549,534	12.39%	170,871
Investment Income	130,402	60,702	-53.45%	(69,700)
Donations	3,380	150	-95.56%	(3,230)
Sale of Surplus Property	3,555	17,350	388.05%	13,795
Insurance Claims	12,168	46,243	280.04%	34,075
Proceeds from Loan	54,750	-	100.00%	(54,750)
Total Revenue and Other Financing Sources	<u>\$ 9,390,607</u>	<u>\$ 10,008,924</u>	6.58%	<u>\$ 618,317</u>

Property Taxes increased due to property selling at higher prices.

Bank Deposit Taxes increased due to businesses and residents receiving stimulus funds and limited travel and entertainment due to the COVID-19 pandemic.

Payroll Taxes increased due Fort Mitchell residents working from home during the pandemic along with the city's businesses doing well.

Insurance Premium Taxes increased due to inflation and increase in premiums and property values.

Gross Receipts decreased due to several large delinquent payments collected in the previous year and a refund of \$13,000 for three years for a business that was partially located in Erlanger.

Other License and Permits increased due to Kenton County effort to collect delinquent annual and countywide license fees.

CITY OF FORT MITCHELL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Utility Franchise Tax increased due to this being the first full year of revenue of 3% charged on Duke Energy gas and electric receipts for using the City's right-of-ways.

Intergovernmental revenue decreased due to a larger amount of COVID-19 grants being received in the previous year.

Charges for Services increased due to the rise in Fire and EMS contract revenue.

Investment revenue decreased due to the low fed funds rate.

Loan Proceeds decreased due to a five-year interest free payment plan for police tasers was initiated last year.

The following schedule presents a summary of general expenditures for all of the funds for the fiscal year ended June 30, 2021, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Expenditures</u>	<u>FYE 2020 Amount</u>	<u>FYE 2021 Amount</u>	<u>Percentage Incr(Decr)</u>	<u>Increase (Decrease) From FYE 20</u>
General Government	\$1,101,501	\$1,303,562	18.34%	\$ 202,061
Police	2,005,799	1,870,432	-6.75%	(135,367)
Fire/EMS	2,448,132	3,827,907	56.36%	1,379,775
Public Works	2,578,245	2,520,325	-2.25%	(57,920)
Parks	108,963	260,579	139.14%	151,616
Recreation	45,085	45,433	0.77%	348
Total Expenditures	<u>\$8,287,725</u>	<u>\$9,828,238</u>	18.59%	<u>\$ 1,540,513</u>

General Government expenditures increased due to City Building renovations including the fire/ems sleeping quarters, police and fire HVAC, police hall way door, garage door, driveway, lights and furniture.

Police expenditures decreased due to two unfilled employee positions.

CITY OF FORT MITCHELL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Fire and EMS expenditures increased due to increasing the staffing level to five personnel per shift and purchasing a quint ladder truck, a Dodge Durango, a Honda utility vehicle, 59 sets of personal protective equipment and installing vehicle exhaust removal equipment in the Fire and EMS Bays. A large portion of the vehicle exhaust equipment was covered by a grant.

Public works expenditures decreased due to the purchase of a street sweeper and truck in the prior year. Portable radios were purchased in the current year. Also, construction projects completed in the fiscal year ended June 30, 2021 included Brice Avenue steps, the Dixie Highway road, storm sewer, sidewalk and driveway around the City Building, the Orphanage Road sidewalk, resurfacing of Highland Avenue (Dixie to Longmeadow) and Pieck Lane, partial reconstruction of Ana Jo Lane, and concrete work on Cookbook Lane, and Grace Avenue. Road projects in progress include Ridge Road, West Orchard, Coleman, Grace Avenue, Watch Hill Road, and Bromley Crescent Springs Road.

Park expenses increased due to the expense of the park demolition in June 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2020	2021
Construction in Progress	\$ 1,128,838	\$ 1,623,402
Land	482,914	482,914
Buildings	4,455,813	4,412,826
Buildings/Land Improvements	1,011,385	573,212
Infrastructure	22,333,008	23,229,736
Equipment	1,973,531	1,758,811
Furniture and Fixtures	147,042	66,842
Vehicles	2,966,137	4,101,434
Totals	\$34,498,668	\$36,249,177

CITY OF FORT MITCHELL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

This year's net increase of \$1,750,509 in capital assets included:

Building Improvements	\$ 7,139
Administration, Equipment	16,890
Infrastructure in Process	736,710
Park Renovation in Process	160,675
Building Renovation in Process	367,686
Land Improvement in Process	11,234
Fire and EMS, Equipment	203,192
Fire and EMS, Vehicle	1,075,578
Public Works, Equipment	14,700
Public Works, Infrastructure	444,850
Public Works, Vehicles	3,906
Police, Vehicles	104,994
Building, Disposals	(42,987)
Building Improvements, Disposals	(37,813)
Equipment, Disposals	(449,502)
Furniture and Fixtures, Disposals	(80,201)
Land Improvement, Disposals	(407,499)
Vehicle, Disposals	(49,181)
Infrastructure, Disposals	(329,862)
	<u>\$ 1,750,509</u>

Debt

The City has long-term debt of \$133,559 related to purchase of tasers during the previous fiscal year and related to the financing of Bromley Crescent Springs Road. In fiscal year 2021, as required per GASB 68, the City did recognize \$11,742,283 in net pension liability as its proportionate share of Kentucky's County Employee Retirement Systems (CERS) net unfunded pension liability and as required by GASB 75, the City did recognize \$3,612,502 in net OPEB liability as its proportionate share of unfunded OPEB liability. The City has no immediate liability for the payment of the amount held in these pension and OPEB liability accounts.

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, to increase revenues and decrease expenditures to more closely reflect the anticipated revenues and expenditures for the year.

