

**CITY OF FORT MITCHELL, KENTUCKY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2022**

**With**

**Independent Auditors' Report**

**CITY OF FORT MITCHELL, KENTUCKY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2022**

**With**

**Independent Auditors' Report**

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**CITY OF FORT MITCHELL, KENTUCKY**

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**For the Year Ended June 30, 2022**

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**CITY OF FORT MITCHELL, KENTUCKY**

**LIST OF CITY OFFICIALS**

**Year Ended June 30, 2022**

**Mayor**

Jude Hehman

**Council Members**

Vicki Boerger	Kim Nachazel
Mary Burns	Greg Pohlgeers
Jerry Deatherage	Michael Stoeckle
Alyson Roeding	

**Department Heads**

Police Chief	Andrew Schierberg
City Administrator	Edwin King
City Attorney	Olivia Amlung
City Clerk/ Treasurer	Amy Guenther
Fire Chief	Adam Fuller
Public Works Director	Nick Tewes
Programs Coordinator	Joe Christofield

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council  
City of Fort Mitchell, Kentucky

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the City of Fort Mitchell, Kentucky, as of and for the year ended June 30, 2022, 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.

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 information of the City of Fort Mitchell, Kentucky, as of June 30, 2022, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fort Mitchell, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fort Mitchell, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Fort Mitchell, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fort Mitchell, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

***Supplementary 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 55 is 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 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 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 24, 2023, 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 & Achley, P.S.C.*

February 24, 2023



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

**Year Ended June 30, 2022**

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, 2022. 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 2021 Amount	FYE 2022 Amount	Percentage Increase/ (Decrease)	Increase / (Decrease) From FYE 21
General	\$ 5,444,044	\$ 5,663,676	4.03%	\$ 219,632
Road Tax	1,478,773	1,542,210	4.29%	63,437
Municipal Road Aid	326,367	411,013	25.94%	84,646
Park Tax	1,610,156	994,368	-38.24%	(615,788)
Capital Projects	837,218	1,497,817	78.90%	660,599
Total Fund Balance	<u>\$ 9,696,558</u>	<u>\$ 10,109,084</u>	4.25%	<u>\$ 412,526</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.

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

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

**Year Ended June 30, 2022**

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

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, 2022, net position for all of the governmental activities changed as follows:

	<u>Governmental Activities</u>
Beginning Net Position	\$ 14,585,788
Increase in Net Position	<u>2,296,899</u>
Ending Net Position	<u>\$ 16,882,687</u>

**CITY OF FORT MITCHELL, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2022**

**Government-Wide Statement of Net Position Summary**

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2022</u>
Current Assets	\$10,680,260	\$13,254,819
Capital Assets, Net	<u>17,683,056</u>	<u>19,470,084</u>
Total Assets	28,363,316	32,724,903
Deferred Outflow of Resources	<u>3,098,726</u>	<u>2,453,299</u>
Total Assets and Deferred Outflows	<u>31,462,042</u>	<u>35,178,202</u>
Current Liabilities	909,401	3,017,860
Long Term Liabilities	<u>15,443,824</u>	<u>12,429,229</u>
Total Liabilities	16,353,225	15,447,089
Deferred Inflow of Resources	<u>523,029</u>	<u>2,848,426</u>
Total Liabilities and Deferred Inflows	<u>16,876,254</u>	<u>18,295,515</u>
Net Assets	<u>\$14,585,788</u>	<u>\$16,882,687</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, 2022, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>Percentage</u>	<u>Increase</u>
	<u>Amount</u>	<u>Amount</u>	<u>Incr(Decr)</u>	<u>(Decrease)</u>
				<u>From FYE 21</u>
Property Taxes	\$ 1,728,434	\$ 1,751,950	1.36%	\$ 23,516
Bank Deposit Taxes	139,847	345,800	147.27%	205,953
Telecommunication Taxes	62,151	59,110	-4.89%	(3,041)
Payroll License Fees	2,726,179	3,322,098	21.86%	595,919
Insurance Premium Taxes	1,896,053	1,495,042	-21.15%	(401,011)
Gross Receipts License Fees	615,845	833,444	35.33%	217,599
Other License and Permits	114,878	103,357	-10.03%	(11,521)
Utility Franchise Taxes	269,943	320,301	18.66%	50,358
Intergovernmental	771,689	1,161,732	50.54%	390,043
Fines and Forfeitures	9,926	6,947	-30.01%	(2,979)
Charges for Services	1,549,534	1,688,401	8.96%	138,867
Investment Income	60,702	42,850	-29.41%	(17,852)
Donations	150	36,700	24366.67%	36,550
Sale of Surplus Property	17,350	54,668	215.09%	37,318
Insurance Claims	46,243	21,514	-53.48%	(24,729)
Miscellaneous Income	-	550	100.00%	550
Total Revenue and Other				
Financing Sources	<u>\$ 10,008,924</u>	<u>\$ 11,244,464</u>	12.34%	<u>\$ 1,235,540</u>

**CITY OF FORT MITCHELL, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2022**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)**

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

Payroll License Fees and Gross Receipts increased due to Fort Mitchell residents working from home during the pandemic along with the city's businesses doing well.

Insurance Premium Taxes can fluctuate due to life insurance only charged the first year.

Utility Franchise Tax are tied directly to Duke Energy for gas and electric price increases.

Intergovernmental revenue increased due to receiving large ARPA and FEMA grants.

Charges for Services increased due to the rise in Fire and EMS contract revenue and new governmental funding for EMS runs.

Investment revenue decreased due to temporary investment market fluctuations of the fed funds rate.

Sale of Surplus Property increased due to the sale of four vehicles.