CITY OF FORT MITCHELL, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Actual revenue came in higher than budgeted amounts by \$1,241,947. Actual expenditures and transfers came in under the amended budget by \$116,068 due to significant efforts by management to control costs. The City's General Fund ended the year with revenues exceeding expenditures and transfers by \$248,689. \$350,000 was transferred to the Road Tax Fund and \$900,000 was transferred to the Capital Projects Fund to save for significant future capital purchases. \$1,250,000 was transferred for the park renovation to the Park Tax Fund and \$750,000 of this transfer was an interest free loan to the Park Tax Fund.

FUND BALANCE

The City has been vigilant in building up a healthy fund balance and this year is no different - there is over 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 the Kentucky Retirement System crisis 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 Clerk/Treasurer at (859)331-1212 or 2355 Dixie Highway, Fort Mitchell, KY 41017.

CITY OF FORT MITCHELL, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government
	Governmental Activities
- ASSETS -	
Cash and Cash Equivalents	\$ 8,950,756
Receivable:	
Property Taxes	38,932
Other Taxes	1,327,152
Assessments	24,000
Intergovernmental	202,719
Accounts	86,114
Prepaid Expenses	50,587
Total Current Assets	10,680,260
Capital Assets, Net of Accumulated Depreciation	17,683,056
Total Assets	28,363,316
 - DEFERRED OUTFLOWS OF RESOURCES -	
Deferred Outflows Related to Pension Plans	1,889,907
Deferred Outflows Related to OPEB	1,208,819
Total Deferred Outflows of Resources	3,098,726
 - LIABILITIES -	
Accounts Payable	591,369
Accrued Liabilities	202,488
Deferred Revenue	71,024
Loan Payable	44,520
Total Current Liabilities	909,401
Long-Term Liabilities:	
Net Pension Liability	11,742,283
Net OPEB Liability	3,612,502
Loan Payable	89,039
Total Liabilities	16,353,225
 - DEFERRED INFLOWS OF RESOURCES -	
Deferred Inflows Related to Pension Plans	51,211
Deferred Inflows Related to OPEB	471,818
Total Deferred Inflows of Resources	523,029
 - NET POSITION -	
Net Investment in Capital Assets	17,683,056
Unrestricted	(3,097,268)
Total Net Position	\$ 14,585,788

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Primary Government					
Governmental Activities					
General Government	\$ 2,812,904	\$ 99,573	\$ 5,412	\$ -	\$ (2,707,919)
Police	1,887,131	61,090	246,925	-	(1,579,116)
Fire and EMS	2,723,830	884,287	74,537	344,974	(1,420,032)
Public Works	2,216,947	511,133	3,118	169,718	(1,532,978)
Parks	111,789	-	-	-	(111,789)
Recreation	45,433	1,900	-	-	(43,533)
Total Governmental Activities	9,798,034	1,557,983	329,992	514,692	(7,395,367)
GENERAL REVENUES:					
Taxes:					
Property Taxes					1,729,622
Bank Deposits Tax					140,233
Telecommunications Taxes					62,151
Payroll License					2,726,179
Insurance Premium Taxes					1,896,053
Gross Receipts Tax					615,845
Utility Tax					269,943
License Fees					114,878
Investment Income					60,702
Miscellaneous					26,196
Fines and Forfeitures					9,926
Loss on Disposal of Capital Assets					(33,715)
Total General Revenues					7,618,013
Change in Net Position					222,646
NET POSITION, BEGINNING					14,363,142
NET POSITION, ENDING					\$ 14,585,788

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2021

	Special Revenue Funds					Total Governmental Funds
	General Fund	Road Tax Fund	Municipal Road Aid Fund	Park Tax Fund	Capital Projects Fund	
- ASSETS -						
Cash and Cash Equivalents	\$ 8,950,756	\$ -	\$ -	\$ -	\$ -	\$ 8,950,756
Receivables:						
Property Taxes	29,223	7,246	-	2,463	-	38,932
Other Taxes	1,327,152	-	-	-	-	1,327,152
Assessments	24,000	-	-	-	-	24,000
Intergovernmental	187,380	-	15,339	-	-	202,719
Accounts	86,114	-	-	-	-	86,114
Prepaid Expenses	50,587	-	-	-	-	50,587
Due from other Funds	-	1,613,269	312,311	1,686,692	972,348	4,584,620
Total Assets	<u>\$ 10,655,212</u>	<u>\$ 1,620,515</u>	<u>\$ 327,650</u>	<u>\$ 1,689,155</u>	<u>\$ 972,348</u>	<u>\$ 15,264,880</u>
- LIABILITIES AND FUND BALANCES -						
LIABILITIES:						
Accounts Payable	\$ 244,403	\$ 134,548	\$ 733	\$ 76,555	\$ 135,130	\$ 591,369
Accrued Liabilities	202,488	-	-	-	-	202,488
Deferred Revenue	179,657	7,194	550	2,444	-	189,845
Due to other Funds	4,584,620	-	-	-	-	4,584,620
Total Liabilities	<u>5,211,168</u>	<u>141,742</u>	<u>1,283</u>	<u>78,999</u>	<u>135,130</u>	<u>5,568,322</u>
FUND BALANCES:						
Nonspendable	50,587	-	-	-	-	50,587
Restricted	-	-	326,367	360,156	-	686,523
Committed						
Capital Projects	-	-	-	1,250,000	837,218	2,087,218
Road Improvements	-	1,478,773	-	-	-	1,478,773
Economic Stabilization	3,418,888	-	-	-	-	3,418,888
Unassigned	1,974,569	-	-	-	-	1,974,569
Total Fund Balances	<u>5,444,044</u>	<u>1,478,773</u>	<u>326,367</u>	<u>1,610,156</u>	<u>837,218</u>	<u>9,696,558</u>
Total Liabilities and Fund Balances	<u>\$ 10,655,212</u>	<u>\$ 1,620,515</u>	<u>\$ 327,650</u>	<u>\$ 1,689,155</u>	<u>\$ 972,348</u>	<u>\$ 15,264,880</u>

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2021

Total Fund Balances - Governmental Funds		\$ 9,696,558
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:		
Cost of Capital Assets	36,249,177	
Accumulated Depreciation	(18,566,121)	
		17,683,056
 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		
		118,821
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Net Pension Liability	(11,742,283)	
Net OPEB Liability	(3,612,502)	
Loan Payable	(133,559)	
		(15,488,344)
 Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reportable in the funds		
Deferred Outflows of Resources	1,889,907	
Deferred Inflows of Resources	(51,211)	
		1,838,696
 Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reportable in the funds		
Deferred Outflows of Resources	1,208,819	
Deferred Inflows of Resources	(471,818)	
		737,001
		14,585,788
Total Net Position - Governmental Activities		\$ 14,585,788

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	Special Revenue Funds					Total Governmental Funds
	General Fund	Road Tax Fund	Municipal Road Aid Fund	Park Tax Fund	Capital Projects Fund	
REVENUES:						
Property Taxes	\$ 1,088,336	\$ 480,098	\$ -	\$ 160,000	\$ -	\$ 1,728,434
Bank Deposit Tax	139,847	-	-	-	-	139,847
Telecommunication Tax	62,151	-	-	-	-	62,151
Payroll License	2,726,179	-	-	-	-	2,726,179
Insurance Premium Tax	1,896,053	-	-	-	-	1,896,053
Gross Receipts License	615,845	-	-	-	-	615,845
Other Licenses and Permits	114,878	-	-	-	-	114,878
Utility Franchise Tax	269,943	-	-	-	-	269,943
Intergovernmental	604,950	3,000	163,739	-	-	771,689
Fines and Forfeitures	7,739	1,644	-	543	-	9,926
Charges for Services	1,549,534	-	-	-	-	1,549,534
Investment Income	40,481	9,348	2,342	4,205	4,326	60,702
Contributions	150	-	-	-	-	150
Sale of Surplus Property	17,350	-	-	-	-	17,350
Insurance Claims	11,786	-	-	-	34,457	46,243
Total Revenues	<u>9,145,222</u>	<u>494,090</u>	<u>166,081</u>	<u>164,748</u>	<u>38,783</u>	<u>10,008,924</u>
EXPENDITURES:						
General Government	883,550	-	-	-	420,012	1,303,562
Police	1,765,437	-	-	-	104,995	1,870,432
Fire and EMS	2,563,298	-	-	-	1,264,609	3,827,907
Public Works	1,138,815	1,134,542	216,865	-	30,103	2,520,325
Parks	-	-	-	260,579	-	260,579
Recreation	45,433	-	-	-	-	45,433
Total Expenditures	<u>6,396,533</u>	<u>1,134,542</u>	<u>216,865</u>	<u>260,579</u>	<u>1,819,719</u>	<u>9,828,238</u>
OTHER FINANCING SOURCES (USES):						
Transfers In	-	350,000	-	1,250,000	900,000	2,500,000
Transfers Out	(2,500,000)	-	-	-	-	(2,500,000)
Total other Financing Sources and Use	<u>(2,500,000)</u>	<u>350,000</u>	<u>-</u>	<u>1,250,000</u>	<u>900,000</u>	<u>-</u>
Net Change in Fund Balances	248,689	(290,452)	(50,784)	1,154,169	(880,936)	180,686
FUND BALANCES, BEGINNING	<u>5,195,355</u>	<u>1,769,225</u>	<u>377,151</u>	<u>455,987</u>	<u>1,718,154</u>	<u>9,515,872</u>
FUND BALANCES, ENDING	<u>\$ 5,444,044</u>	<u>\$ 1,478,773</u>	<u>\$ 326,367</u>	<u>\$ 1,610,156</u>	<u>\$ 837,218</u>	<u>\$ 9,696,558</u>

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	180,686
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful remaining lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period:</p>		
Capital Outlays	3,147,553	
Depreciation Expense	<u>(1,323,005)</u>	1,824,548
<p>Proceeds from loan payable are reported as other financing sources in the governmental funds, but as a long-term liability in the Statement of Net Position. Repayment of loan payable principal is an expenditure in the governmental funds, but a reduction of long-term liabilities in the Statement of Net Position. This is the amount of proceeds that exceeded principal payments in the period.</p>		
		(90,359)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		77,378
<p>Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue. In contrast, the Statement of Activities reports the gain or loss on the sale of assets. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold.</p>		
		(71,112)
<p>City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
City Pension Contributions	655,906	
Cost of Benefits Earned	<u>(2,017,072)</u>	(1,361,166)
<p>City OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net OPEB liability is measured a year before the City's report date. OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities.</p>		
City OPEB Contributions	199,758	
Cost of Benefits Earned	<u>(537,087)</u>	(337,329)
Change in Net Position - Governmental Activities	\$	<u>222,646</u>

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

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, Road Tax, Municipal Road Aid, Park Tax, and Capital Projects Funds.

Reporting Entity

The City, for financial purposes, includes all of the funds 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 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.

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.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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, 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 generally payroll license fees, insurance premium taxes 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.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- B. The Road Tax Fund (a special revenue fund) is used to build and repair roads and sidewalks. This is a major fund of the City.
- C. The Municipal Road Aid Fund (a special revenue fund) consists of funds received from the state to build and repair roads and sidewalks. This is a non-major fund of the City.
- D. The Park Tax Fund (a special revenue fund) consists of funds received from City taxpayers for park repair and maintenance. This is a major fund of the City.
- E. The Capital Projects Fund is used to make purchases of large capital expenditures. This is a 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
- Mutual Funds

Investments

In accordance with GASB, investments held at year end are recorded at fair value based on quoted market prices.

Property Taxes and Tax Calendar

Property taxes are levied and billed around September 15 on property values assessed as of January 1. The taxes are due and payable on October 31. On November 1, the bill becomes delinquent and penalties and interest are assessed by the City after the adopted grace period. A lien may be placed on the property on November 1. Property tax rates for the General Fund for the year ended June 30, 2021 were \$0.136 per \$100 valuation for real property, for the Road Tax Fund were \$0.06 on per \$100 valuation for real property, and for the Park Tax Fund were \$0.02 per \$100 valuation for real property. The assessed value of property which the levy for 2021 was based was \$795,182,801.