Insurance Claims decreased due to a reimbursement for three vehicle accident property damage in the prior year.

The following schedule presents a summary of general expenditures for all of the funds for the fiscal year ended June 30, 2022, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Expenditures</u>	<u>FYE 2021 Amount</u>	<u>FYE 2022 Amount</u>	<u>Percentage Incr(Decr)</u>	<u>Increase (Decrease) From FYE 21</u>
General Government	\$ 1,303,562	\$ 1,336,631	2.54%	\$ 33,069
Police	1,870,432	2,152,109	15.06%	281,677
Fire/EMS	3,827,907	3,409,647	-10.93%	(418,260)
Public Works	2,520,325	2,602,251	3.25%	81,926
Parks	260,579	1,274,055	388.93%	1,013,476
Recreation	45,433	57,245	26.00%	11,812
<b>Total Expenditures</b>	<b>\$ 9,828,238</b>	<b>\$ 10,831,938</b>	<b>10.21%</b>	<b>\$ 1,003,700</b>

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

**Year Ended June 30, 2022**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)**

Police expenditures increased due to filling open positions.

Fire and EMS expenditures decreased due to the purchase of a fire truck in the prior year.

Park expenditures increased for capital improvement costs related to the General Ormsby Park.

Public Works expenditures increased due to a purchase of a backhoe and skid steer.

Recreation expenditures increased due to events halted in prior year due to COVID-19.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2022</u>
Construction in Progress	\$ 1,623,402	\$ 2,108,092
Land	482,914	498,396
Buildings	4,412,826	4,412,826
Buildings/Land Improvements	573,212	1,041,284
Infrastructure	23,229,736	24,707,187
Equipment	1,758,811	1,939,714
Furniture and Fixtures	66,842	66,545
Vehicles	4,101,434	4,222,402
Totals	<u>\$ 36,249,177</u>	<u>\$ 38,996,446</u>

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

**Year Ended June 30, 2022**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

This year's net increase of \$2,747,269 in capital assets included:

Building Improvements	\$ 471,580
Building Equipment	11,599
Land	15,482
Construction in Process	484,690
Fire and EMS, Equipment	136,635
Fire and EMS, Vehicle	244,836
Public Works, Equipment	153,393
Public Works, Infrastructure	1,564,380
Police, Equipment	59,056
Police, Vehicles	164,021
Fire and EMS Equipment, Disposals	(141,835)
Fire and EMS Furniture and Fixtures, Disposals	(297)
Fire and EMS Vehicle, Disposals	(161,378)
Public Works Equipment, Disposals	(4,040)
Public Works Infrastructure, Disposals	(86,930)
Public Works Land Improvement, Disposals	(3,507)
Public Works Vehicle, Disposals	(34,924)
Police Equipment, Disposals	(33,906)
Police Vehicle, Disposals	(91,586)
	<u>\$ 2,747,269</u>

**Debt**

The City has long-term debt of \$89,039 related to purchase of tasers during the previous fiscal year and related to the financing of Bromley Crescent Springs Road. In fiscal year 2022, as required per GASB 68, the City did recognize \$9,503,470 in net pension liability as its proportionate share of the Kentucky Public Pensions Authority's (KPPA) County Employees Retirement System (CERS) net unfunded pension liability and as required by GASB 75, the City did recognize \$2,881,240 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.

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

**Year Ended June 30, 2022**

**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.

Actual revenue came in lower than budgeted amounts by \$109,182. Actual expenditures and transfers came in under the amended budget by \$344,224 due to significant efforts by management to control costs. The City's General Fund ended the year with revenues exceeding expenditures and transfers by \$219,632. \$700,000 was transferred to the Road Tax Fund, \$1,700,000 was transferred to the Capital Projects Fund and \$475,000 was transferred to the Park Tax Fund for renovations.

**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, 2022**

	<u>Primary Government</u> <u>Governmental Activities</u>
<b>- ASSETS -</b>	
Cash and Cash Equivalents	\$ 11,349,574
Investments	150,243
Receivable:	
Property Taxes	53,155
Other Taxes	1,392,114
Assessments	24,000
Intergovernmental	150,906
Accounts	88,433
Prepaid Expenses	46,394
<b>Total Current Assets</b>	<u>13,254,819</u>
Capital Assets, Net of Accumulated Depreciation	19,470,084
<b>Total Assets</b>	<u>32,724,903</u>
<b>- DEFERRED OUTFLOWS OF RESOURCES -</b>	
Deferred Outflows Related to Pension Plans	1,274,227
Deferred Outflows Related to OPEB	1,179,072
<b>Total Deferred Outflows of Resources</b>	<u>2,453,299</u>
<b>- LIABILITIES -</b>	
Accounts Payable	988,128
Accrued Liabilities	247,684
Deferred Revenue	1,737,528
Loan Payable	44,520
<b>Total Current Liabilities</b>	<u>3,017,860</u>
Long-Term Liabilities:	
Net Pension Liability	9,503,470
Net OPEB Liability	2,881,240
Loan Payable	44,519
<b>Total Liabilities</b>	<u>15,447,089</u>
<b>- DEFERRED INFLOWS OF RESOURCES -</b>	
Deferred Inflows Related to Pension Plans	1,680,373
Deferred Inflows Related to OPEB	1,168,053
<b>Total Deferred Inflows of Resources</b>	<u>2,848,426</u>
<b>- NET POSITION -</b>	
Net Investment in Capital Assets	19,470,084
Unrestricted	(2,587,397)
<b>Total Net Position</b>	<u>\$ 16,882,687</u>