Prepaid Items

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

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are furniture and fixtures, equipment, land, buildings, building improvements, infrastructure, and vehicles over a certain dollar threshold with a useful life longer than one year. 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 in the governmental activities. Infrastructure, such as streets, sidewalks and storm sewers, including infrastructure acquired prior to the implementation of GASB 34 are capitalized. 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 statement of net position. The range of lives used for depreciation purposes for each capital asset class is as follows:

Buildings	20 - 28 years
Building Improvements	7 - 20 years
Public Domain infrastructure	15 - 30 years
Vehicles	5 - 20 years
Equipment and Furniture	5 -10 years

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 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.

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 the liability for compensated absences is \$95,888.

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/deferred 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.

Deferred Outflows of Resources

The City reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statements relate to the City's pension plan and OPEB plan and include (1) contributions made to the City's pension plan and OPEB plan between the measurement date of the net pension liability and the end of the City's fiscal year, (2) differences between the expected and actual experience, (3) changes in assumptions, (4) difference between projected and actual earnings on plan investments and (5) changes in the proportionate share of the City's contributions to the pension fund and OPEB fund. The deferred amount related to the differences between expected and actual experience, changes in the proportionate share of the City's contributions to the pension fund and OPEB fund, and changes of assumptions in the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred amount related to the difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year

Deferred Inflows of Resources

The City's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements relate to the City's pension plan and OPEB plan and include (1) changes in the proportionate share of the City's contributions to the pension fund and OPEB fund, (2) differences between expected and actual experience and (3) changes in assumptions. The deferred amount related to the changes in the proportionate share of the City's contributions to the pension fund and OPEB fund, the amount related to the differences between expected and actual experience, and changes of assumptions in the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Unrestricted net position represents the net position available for future operations.

Fund Balance Policies

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In the fund financial statements, governmental funds report components of fund balance as follows:

Nonspendable fund balances arise when resources cannot be spent because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by sources; such as federal or state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Road Aid.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Park Tax Funds, and Capital Projects Funds and economic stabilization balance for the General Fund.

Assigned fund balances consist 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 with 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 by function/department.

Interfund Transactions

Interfund services provided/used are accounted for as revenue, 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.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with Kentucky Revised Statutes and City ordinance, prior to June 1, 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.
- B. A public meeting is conducted to obtain citizen comment.
- C. By July 1, the budget is legally enacted through passage of an ordinance.
- 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 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 year end.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

At June 30, 2021, 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 \$8,950,756 and a bank balance of \$8,974,590, the difference being items that had not cleared the bank at June 30, 2021.

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.

Investments

During the fiscal year the City had transferred all their investments to their cash accounts and therefore no investments were held at June 30, 2021.

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 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 Treasury 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.

NOTE E - CAPITAL ASSETS AND LEASES

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

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE E - CAPITAL ASSETS AND LEASES (CONTINUED)

<u>Governmental Activities</u>	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2021</u>
Capital Assets not Depreciated				
Land	\$ 482,914	\$ -	\$ -	\$ 482,914
Construction in Progress	1,128,838	1,276,304	(781,740)	1,623,402
Total Capital Assets Not Being Depreciated	<u>1,611,752</u>	<u>1,276,304</u>	<u>(781,740)</u>	<u>2,106,316</u>
Depreciable Capital Assets				
Infrastructure	22,333,008	1,226,590	(329,862)	23,229,736
Buildings	4,455,813	-	(42,987)	4,412,826
Buildings/Land Improvements	1,011,385	7,139	(445,312)	573,212
Equipment	1,973,531	234,782	(449,502)	1,758,811
Furniture and Fixtures	147,042	-	(80,200)	66,842
Vehicles	2,966,137	1,184,478	(49,181)	4,101,434
Total Depreciable Capital Assets	<u>32,886,916</u>	<u>2,652,989</u>	<u>(1,397,044)</u>	<u>34,142,861</u>
Total Depreciable Capital Assets at Historical Cost	<u>34,498,668</u>	<u>3,929,293</u>	<u>(2,178,784)</u>	<u>36,249,177</u>
Less Accumulated Depreciation				
Infrastructure	12,852,055	747,427	(329,862)	13,269,620
Buildings	1,574,581	190,636	(42,987)	1,722,230
Buildings/Land Improvements	861,029	31,084	(388,566)	503,547
Equipment	1,613,002	109,787	(447,543)	1,275,246
Furniture and Fixtures	144,260	1,444	(80,200)	65,504
Vehicles	1,524,121	242,627	(36,773)	1,729,975
Total Accumulated Depreciation	<u>18,569,048</u>	<u>1,323,005</u>	<u>(1,325,931)</u>	<u>18,566,122</u>
Depreciable Capital Assets, Net	<u>14,317,868</u>	<u>1,329,984</u>	<u>(71,112)</u>	<u>15,576,740</u>
Total Capital Assets, Net	<u>\$ 15,929,620</u>	<u>\$ 2,606,288</u>	<u>\$ (852,852)</u>	<u>\$ 17,683,056</u>

Depreciation was charged to functions as follows.

<u>Governmental Activities</u>	<u>Amount</u>
General Government	\$ 215,303
Police	131,492
Fire and EMS	171,198
Public Works	793,830
Park	11,182
Total Depreciation	<u>\$ 1,323,005</u>

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE E - CAPITAL ASSETS AND LEASES (CONTINUED)

Lease Payable

Operating Lease

The City has an operating lease for three copiers for sixty months at \$326 per month. The City also has an operating lease for a postage machine for sixty-three months at \$50 per month. Future minimum lease payments are as follows:

Year Ending <u>June 30</u>	
2022	\$ 3,864
2023	<u>600</u>
	<u>\$ 4,464</u>

NOTE F – EMPLOYEE’S PENSION PLAN

General Information about the Pension Plan

Plan description. Employees of the City are provided with pensions through the County Employees Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the CERS. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

Benefits provided. CERS provides retirement, disability, and death benefits. Retirement benefits are calculated based on a formula (final compensation times a benefit factor times years of service) and may be extended to beneficiaries of plan members under certain circumstances. Disability benefits are determined in a similar manner as retirement benefits, but vary based upon hire date, age and years of service. Death benefits vary based upon whether the employee was retired or working at the date of death and whether or not it was a duty-related death.

For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on their hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced Retirement	27 years service or 65 years old
	Reduced Retirement	At least 5 years service and 55 years old, or At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced Retirement	At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87
	Reduced Retirement	At least 10 years service and 60 years old

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

Tier 3	Participation date	On or after January 1, 2014
	Unreduced Retirement	At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87
	Reduced Retirement	Not available

For retirement purposes, hazardous duty employees are grouped into three tiers, based on their hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced Retirement	A least one month service and 55 years old, or At least 20 years service and any age
	Reduced Retirement	At least 15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced Retirement	At least 5 years service and 60 years old, or At least 25 years service and any age
	Reduced Retirement	At least 15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced Retirement	At least 5 years service and 60 years old, or At least 25 years service and any age
	Reduced Retirement	Not available

Employees are vested in the plan after five years of service. Cost of living adjustments are provided at the discretion of the Kentucky General Assembly. No COLA has been granted since July 1, 2011.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 non-hazardous employees are required to contribute 5% of their annual creditable compensation and Tier 1 hazardous employees are required to contribute 8% of their annual creditable compensation. Tier 2 and 3 non-hazardous employees are required to contribute 5% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Tier 2 and 3 hazardous employees are required to contribute 8% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Employers contribute at the rate determined by the Board. The actuarially determined rates set by the Board for the year ended June 30, 2021 for non-hazardous employees was 24.06%, of which 19.30% was for the pension fund and 4.76% was for the insurance fund. The actuarially determined rates set by the Board for the year ended June 30, 2021 for hazardous employees was 39.58%, of which 30.06% was for the pension fund and 9.52% was for the insurance fund. Contributions to the pension plan from the City were \$855,664 for the year ended June 30, 2021, of which \$655,906 was for the pension fund and \$199,758 was for the insurance fund. The non-hazardous contribution was \$141,743 (\$113,701 for pension and \$28,042 for insurance). The hazardous contribution was \$713,921 (\$542,205 for pension and \$171,716 for insurance).

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

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

At June 30, 2021, the City reported a liability of \$11,742,283 for its proportionate share of the net pension liability. The non-hazardous portion of the net pension liability was \$1,753,343 and the hazardous portion was \$9,988,940. The net pension liability was based on an actuarial valuation performed on June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2020, using generally accepted actuarial principles. During the 2020 Legislative Session, Senate Bill 249 and House Bill 271 passed impacting changes in the funding period for the amortization of the unfunded liability as of June 30, 2019 and payments to a surviving spouse. The City’s proportionate share of the net pension liability was determined using the City’s actual contributions for the fiscal year ending June 30, 2020. This method was expected to be reflective of the City’s long-term contribution effort. At June 30, 2020, the City’s proportion was 0.022860% for non-hazardous and .331305% for hazardous, an increase of .001404% and .002756% from its proportion measured, respectively, as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$2,016,456. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 353,519	\$ -
Changes of assumptions	447,302	-
Net difference between projected and actual earnings on plan investments	268,903	-
Changes in proportion and differences between City contributions and proportionate share of contributions	164,277	51,211
City contributions subsequent to the measurement date	655,906	-
	\$ 1,889,907	\$ 51,211

The \$655,906 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

Year ended June 30:	
2022	\$ 506,108
2023	342,774
2024	198,186
2025	135,722
2026	-
	<u>\$ 1,182,790</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05%, varies by service for Hazardous
Payroll growth rate	2.00%
Investment rate of return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2013 – June 30, 2018.

Changes of assumptions. Since the prior measurement date, there were no changes in assumptions.

Discount rate. The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed the 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 in 2018). The discount rate determination does not use a municipal bond rate.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	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>	

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate of 6.25%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Non-hazardous	\$ 2,162,254	\$ 1,753,343	\$ 1,414,750
Hazardous	\$ 12,344,907	\$ 9,988,940	\$ 8,065,848

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued KRS financial report.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

Payables to the pension plan

The City makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2021, \$91,205 was payable to the pension plan, of which \$69,268 was for the pension fund and \$21,937 was for the insurance fund.

NOTE G – POSTEMPLOYMENT BENEFITS

Plan description. Employees of the City are provided with health care benefits through the Kentucky Retirement System Insurance Fund (Insurance Fund)—a cost-sharing multiple-employer health insurance plan. The Insurance Fund is part of CERS. Per Kentucky Revised Statute Section 61.701, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the health insurance benefit. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

Benefits provided. The Insurance Fund provides hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The eligible Medicare retirees receive benefits through a Medicare Advantage Plan. The amount of plan premium (contribution) paid by the Insurance Fund is based on years of service and participation date. For members participating prior to July 1, 2003, members completing 20 or more years of service received 100% contribution. Members completing 15 – 19 years, 10-14 years, and 4-9 years received 75%, 50%, and 25% respectively. Members completing less than 4 years of service receive no insurance benefit. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, non-hazardous employees earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount and hazardous employees earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee’s spouse receives \$10 per month for insurance benefits for each year of the deceased employee’s earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The monthly dollar contribution for 2020 is \$13.58 for CERS Non-hazardous employees and \$20.37 for CERS Hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are not required to contribute to the insurance fund. Tier 2 and 3 employees are required to contribute 1% of their creditable compensation to the insurance fund. Employers contribute at the rate determined by the Board. As stated in Note F Employee’s Pension Plan, the actuarially determined rates set by the Board for the year ended June 30, 2021 for non-hazardous employees was 24.06%, of which 19.30 % was for the pension fund and 4.76% was for the insurance fund. The actuarially determined rates set by the Board for the year ended June 30, 2021 for hazardous employees was 39.58%, of which 30.06% was for the pension fund and 9.52% was for the insurance fund. See Note F for contributions to the plan from the City during the current fiscal year.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)