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

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
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General Government	\$ 1,271,016	\$ 104,071	\$ 60,137	\$ -	\$ (1,106,808)
Police	2,076,495	86,773	263,752	-	(1,725,970)
Fire and EMS	3,289,084	960,418	381,740	173,119	(1,773,807)
Public Works	2,159,153	529,037	39,298	190,532	(1,400,286)
Parks	8,560	-	2,007	15,000	8,447
Recreation	57,245	2,678	-	-	(54,567)
<b>Total Governmental Activities</b>	<b>8,861,553</b>	<b>1,682,977</b>	<b>746,934</b>	<b>378,651</b>	<b>(6,052,991)</b>
<b>GENERAL REVENUES:</b>					
Taxes:					
					1,758,271
					345,414
					59,110
					3,322,098
					1,495,042
					833,444
					320,301
					103,357
					42,850
					23,289
					6,947
					39,767
					<u>8,349,890</u>
					2,296,899
					<u>14,585,788</u>
					<u>\$ 16,882,687</u>

The accompanying notes are an integral part of this statement.

**CITY OF FORT MITCHELL, KENTUCKY**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2022

	<u>Special Revenue Funds</u>				<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Road Tax Fund</u>	<u>Municipal Road Aid Fund</u>	<u>Park Tax Fund</u>		
<b>- ASSETS -</b>						
Cash and Cash Equivalents	\$ 11,349,574	\$ -	\$ -	\$ -	\$ -	\$ 11,349,574
Investments	150,243	-	-	-	-	150,243
Receivables:						
Property Taxes	38,947	9,843	-	4,365	-	53,155
Other Taxes	1,392,114	-	-	-	-	1,392,114
Assessments	24,000	-	-	-	-	24,000
Intergovernmental	13,003	122,847	15,056	-	-	150,906
Accounts	88,433	-	-	-	-	88,433
Prepaid Expenses	46,394	-	-	-	-	46,394
Due from other Funds	-	2,016,932	396,103	1,218,729	1,533,491	5,165,255
<b>Total Assets</b>	<u>\$ 13,102,708</u>	<u>\$ 2,149,622</u>	<u>\$ 411,159</u>	<u>\$ 1,223,094</u>	<u>\$ 1,533,491</u>	<u>\$ 18,420,074</u>
<b>- LIABILITIES AND FUND BALANCES -</b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ 250,510	\$ 476,758	\$ 146	\$ 225,040	\$ 35,674	\$ 988,128
Accrued Liabilities	247,684	-	-	-	-	247,684
Deferred Revenue	1,775,583	130,654	-	3,686	-	1,909,923
Due to other Funds	5,165,255	-	-	-	-	5,165,255
<b>Total Liabilities</b>	<u>7,439,032</u>	<u>607,412</u>	<u>146</u>	<u>228,726</u>	<u>35,674</u>	<u>8,310,990</u>
<b>FUND BALANCES:</b>						
Nonspendable	46,394	-	-	-	-	46,394
Restricted	-	-	411,013	-	-	411,013
Committed						
Capital Projects	-	-	-	994,368	1,497,817	2,492,185
Road Improvements	-	1,542,210	-	-	-	1,542,210
Economic Stabilization	3,810,281	-	-	-	-	3,810,281
Unassigned	1,807,001	-	-	-	-	1,807,001
<b>Total Fund Balances</b>	<u>5,663,676</u>	<u>1,542,210</u>	<u>411,013</u>	<u>994,368</u>	<u>1,497,817</u>	<u>10,109,084</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 13,102,708</u>	<u>\$ 2,149,622</u>	<u>\$ 411,159</u>	<u>\$ 1,223,094</u>	<u>\$ 1,533,491</u>	<u>\$ 18,420,074</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, 2022**

**Total Fund Balances - Governmental Funds** **\$ 10,109,084**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:

Cost of Capital Assets	38,996,446	
Accumulated Depreciation	(19,526,362)	
		19,470,084

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		172,395
---	--	---------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Net Pension Liability	(9,503,470)	
Net OPEB Liability	(2,881,240)	
Loan Payable	(89,039)	
		(12,473,749)

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	1,274,227	
Deferred Inflows of Resources	(1,680,373)	
		(406,146)

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	1,179,072	
Deferred Inflows of Resources	(1,168,053)	
		11,019

**Total Net Position - Governmental Activities** **\$ 16,882,687**

**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, 2022

	Special Revenue Funds					Total Governmental Funds
	General Fund	Road Tax Fund	Municipal Road Aid Fund	Park Tax Fund	Capital Projects Fund	
<b>REVENUES:</b>						
Property Taxes	\$ 1,102,468	\$ 487,089	\$ -	\$ 162,393	\$ -	\$ 1,751,950
Bank Deposit Tax	345,800	-	-	-	-	345,800
Telecommunication Tax	59,110	-	-	-	-	59,110
Payroll License	3,322,098	-	-	-	-	3,322,098
Insurance Premium Tax	1,495,042	-	-	-	-	1,495,042
Gross Receipts License	833,444	-	-	-	-	833,444
Other Licenses and Permits	103,357	-	-	-	-	103,357
Utility Franchise Tax	320,301	-	-	-	-	320,301
Intergovernmental	991,200	-	167,532	-	3,000	1,161,732
Fines and Forfeitures	5,687	935	-	325	-	6,947
Charges for Services	1,688,401	-	-	-	-	1,688,401
Investment Income	26,179	7,029	1,543	5,549	2,550	42,850
Contributions	1,700	-	-	15,000	20,000	36,700
Sale of Surplus Property	54,668	-	-	-	-	54,668
Insurance Claims	21,514	-	-	-	-	21,514
Miscellaneous Income	-	-	550	-	-	550
<b>Total Revenues</b>	<u>10,370,969</u>	<u>495,053</u>	<u>169,625</u>	<u>183,267</u>	<u>25,550</u>	<u>11,244,464</u>
<b>EXPENDITURES:</b>						
General Government	1,041,179	-	-	-	295,452	1,336,631
Police	1,953,294	-	-	-	198,815	2,152,109
Fire and EMS	2,992,356	-	-	-	417,291	3,409,647
Public Works	1,232,263	1,131,616	84,979	-	153,393	2,602,251
Parks	-	-	-	1,274,055	-	1,274,055
Recreation	57,245	-	-	-	-	57,245
<b>Total Expenditures</b>	<u>7,276,337</u>	<u>1,131,616</u>	<u>84,979</u>	<u>1,274,055</u>	<u>1,064,951</u>	<u>10,831,938</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	-	700,000	-	475,000	1,700,000	2,875,000
Transfers Out	(2,875,000)	-	-	-	-	(2,875,000)
<b>Total other Financing Sources and Use</b>	<u>(2,875,000)</u>	<u>700,000</u>	<u>-</u>	<u>475,000</u>	<u>1,700,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	219,632	63,437	84,646	(615,788)	660,599	412,526
<b>FUND BALANCES, BEGINNING</b>	<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>
<b>FUND BALANCES, ENDING</b>	<u>\$ 5,663,676</u>	<u>\$ 1,542,210</u>	<u>\$ 411,013</u>	<u>\$ 994,368</u>	<u>\$ 1,497,817</u>	<u>\$ 10,109,084</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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 412,526

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

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:

Capital Outlays	3,305,671	
Depreciation Expense	<u>(1,505,518)</u>	1,800,153

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. 44,520

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 53,575

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. (13,125)

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.

City Pension Contributions	810,976	
Cost of Benefits Earned	<u>(815,684)</u>	(4,708)

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.

City OPEB Contributions	245,796	
Cost of Benefits Earned	<u>(241,838)</u>	3,958

Change in Net Position - Governmental Activities \$ 2,296,899

The accompanying notes are an integral part of this statement.

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**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.

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

**CITY OF FORT MITCHELL, KENTUCKY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.
- 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.



**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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, 2022 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 2022 was based was \$808,443,201.

*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2022 are recorded as prepaid items.

*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

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Kentucky Public Pensions Authority's (KPPA) County Employees Retirement System (CERS) and additions to/deductions from CERS's 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 the 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 KPPA's Retirement System Insurance Fund and additions to/deductions from KPPA's fiduciary net position have been determined on the same basis as they are reported by KPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the 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.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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, 2022 the liability for compensated absences is \$130,026.

*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) differences between the expected and actual experience, (2) changes in assumptions, (3) changes in the proportionate share of the City's contributions and (4) contributions made between the measurement date of the net pension and OPEB liabilities and the end of the City's fiscal year. The deferred amount related to the differences between expected and actual experience in the pension and OPEB fund, changes of assumptions in the pension fund and OPEB fund and changes in the proportionate share of the City's contributions to 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. 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

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

fund and OPEB fund, (2) differences between expected and actual experience and (3) differences between projected and actual earnings on plan investments. The deferred amount related to the changes in the proportionate share of the City's contributions to the pension fund and OPEB fund and the amount related to the differences between expected and actual experience 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 net difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. 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 road property taxes and Park property taxes.

*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.

**CITY OF FORT MITCHELL, KENTUCKY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

*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.

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

**NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

*Cash and Cash Equivalents*

As of June 30, 2022, 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 \$11,349,574 and a bank balance of \$11,635,824, the difference being items that had not cleared the bank at June 30, 2022. 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.

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

*Investments*

The City's investment committee approved a monthly investment in the Kentucky League of Cities Investment Pool. The investment was diversified into four funds and the balance as of June 30, 2022 was:

Dividend Focus Equity Pool	\$	21,758
Government Bond Fund		54,023
Corporate Bond Fund		53,877
Equity S&P 500 Index Fund		20,585
Total Investment	\$	150,243

*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 Treasurer shall evaluate the financial capacity and creditworthiness of financial institutions and broker/dealers prior to the placement of the City's funds. The City Treasurer shall conduct an annual review of the financial condition and registrations of financial institutions and broker/dealers, and based on the review, make any recommendations regarding investment policy or program changes determined to be necessary.

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE E - CAPITAL ASSETS AND LEASES**

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

<b>Governmental Activities</b>	<b>Balance at June 30, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at June 30, 2022</b>
<b>Capital Assets not Depreciated</b>				
Land	\$ 482,914	\$ 15,482	\$ -	\$ 498,396
Construction in Progress	1,623,402	484,690	-	2,108,092
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,106,316</b>	<b>500,172</b>	<b>-</b>	<b>2,606,488</b>
<b>Depreciable Capital Assets</b>				
Infrastructure	23,229,736	1,564,381	(86,930)	24,707,187
Buildings	4,412,826	-	-	4,412,826
Buildings/Land Improvements	573,212	471,579	(3,507)	1,041,284
Equipment	1,758,811	360,684	(179,781)	1,939,714
Furniture and Fixtures	66,842	-	(297)	66,545
Vehicles	4,101,434	408,856	(287,888)	4,222,402
<b>Total Depreciable Capital Assets</b>	<b>34,142,861</b>	<b>2,805,500</b>	<b>(558,403)</b>	<b>36,389,958</b>
<b>Total Depreciable Capital Assets at Historical Cost</b>	<b>36,249,177</b>	<b>3,305,672</b>	<b>(558,403)</b>	<b>38,996,446</b>
<b>Less Accumulated Depreciation</b>				
Infrastructure	13,269,620	802,044	(86,930)	13,984,734
Buildings	1,722,230	190,636	-	1,912,866
Buildings/Land Improvements	503,547	36,295	(3,507)	536,335
Equipment	1,275,246	142,269	(179,780)	1,237,735
Furniture and Fixtures	65,504	1,176	(297)	66,383
Vehicles	1,729,975	333,098	(274,763)	1,788,310
<b>Total Accumulated Depreciation</b>	<b>18,566,122</b>	<b>1,505,518</b>	<b>(545,277)</b>	<b>19,526,363</b>
<b>Depreciable Capital Assets, Net</b>	<b>15,576,740</b>	<b>1,299,982</b>	<b>(13,126)</b>	<b>16,863,596</b>
<b>Total Capital Assets, Net</b>	<b>\$ 17,683,056</b>	<b>\$ 1,800,154</b>	<b>\$ (13,126)</b>	<b>\$ 19,470,084</b>