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

At June 30, 2021, the City reported a liability of \$3,612,502 for its proportionate share of the net OPEB liability. The non-hazardous portion of the net pension liability was \$551,855 and the hazardous portion was \$3,060,647. The net OPEB liability was based on an actuarial valuation performed on June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2020, using generally accepted actuarial principles. During the 2020 Legislative Session, Senate Bill 249 passed impacting changes in the funding period for the amortization of the unfunded liability as of June 30, 2019. The City’s proportionate share of the net OPEB liability was determined using the City’s actual contributions for the fiscal year ending June 30, 2020. This method is expected to be reflective of the City’s long-term contribution effort. At June 30, 2020, the City’s proportion was .022854% for non-hazardous and .331201% for hazardous, an increase of .001404% and .002688% from its proportion measured, respectively, as of June 30, 2019.

For the year ended June 30, 2021, the City recognized OPEB expense of \$568,924. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 197,232	\$ 397,914
Changes of assumptions	595,298	3,404
Net difference between projected and actual earnings on plan investments	154,204	-
Changes in proportion and differences between City contributions and proportionate share of contributions	34,399	70,500
City contributions subsequent to the measurement date	227,685	-
	\$ 1,208,818	\$ 471,818

The \$227,685 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)

Year ended June 30:	
2022	\$ 139,400
2023	72,731
2024	127,018
2025	126,074
2026	44,092
2027	-
	\$ 509,315

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05%, varies by service for Hazardous
Investment rate of return	6.25%
Healthcare trend rates	Pre – 65: Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years Post – 65: Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years

The mortality table used for active members is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2013 – June 30, 2018.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount rate. The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous and 5.30% for hazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to the future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is the same as disclosed in Note F Employee’s Pension Plan. Additionally, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are the same as disclosed in Note F.

Sensitivity of the City’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the City’s proportionate share of the net OPEB liability, calculated using the discount rate of 5.34% for non-hazardous and 5.30% for hazardous, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34% for non-hazardous and 4.30% for hazardous) or 1-percentage-point higher (6.34% for non-hazardous and 6.30% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	\$ 708,971	\$ 551,855	\$ 422,810
Hazardous	\$ 4,154,748	\$ 3,060,647	\$ 2,179,023

Sensitivity of the City’s proportionate share of the net OPEB liability to changes in the healthcare trend rate. The following presents the City’s proportionate share of the net OPEB liability, calculated using the healthcare trend rate of noted above, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Non-hazardous	\$ 427,273	\$ 551,855	\$ 703,037
Hazardous	\$ 2,187,228	\$ 3,060,647	\$ 4,134,440

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Payables to the OPEB plan

The City makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. See Note F Employee’s Pension Plan for payable as of June 30, 2021.

NOTE H - 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 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, 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 I - 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 J - 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. This agreement with Lakeside Park began July 1, 2020 for a six year term, expiring June 30, 2026. The agreement with Crestview Hills began April 1, 2018 for a four year term, expiring March 31, 2022. The Crestview Hills agreement may be extended for two years. Revenue to the City from these contracts totaled \$623,313 for the fiscal year ended June 30, 2021.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE K - 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, 2021 is \$2,226,328.

NOTE L - 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	Park Tax	1,250,000
General	Capital Projects	<u>900,000</u>
Total		<u>\$2,500,000</u>

Due from and due to other funds represent accounts receivable and payable. The balances in these accounts represent cash held in the General Fund banking and investment accounts which is the actual cash for each of the other funds.

<u>Due to Receivable Fund(s)</u>	<u>Due from Payable Fund(s)</u>	<u>Amount</u>
Road Tax	General	\$ 1,613,269
Municipal Road Aid	General	312,311
Park Tax	General	1,686,692
Capital Projects	General	<u>972,348</u>
Total		<u>\$ 4,584,620</u>

NOTE M - TAX INCREMENT FINANCING COMPONENT UNIT

In fiscal year 2015, the City approved the creation of a Tax Increment Financing District (TIF) surrounding the former Drawbridge development site. In forming this District, the City is creating a not-for-profit organization named the Fort Mitchell Economic Development Authority to manage the affairs of the District. This organization is overseen by a board of City residents appointed by the Mayor and approved by City Council. The City has complete control of the organization and, therefore, will report the organization as a component unit when activity begins. The approved project had included a Surgery Center and an Emergency Room which was to be built by Christ Hospital. Since Kentucky did not issue a "Certificate of Need", Christ Hospital was not able to move forward with the development and the property has been sold to the developer, Brandicorp. The Kentucky Cabinet of Economic Development has provided

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2021

NOTE M - TAX INCREMENT FINANCING COMPONENT UNIT (CONTINUED)

two options if the developer does not proceed with the medical component (1-withdraw from the TIF program or 2-provide an amended application and development plan.) The developer is currently looking for new tenants and working on development plans. The developer will report back to the City and the Cabinet as soon as the tenants and plan are solidified. The City of Fort Mitchell has been issued a two-year extension of the activation date which extends the activation date until June 28, 2022 from the Kentucky Cabinet of Economic Development.

NOTE N – CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$839,584 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for fire and police payroll expenses during the pandemic. The City recognized \$592,653 of these funds in the previous fiscal year and \$246,931 has been recognized as a part of Intergovernmental revenues in the current fiscal year.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated events through February 15, 2022, the date on which the financial statements were available for issue.

The City received its first payment of the federally funded American Recovery Plan Act (ARPA) grant in the amount of \$1,067,041 in July 2021. The total ARPA funds allocated to the City are \$2,134,081. These funds are designated for specific uses, and any amount uncommitted by December 31, 2024 and unused by December 31, 2026, will need to be returned.