Depreciation was charged to functions as follows.

<b>Governmental Activities</b>	<b>Amount</b>
General Government	\$ 231,618
Police	158,264
Fire and EMS	260,908
Public Works	854,728
Park	-
<b>Total Depreciation</b>	<b>\$ 1,505,518</b>



**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE E - CAPITAL ASSETS AND LEASES (CONTINUED)**

**Lease Payable**

*Operating Lease*

In June 2022 the City entered into an operating lease for three copiers for sixty months at \$300 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 June 30	
2023	\$ 2,400
2024	3,600
2025	3,600
2026	3,600
2027	3,600
Thereafter	<u>1,800</u>
	<u>\$ 18,600</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 78.782 and 61.645, the Kentucky Public Pensions Authority (KPPA) oversees the administration and operation of the personnel and accounting systems for the CERS. KPPA 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

**CITY OF FORT MITCHELL, KENTUCKY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)**

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
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 CERS Board of Trustees (the Board). 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, 2022 for non-hazardous employees was 26.95%, of which 21.17% was for the pension fund and 5.78% was for the insurance fund. The actuarially determined rates set by the Board for the year ended June 30, 2022 for hazardous employees was 44.33%, of which 33.86% was for the pension fund and 10.47% was for the insurance fund. Contributions to the pension plan from the City were \$1,056,772 for the year ended June 30, 2022, of which \$810,976 was for

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)**

the pension fund and \$245,796 was for the insurance fund. The non-hazardous contribution was \$174,812 (\$137,320 for pension and \$37,492 for insurance). The hazardous contribution was \$881,960 (\$673,656 for pension and \$208,304 for insurance).

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

At June 30, 2022, the City reported a liability of \$9,503,470 for its proportionate share of the net pension liability. The non-hazardous portion of the net pension liability was \$1,470,511 and the hazardous portion was \$8,032,959. The net pension liability was based on an actuarial valuation performed on June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2021, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2020. 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, 2021. This method was expected to be reflective of the City’s long-term contribution effort. At June 30, 2021, the City’s proportion was 0.023064% for non-hazardous and 0.301746% for hazardous, an increase of 0.000204% and decrease of 0.029559% from its proportion measured, respectively, as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$815,684. At June 30, 2022, 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	\$ 238,408	\$ 14,272
Changes of assumptions	120,066	-
Net difference between projected and actual earnings on plan investments	-	1,058,349
Changes in proportion and differences between City contributions and proportionate share of contributions	104,777	607,752
City contributions subsequent to the measurement date	810,976	-
	\$ 1,274,227	\$ 1,680,373

The \$810,976 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, 2023. 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, 2022**

**NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)**

Year ended June 30:	
2023	\$ (164,068)
2024	(301,308)
2025	(359,398)
2026	(392,349)
	<u>\$ (1,217,123)</u>

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2020 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 retired 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, 2021 valuation were based on the results of an actuarial experience study for the period ending 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, 2022**

**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	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	6.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
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	\$ 1,886,000	\$ 1,470,511	\$ 1,126,703
Hazardous	\$ 10,239,121	\$ 8,032,959	\$ 6,234,946

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

**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, 2022, \$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.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2022

**NOTE G – POSTEMPLOYMENT BENEFITS**

*Plan description.* Employees of the City are provided with health care benefits through the Kentucky Public Pension Authority 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 CERS Board (the Board) of Kentucky Public Pension Authority (KPPA) administers the health insurance benefit. KPPA 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 2021 is \$13.78 for CERS Non-hazardous employees and \$20.68 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, 2022 for non-hazardous employees was 26.95%, of which 21.17 % was for the pension fund and 5.78% was for the insurance fund. The actuarially determined rates set by the Board for the year ended June 30, 2022 for hazardous employees was 44.33%, of which 33.86% was for the pension fund and 10.47% was for the insurance fund. See Note F for contributions to the plan from the City during the current fiscal year.

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

At June 30, 2022, the City reported a liability of \$2,881,240 for its proportionate share of the net OPEB liability. The non-hazardous portion of the net pension liability was \$441,453 and the hazardous portion was \$2,439,787. The net OPEB liability was based on an actuarial valuation performed on June 30, 2020.

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)**

The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2021, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2020. 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, 2021. This method is expected to be reflective of the City’s long-term contribution effort. At June 30, 2021 the City’s proportion was 0.023059% for non-hazardous and 0.301745% for hazardous, an increase of 0.000205% and decrease of 0.029456% from its proportion measured, respectively, as of June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB expense of \$241,838. At June 30, 2022, 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	\$ 145,659	\$ 394,284
Changes of assumptions	728,881	-
Net difference between projected and actual earnings on plan investments	-	528,282
Changes in proportion and differences between City contributions and proportionate share of contributions	26,835	245,487
City contributions subsequent to the measurement date	277,697	-
	\$ 1,179,072	\$ 1,168,053

The \$277,697 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (87,856)
2024	(39,054)
2025	(29,171)
2026	(116,101)
	\$ (272,182)

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)**

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 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 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post – 65: Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

The mortality table used for active members is PUB-2010 General Mortality table, for the Non-Hazardous Plans and the PUB-2010 Public Safety Mortality table for the Hazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled 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 retired 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, 2021 valuation were based on the results of an actuarial experience study for the period ending June 30, 2020.