Required Supplementary Information

CITY OF FORT MITCHELL, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2020	\$ 3,895,747	\$ 5,195,355	\$ 5,195,355	\$ -
Resources (Inflows)				
Property Taxes	1,072,500	1,086,000	1,088,336	2,336
Bank Deposit Tax	82,835	140,233	139,847	(386)
Telecommunications Tax	63,000	64,000	62,151	(1,849)
Payroll License	2,085,300	2,600,000	2,726,179	126,179
Insurance Premium Tax	1,215,000	1,800,000	1,896,053	96,053
Gross Receipts License	450,000	575,000	615,845	40,845
Other Licenses and Permits	84,000	91,500	114,878	23,378
Utility Franchise Tax	313,500	260,000	269,943	9,943
Intergovernmental	233,688	489,600	604,950	115,350
Fines and Forfeitures	10,500	5,065	7,739	2,674
Charges for Services	1,580,698	1,541,800	1,549,534	7,734
Investment Income	32,000	32,000	40,481	8,481
Contributions	1,000	150	150	-
Sale of Surplus Property	15,000	4,500	17,350	12,850
Insurance Claims	6,000	10,000	11,786	1,786
Total Resources	<u>7,245,021</u>	<u>8,699,848</u>	<u>9,145,222</u>	<u>445,374</u>
Appropriations (Outflows)				
General Government	1,000,700	941,705	883,550	58,155
Police	2,031,120	1,878,764	1,765,437	113,327
Fire and EMS	2,405,645	2,734,224	2,563,298	170,926
Public Works	1,228,353	1,229,046	1,138,815	90,231
Recreation	69,637	54,038	45,433	8,605
Total Appropriations	<u>6,735,455</u>	<u>6,837,777</u>	<u>6,396,533</u>	<u>441,244</u>
Interfund Transfers	<u>(985,000)</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>-</u>
Excess Resources over Appropriations	<u>(475,434)</u>	<u>(637,929)</u>	<u>248,689</u>	<u>886,618</u>
Budgetary Fund Balance, June 30, 2021	<u>\$ 3,420,313</u>	<u>\$ 4,557,426</u>	<u>\$ 5,444,044</u>	<u>\$ 886,618</u>

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE - ROAD TAX FUND

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2020	\$ 1,252,519	\$ 1,769,225	\$ 1,769,225	\$ -
Resources (Inflows)				
Property Taxes	471,040	479,520	480,098	578
Intergovernmental	505,000	347,000	3,000	(344,000)
Fines and Forfeitures	1,000	1,200	1,644	444
Investment Income	10,000	10,000	9,348	(652)
Total Resources	<u>987,040</u>	<u>837,720</u>	<u>494,090</u>	<u>(343,630)</u>
Appropriations (Outflows)				
Public Works	1,919,000	1,847,000	1,134,542	712,458
Total Appropriations	<u>1,919,000</u>	<u>1,847,000</u>	<u>1,134,542</u>	<u>712,458</u>
Interfund Transfers	-	350,000	350,000	-
Excess Resources over Appropriations	<u>(931,960)</u>	<u>(659,280)</u>	<u>(290,452)</u>	<u>368,828</u>
Budgetary Fund Balance, June 30, 2021	<u>\$ 320,559</u>	<u>\$ 1,109,945</u>	<u>\$ 1,478,773</u>	<u>\$ 368,828</u>

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - PARK TAX FUND

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2020	\$ 421,114	\$ 455,987	\$ 455,987	\$ -
Resources (Inflows)				
Property Taxes	158,000	160,840	160,000	(840)
Fines and Forfeitures	310	320	543	223
Charges for Services	300	-	-	-
Investment Income	3,000	3,600	4,205	605
Total Resources	<u>161,610</u>	<u>164,760</u>	<u>164,748</u>	<u>(12)</u>
Appropriations (Outflows)				
Parks	1,041,601	404,601	260,579	144,022
Total Appropriations	<u>1,041,601</u>	<u>404,601</u>	<u>260,579</u>	<u>144,022</u>
Interfund Transfers	500,000	1,250,000	1,250,000	-
Excess Resources over Appropriations	<u>(379,991)</u>	<u>1,010,159</u>	<u>1,154,169</u>	<u>144,010</u>
Budgetary Fund Balance, June 30, 2021	<u>\$ 41,123</u>	<u>\$ 1,466,146</u>	<u>\$ 1,610,156</u>	<u>\$ 144,010</u>

CITY OF FORT MITCHELL, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2020	\$ 1,644,390	\$ 1,718,154	\$ 1,718,154	\$ -
Resources (Inflows)				
Intergovernmental	-	-	-	-
Investment Income	9,404	12,000	4,326	(7,674)
Insurance Claims	-	30,000	34,457	4,457
Total Resources	<u>9,404</u>	<u>42,000</u>	<u>38,783</u>	<u>(3,217)</u>
Appropriations (Outflows)				
General Government	410,000	638,341	420,012	218,329
Police	106,277	142,787	104,995	37,792
Fire and EMS	1,321,000	1,309,800	1,264,609	45,191
Public Works	20,000	51,000	30,103	20,897
Total Appropriations	<u>1,857,277</u>	<u>2,141,928</u>	<u>1,819,719</u>	<u>322,209</u>
Interfund Transfers	<u>485,000</u>	<u>900,000</u>	<u>900,000</u>	<u>-</u>
Excess Resources over Appropriations	<u>(1,362,873)</u>	<u>(1,199,928)</u>	<u>(880,936)</u>	<u>318,992</u>
Budgetary Fund Balance, June 30, 2021	<u>\$ 281,517</u>	<u>\$ 518,226</u>	<u>\$ 837,218</u>	<u>\$ 318,992</u>