*Discount rate.* The discount rate used to measure the total OPEB liability was 5.20% for non-hazardous and 5.05% 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 30-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 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. 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.



**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)**

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 5.20% for non-hazardous and 5.05% 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 (4.20% for non-hazardous and 4.05% for hazardous) or 1-percentage-point higher (6.20% for non-hazardous and 6.05% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	\$ 606,112	\$ 441,453	\$ 306,323
Hazardous	\$ 3,537,229	\$ 2,439,787	\$ 1,558,057

*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	\$ 317,794	\$ 441,453	\$ 590,712
Hazardous	\$ 1,598,682	\$ 2,439,787	\$ 3,469,941

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued KPPA 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, 2022.

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**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, 2022 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, 2022 for a four year term, expiring March 31, 2026. The Crestview Hills agreement may be extended for two years. Revenue to the City from these contracts totaled \$653,510 for the fiscal year ended June 30, 2022.

**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, 2022 is \$1,930,551.

**CITY OF FORT MITCHELL, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**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	\$ 700,000
General	Park Tax	475,000
General	Capital Projects	1,700,000
Total		<u>\$ 2,875,000</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	\$ 2,016,932
Municipal Road Aid	General	396,103
Park Tax	General	1,218,729
Capital Projects	General	1,533,491
Total		<u>\$ 5,165,255</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 known as the Buttermilk Pike/Royal Drive Development Area (the "Development Area"), and pledge certain City incremental taxes to the Development Area through the execution of a Local Participation Agreement, dated November 1, 2014. In forming this District, the City created a not-for-profit organization named the Fort Mitchell Economic Development Authority, Inc. (the "Authority") to manage the affairs of the District. This Authority is overseen by a board of City residents appointed by the Mayor and approved by City Council. The City has complete control of the Authority and, therefore, will report the Authority 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 a third-party developer. The Kentucky Cabinet of Economic Development approved a project to be constructed within the Development Area for a pledged of State incremental tax revenues pursuant to the provisions of a Tax Incentive Agreement dated June 28, 2018. The Tax Incentive Agreement has been activated as of June 28, 2022, and the City submitted a capital investment report dated November 11, 2022, that shows the Minimum Capital Investment as required by

**CITY OF FORT MITCHELL, KENTUCKY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**NOTE M - TAX INCREMENT FINANCING COMPONENT UNIT (CONTINUED)**

the Tax Incentive Agreement has been achieved. The current owners of the site have revised plans for the development of the site, and the City anticipates approving a Master Development Agreement to allow the project to start. The City has taken action to adopt an ordinance replacing the Authority as the Agency for the Development Area with the Administration Department of the City. The ordinance will also change the date of the Local Participation Agreement to January 1, 2022, and amend the activation date of the Development Area to January 1, 2024.

**NOTE N – AMERICAN RESCUE PLAN ACT (ARPA) STATE AND LOCAL RECOVERY FUNDS (SLFRF) FEDERAL FUNDING**

The City received \$2,171,375 of federally funded ARPA funds from the State of Kentucky. The City elected a “standard allowance” revenue loss under the SLFRF final rule, and these funds may be used for general government services. The ARPA funds were recorded in a deferred revenue account on the balance sheet and the City expensed \$494,000 of those funds this fiscal year. Municipalities have until December 31, 2024 to obligate and December 31, 2026 to spend all ARPA funds.

**NOTE O - SUBSEQUENT EVENTS**

Management has evaluated events through February 24, 2023, the date on which the financial statements were available for issue.

**Required Supplementary Information**

CITY OF FORT MITCHELL, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2022

	Original Budget	Amended and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Budgetary Fund Balance, July 1, 2021</b>	\$ 4,557,426	\$ 5,444,044	\$ 5,444,044	\$ -
<b>Resources (Inflows)</b>				
Property Taxes	1,086,000	1,101,000	1,102,468	1,468
Bank Deposit Tax	92,000	345,414	345,800	386
Telecommunication Tax	60,000	59,000	59,110	110
Payroll License	2,678,000	3,250,000	3,322,098	72,098
Insurance Premium Tax	1,854,000	1,654,000	1,495,042	(158,958)
Gross Receipts License	592,250	819,000	833,444	14,444
Other Licenses and Permits	91,500	106,500	103,357	(3,143)
Utility Franchise Tax	260,000	315,000	320,301	5,301
Intergovernmental	838,000	1,067,000	991,200	(75,800)
Fines and Forfeitures	4,500	6,100	5,687	(413)
Charges for Services	1,628,021	1,659,637	1,688,401	28,764
Investment Income	32,000	20,000	26,179	6,179
Contributions	1,000	1,000	1,700	700
Sale of Surplus Property	30,000	55,000	54,668	(332)
Insurance Claims	6,000	21,500	21,514	14
<b>Total Resources</b>	<u>9,253,271</u>	<u>10,480,151</u>	<u>10,370,969</u>	<u>(109,182)</u>
<b>Appropriations (Outflows)</b>				
General Government	1,445,673	1,104,987	1,041,179	63,808
Police	2,134,024	2,063,775	1,953,294	110,481
Fire and EMS	3,072,674	3,095,324	2,992,356	102,968
Public Works	1,371,680	1,294,989	1,232,263	62,726
Recreation	58,565	61,486	57,245	4,241
<b>Total Appropriations</b>	<u>8,082,616</u>	<u>7,620,561</u>	<u>7,276,337</u>	<u>344,224</u>
Interfund Transfers	<u>(1,150,000)</u>	<u>(2,875,000)</u>	<u>(2,875,000)</u>	<u>-</u>
<b>Excess Resources over Appropriations</b>	<u>20,655</u>	<u>(15,410)</u>	<u>219,632</u>	<u>235,042</u>
<b>Budgetary Fund Balance, June 30, 2022</b>	<u>\$ 4,578,081</u>	<u>\$ 5,428,634</u>	<u>\$ 5,663,676</u>	<u>\$ 235,042</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, 2022

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Budgetary Fund Balance, July 1, 2021</b>	\$ 1,109,945	\$ 1,478,773	\$ 1,478,773	\$ -
<b>Resources (Inflows)</b>				
Property Taxes	479,520	479,520	487,089	7,569
Intergovernmental	238,000	238,000	-	(238,000)
Fines and Forfeitures	1,200	1,200	935	(265)
Investment Income	10,000	10,000	7,029	(2,971)
<b>Total Resources</b>	<u>728,720</u>	<u>728,720</u>	<u>495,053</u>	<u>(233,667)</u>
<b>Appropriations (Outflows)</b>				
Public Works	1,990,000	1,708,000	1,131,616	576,384
<b>Total Appropriations</b>	<u>1,990,000</u>	<u>1,708,000</u>	<u>1,131,616</u>	<u>576,384</u>
Interfund Transfers	350,000	700,000	700,000	-
<b>Excess Resources over Appropriations</b>	<u>(911,280)</u>	<u>(279,280)</u>	<u>63,437</u>	<u>342,717</u>
<b>Budgetary Fund Balance, June 30, 2022</b>	<u>\$ 198,665</u>	<u>\$ 1,199,493</u>	<u>\$ 1,542,210</u>	<u>\$ 342,717</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, 2022

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Budgetary Fund Balance, July 1, 2021</b>	\$ 1,466,146	\$ 1,610,156	\$ 1,610,156	\$ -
<b>Resources (Inflows)</b>				
Property Taxes	160,840	160,840	162,393	1,553
Contributions	150,000	15,000	15,000	-
Fines and Forfeitures	320	320	325	5
Investment Income	3,600	3,600	5,549	1,949
<b>Total Resources</b>	<u>314,760</u>	<u>179,760</u>	<u>183,267</u>	<u>3,507</u>
<b>Appropriations (Outflows)</b>				
Parks	1,691,763	2,148,763	1,274,055	874,708
<b>Total Appropriations</b>	<u>1,691,763</u>	<u>2,148,763</u>	<u>1,274,055</u>	<u>874,708</u>
Interfund Transfers	-	475,000	475,000	-
<b>Excess Resources over Appropriations</b>	<u>(1,377,003)</u>	<u>(1,494,003)</u>	<u>(615,788)</u>	<u>878,215</u>
<b>Budgetary Fund Balance, June 30, 2022</b>	<u>\$ 89,143</u>	<u>\$ 116,153</u>	<u>\$ 994,368</u>	<u>\$ 878,215</u>

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



**CITY OF FORT MITCHELL, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**CAPITAL PROJECTS FUND**

**Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Budgetary Fund Balance, July 1, 2021</b>	\$ 518,266	\$ 837,218	\$ 837,218	\$ -
<b>Resources (Inflows)</b>				
Intergovernmental	-	-	3,000	3,000
Investment Income	1,800	1,800	2,550	750
Contributions	-	25,000	20,000	(5,000)
<b>Total Resources</b>	<u>1,800</u>	<u>26,800</u>	<u>25,550</u>	<u>(1,250)</u>
<b>Appropriations (Outflows)</b>				
General Government	435,000	360,000	295,452	64,548
Police	165,000	242,000	198,815	43,185
Fire and EMS	281,000	425,000	417,291	7,709
Public Works	150,000	170,000	153,393	16,607
<b>Total Appropriations</b>	<u>1,031,000</u>	<u>1,197,000</u>	<u>1,064,951</u>	<u>132,049</u>
Interfund Transfers	<u>800,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>-</u>
<b>Excess Resources over Appropriations</b>	<u>(229,200)</u>	<u>529,800</u>	<u>660,599</u>	<u>130,799</u>
<b>Budgetary Fund Balance, June 30, 2022</b>	<u>\$ 289,066</u>	<u>\$ 1,367,018</u>	<u>\$ 1,497,817</u>	<u>\$ 130,799</u>

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

**CITY OF FT MITCHELL, KENTUCKY**

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

**County Employees Retirement System**

Last 10 Fiscal Years\*

	<u>2022</u>	<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>
City's proportion of the net pension liability (asset) - Non-hazardous	0.023064%	0.022860%	0.021456%	0.021528%	0.027495%	0.020674%	0.019631%	0.024002%		
City's proportion of the net pension liability (asset) - Hazardous	0.301746%	0.331305%	0.328549%	0.325334%	0.330633%	0.271144%	0.253579%	0.236590%		
City's proportionate share of the net pension liability (asset)- Non-hazardous	\$ 1,470,511	\$ 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	\$ 8,032,959	\$ 9,988,940	\$ 9,075,494	\$ 7,868,063	\$ 7,397,181	\$ 4,652,677	\$ 3,892,713	\$ 2,843,398		
<b>Total City's proportionate share of the net pension liability (asset)</b>	<b>\$ 9,503,470</b>	<b>\$ 11,742,283</b>	<b>\$ 10,584,504</b>	<b>\$ 9,179,184</b>	<b>\$ 9,006,548</b>	<b>\$ 5,670,592</b>	<b>\$ 4,736,765</b>	<b>\$ 3,622,122</b>		
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		
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	394.03%	469.01%	421.38%	377.67%	365.39%	277.53%	252.83%	194.68%		
Plan fiduciary net position as a percentage of the total pension liability										
Non-hazardous	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%		
Hazardous	52.26%	44.11%	46.63%	49.26%	49.80%	53.95%	57.52%	63.46%		