CITY OF FORT MITCHELL, KENTUCKY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
City's proportion of the net pension liability (asset) - Non-hazardous	0.023%	0.021%	0.022%	0.027%	0.021%	0.020%	0.024%			
City's proportion of the net pension liability (asset) - Hazardous	0.331%	0.329%	0.325%	0.331%	0.271%	0.252%	0.239%			
City's proportionate share of the net pension liability (asset) - Non-hazardous	\$ 1,753,343	\$ 1,509,010	\$ 1,311,121	\$ 1,609,367	\$ 1,017,915	\$ 844,052	\$ 778,724			
City's proportionate share of the net pension liability (asset) - Hazardous	\$ 9,988,940	\$ 9,075,494	\$ 7,868,063	\$ 7,397,181	\$ 4,652,677	\$ 3,892,713	\$ 2,843,398			
Total City's proportionate share of the net pension liability (asset)	\$ 11,742,283	\$ 10,584,504	\$ 9,179,184	\$ 9,006,548	\$ 5,670,592	\$ 4,736,765	\$ 3,622,122			
City's covered-employee payroll	\$ 2,411,890	\$ 2,503,613	\$ 2,511,890	\$ 2,430,479	\$ 2,043,271	\$ 1,873,522	\$ 1,860,515			
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	486.85%	422.77%	365.43%	370.57%	277.53%	252.83%	194.68%			
Plan fiduciary net position as a percentage of the total pension liability										
Non-hazardous	47.8%	50.4%	53.5%	53.3%	55.5%	60.0%	66.8%			
Hazardous	44.1%	46.6%	49.3%	49.8%	54.0%	57.5%	63.5%			

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY
SCHEDULE OF CITY PENSION CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 655,906	\$ 695,478	\$ 580,653	\$ 523,229	\$ 686,750	\$ 578,649	\$ 554,236	\$ 565,150		
Contributions in relation to the contractually required contribution	<u>\$ (655,906)</u>	<u>\$ (695,478)</u>	<u>\$ (580,653)</u>	<u>\$ (523,229)</u>	<u>\$ (686,750)</u>	<u>\$ (578,649)</u>	<u>\$ (554,236)</u>	<u>\$ (565,150)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
City's covered-employee payroll	\$ 2,411,890	\$ 2,503,613	\$ 2,511,890	\$ 2,430,479	\$ 2,464,891	\$ 2,043,271	\$ 1,873,522	\$ 1,860,515		
Contributions as a percentage of covered-employee payroll	27.19%	27.78%	23.12%	21.53%	27.86%	28.32%	29.58%	30.38%		

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
City's proportion of the net OPEB liability (asset) - Non-hazardous	0.023%	0.021%	0.022%	0.027%						
City's proportion of the net OPEB liability (asset) - Hazardous	0.331%	0.329%	0.325%	0.331%						
City's proportionate share of the net OPEB liability (asset) - Non-hazardous	\$ 551,855	\$ 360,779	\$ 382,208	\$ 552,744						
City's proportionate share of the net OPEB liability (asset) - Hazardous	\$ 3,060,647	\$ 2,430,536	\$ 2,319,626	\$ 2,733,249						
Total City's proportionate share of the net OPEB liability (asset)	\$ 3,612,502	\$ 2,791,315	\$ 2,701,834	\$ 3,285,993						
City's covered-employee payroll	\$ 2,411,890	\$ 2,503,613	\$ 2,511,890	\$ 2,430,479						
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	149.78%	111.49%	107.56%	135.20%						
Plan fiduciary net position as a percentage of the total pension liability										
Non-hazardous	51.7%	60.4%	57.6%	52.4%						
Hazardous	58.8%	64.4%	64.2%	59.0%						

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY
SCHEDULE OF CITY OPEB FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 199,758	\$ 212,338	\$ 235,910	\$ 176,865	\$ 201,025					
Contributions in relation to the contractually required contribution	<u>\$ (199,758)</u>	<u>\$ (212,338)</u>	<u>\$ (235,910)</u>	<u>\$ (176,865)</u>	<u>\$ (201,025)</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
City's covered-employee payroll	\$ 2,411,890	\$ 2,503,613	\$ 2,511,890	\$ 2,430,479	\$ 2,464,891					
Contributions as a percentage of covered-employee payroll	8.28%	8.48%	9.39%	7.28%	8.14%					

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

NOTE 1 – NOTES TO PENSION SCHEDULES

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

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

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

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

2018: House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty.

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

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.

2019

- The assumed salary increase was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

NOTE 1 – NOTES TO PENSION SCHEDULES (CONTINUED)

- For active members, the mortality table used is a Pub-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is a PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

NOTE 2 – NOTES TO OPEB SCHEDULES

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

2003: Medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003.

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

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.
- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years to an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

2018

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years to an initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

NOTE 2 – NOTES TO OPEB SCHEDULES (CONTINUED)

- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years to an initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

2019

- The assumed salary increase was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.
- For active members, the mortality table used is PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members, the mortality table used is the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is a PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

2020

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years to an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years to an initial trend starting at 2.90%, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

This page is intentionally left blank.

Other Supplementary Information

CITY OF FORT MITCHELL, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - MUNICIPAL ROAD AID FUND

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2020	\$ 287,471	\$ 377,151	\$ 377,151	\$ -
Resources (Inflows)				
Intergovernmental	149,000	160,000	163,739	3,739
Investment Income	3,500	3,500	2,342	(1,158)
Total Resources	<u>152,500</u>	<u>163,500</u>	<u>166,081</u>	<u>2,581</u>
Appropriations (Outflows)				
Public Works	302,000	282,000	216,865	65,135
Total Appropriations	<u>302,000</u>	<u>282,000</u>	<u>216,865</u>	<u>65,135</u>
Excess Resources over Appropriations	<u>(149,500)</u>	<u>(118,500)</u>	<u>(50,784)</u>	<u>67,716</u>
Budgetary Fund Balance, June 30, 2021	<u>\$ 137,971</u>	<u>\$ 258,651</u>	<u>\$ 326,367</u>	<u>\$ 67,716</u>

This page is intentionally left blank.



**INDEPENDENT AUDITORS' 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 & Council
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, each major fund, and the aggregate remaining fund information of the City of Fort Mitchell, Kentucky (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

Bramel & Ackley, P.S.C.

Ft. Wright, KY
February 15, 2022