\* 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**  
**SCHEDULE OF CITY PENSION CONTRIBUTIONS**

**County Employees Retirement System**

Last 10 Fiscal Years

	<u>2022</u>	<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>
Contractually required contribution - Non-hazardous	\$ 137,320	\$ 113,701	\$ 113,014	\$ 88,295	\$ 81,067	\$ 151,622	\$ 164,682	\$ 124,263	\$ 160,116	
Contractually required contribution - Hazardous	\$ 673,656	\$ 542,205	\$ 582,464	\$ 492,358	\$ 442,162	\$ 535,128	\$ 413,967	\$ 429,973	\$ 405,034	
Contributions in relation to the contractually required contribution	<u>\$ (810,976)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,637,240	\$ 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	30.75%	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

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

County Employees Retirement System

Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
City's proportion of the net OPEB liability (asset) - Non-hazardous	0.023059%	0.022854%	0.021450%	0.021527%	0.027495%					
City's proportion of the net OPEB liability (asset) - Hazardous	0.301745%	0.331201%	0.328513%	0.325352%	0.330633%					
City's proportionate share of the net OPEB liability (asset) - Non-hazardous	\$ 441,453	\$ 551,855	\$ 360,779	\$ 382,208	\$ 552,744					
City's proportionate share of the net OPEB liability (asset) - Hazardous	\$ 2,439,787	\$ 3,060,647	\$ 2,430,536	\$ 2,319,626	\$ 2,733,249					
Total City's proportionate share of the net OPEB liability (asset)	<u>\$ 2,881,240</u>	<u>\$ 3,612,502</u>	<u>\$ 2,791,315</u>	<u>\$ 2,701,834</u>	<u>\$ 3,285,993</u>					
City's covered-employee payroll	\$ 2,411,890	\$ 2,503,613	\$ 2,511,890	\$ 2,430,479	\$ 2,464,891					
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	119.46%	144.29%	111.12%	111.16%	133.31%					
Plan fiduciary net position as a percentage of the total pension liability										
Non-hazardous	62.91%	51.67%	60.44%	57.62%	52.39%					
Hazardous	66.81%	58.84%	64.44%	64.24%	59.00%					

\* 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

SCHEDULE OF CITY OPEB FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution - Non-hazardous	\$ 37,492	\$ 28,042	\$ 27,872	\$ 28,633	\$ 26,313	\$ 18,796				
Contractually required contribution - Hazardous	\$ 208,304	\$ 171,716	\$ 184,466	\$ 207,277	\$ 150,552	\$ 182,229				
Contributions in relation to the contractually required contribution	\$ (245,795)	\$ (199,758)	\$ (212,338)	\$ (235,910)	\$ (176,865)	\$ (201,025)				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
City's covered-employee payroll	\$ 2,637,240	\$ 2,411,890	\$ 2,503,613	\$ 2,511,890	\$ 2,430,479	\$ 2,464,891				
Contributions as a percentage of covered-employee payroll	9.32%	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, 2022

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%.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2022

NOTE 1 – NOTES TO PENSION SCHEDULES (CONTINUED)

2019

- The assumed salary increase for CERS Non-Hazardous was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.
- The assumed salary increase for CERS Hazardous was adjusted from 3.05% to between 3.55% and 19.05%, depending on service.
- For active members, the mortality table used is a Pub-2010 General Mortality table, for the Non-Hazardous Plans, and PUB-2010 Safety Mortality table for the Hazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled 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 retired 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.

**CITY OF FORT MITCHELL, KENTUCKY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2022**

**NOTE 2 – NOTES TO OPEB SCHEDULES (CONTINUED)**

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.
- 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 non-disabled 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 retired 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.

2021

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years to an initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.



## **Other Supplementary Information**

CITY OF FORT MITCHELL, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - MUNICIPAL ROAD AID FUND

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Budgetary Fund Balance, July 1, 2021</b>	\$ 258,651	\$ 326,367	\$ 326,367	\$ -
<b>Resources (Inflows)</b>				
Intergovernmental	170,000	170,000	167,532	(2,468)
Investment Income	7,500	2,000	1,543	(457)
Miscellaneous	-	-	550	550
<b>Total Resources</b>	<u>177,500</u>	<u>172,000</u>	<u>169,075</u>	<u>(2,375)</u>
<b>Appropriations (Outflows)</b>				
Public Works	200,720	155,720	84,979	70,741
<b>Total Appropriations</b>	<u>200,720</u>	<u>155,720</u>	<u>84,979</u>	<u>70,741</u>
<b>Excess Resources over Appropriations</b>	<u>(23,220)</u>	<u>16,280</u>	<u>84,646</u>	<u>68,366</u>
<b>Budgetary Fund Balance, June 30, 2022</b>	<u>\$ 235,431</u>	<u>\$ 342,647</u>	<u>\$ 411,013</u>	<u>\$ 68,366</u>

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**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, 2022, 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 24, 2023.

**Report on 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 City'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.

## **Report on 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bramel & Ackley, P.S.C.*

February 24, 2023