

CITY OF FORT MITCHELL, KENTUCKY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2023

With

Independent Auditors' Report

CITY OF FORT MITCHELL, KENTUCKY

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CITY OF FORT MITCHELL, KENTUCKY

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Independent Auditors' Report

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CITY OF FORT MITCHELL, KENTUCKY

LIST OF CITY OFFICIALS

Year Ended June 30, 2023

Mayor

Jude Hehman

Council Members

Vicki Boerger	Kim Nachazel
Jeff Dietrich	Greg Pohlgeers
Jerry Deatherage	Michael Stoeckle
Alyson Roeding	

Department Heads

Police Chief	Rob Nader
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 fund information of the City of Fort Mitchell, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of 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 fund information of the City of Fort Mitchell, Kentucky, as of June 30, 2023, 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 schedules of the non-major governmental funds on page 55 and 56 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 March 25, 2024, on our consideration of the City of Fort Mitchell, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fort Mitchell, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fort Mitchell, Kentucky's internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

March 25, 2024

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CITY OF FORT MITCHELL, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2023

Our discussion and analysis of City of Fort Mitchell, Kentucky's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. 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:

<u>Funds</u>	<u>FYE 2022 Amount</u>	<u>FYE 2023 Amount</u>	<u>Percentage Increase/ (Decrease)</u>	<u>Increase / (Decrease) From FYE 22</u>
General	\$ 5,663,676	\$ 6,813,140	20.30%	\$ 1,149,464
Road Tax	1,542,210	3,202,613	107.66%	1,660,403
Municipal Road Aid	411,013	391,793	-4.68%	(19,220)
Park Tax	994,368	177,687	-82.13%	(816,681)
Capital Projects	1,497,817	2,142,856	43.07%	645,039
Total Fund Balance	<u>\$ 10,109,084</u>	<u>\$ 12,728,089</u>	25.91%	<u>\$ 2,619,005</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, 2023

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 Road 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, 2023, net position for all of the governmental activities changed as follows:

	<u>Governmental Activities</u>
Beginning Net Position	\$ 16,882,687
Increase in Net Position	<u>2,356,318</u>
Ending Net Position	<u>\$ 19,239,005</u>

CITY OF FORT MITCHELL, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2023

Government-Wide Statement of Net Position Summary

	Governmental Activities	
	2022	2023
Current Assets	\$13,254,819	\$15,945,773
Capital Assets, Net	19,470,084	19,406,575
Total Assets	32,724,903	35,352,348
Deferred Outflow of Resources	2,453,299	2,564,283
Total Assets and Deferred Outflows	35,178,202	37,916,631
Current Liabilities	3,017,860	3,215,493
Long Term Liabilities	12,429,229	14,001,479
Total Liabilities	15,447,089	17,216,972
Deferred Inflow of Resources	2,848,426	1,460,654
Total Liabilities and Deferred Inflows	18,295,515	18,677,626
Net Assets	\$16,882,687	\$19,239,005

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, 2023, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2022 Amount	FYE 2023 Amount	Percentage Incr(Decr)	Increase (Decrease) From FYE 22
Property Taxes	\$ 1,751,950	\$ 1,799,040	2.69%	\$ 47,090
Bank Deposit Taxes	345,800	172,320	-50.17%	(173,480)
Telecommunication Taxes	59,110	56,104	-5.09%	(3,006)
Payroll License Fees	3,322,098	3,887,847	17.03%	565,749
Insurance Premium Taxes	1,495,042	2,039,485	36.42%	544,443
Gross Receipts License Fees	833,444	807,498	-3.11%	(25,946)
Other License and Permits	103,357	95,988	-7.13%	(7,369)
Utility Franchise Taxes	320,301	339,988	6.15%	19,687
Intergovernmental	1,161,732	1,293,949	11.38%	132,217
Fines and Forfeitures	6,947	7,406	6.61%	459
Charges for Services	1,688,401	1,768,209	4.73%	79,808
Investment Income	42,850	427,762	898.28%	384,912
Donations	36,700	2,439	-93.35%	(34,261)
Sale of Surplus Property	54,668	54,375	-0.54%	(293)
Insurance Claims	21,514	9,675	-55.03%	(11,839)
Miscellaneous Income	550	13,585	2370.00%	13,035
Total Revenue and Other Financing Sources	\$ 11,244,464	\$ 12,775,670	13.62%	\$ 1,531,206

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

Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Property Taxes increased due to property selling at higher prices.

Bank Deposit Taxes decreased due to businesses and residents spending down prior year's COVID stimulus funds.

Payroll License Fees increased due to inflation and Fort Mitchell residents working from home more often.

Insurance Premium Taxes increased due to inflation causing higher insurance premiums.

Gross Receipts Tax has decreased due to some credits that were carried forward from the prior year.

Other Licenses and Permits decreased due to high interest rates and inflation.

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

Intergovernmental revenue increased due to receiving a CDBG pass-thru Grant for Easter Seals Redwood and a Sanitation District cost sharing grant for sewers.

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

Investment revenue increased significantly due to the Federal Open Market Committee increases of the Fed Funds rate.

Donations decreased because a large donation was received in the prior year for Park renovations and for the Baby Box.

CITY OF FORT MITCHELL, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The following schedule presents a summary of general expenditures for all of the funds for the fiscal year ended June 30, 2023, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Expenditures</u>	<u>FYE 2022 Amount</u>	<u>FYE 2023 Amount</u>	<u>Percentage Incr(Decr)</u>	<u>Increase (Decrease) From FYE 22</u>
General Government	\$ 1,336,631	\$ 1,785,173	33.56%	\$ 448,542
Police	2,152,109	2,522,076	17.19%	369,967
Fire/EMS	3,409,647	3,429,500	0.58%	19,853
Public Works	2,602,251	1,584,815	-39.10%	(1,017,436)
Parks	1,274,055	1,012,189	-20.55%	(261,866)
Recreation	57,245	73,383	28.19%	16,138
Total Expenditures	<u>\$ 10,831,938</u>	<u>\$ 10,407,136</u>	-3.92%	<u>\$ (424,802)</u>

General Government expenditures increased due to the City receiving a pass-thru CDBG grant for Easter Seals Redwood's building renovations, Drawbridge development legal expenses and filling a full-time administrative position.

Police expenditures increased due to filling open positions and the replacement of tasers and body cameras.

Fire and EMS expenditures increased due to the replacement of 70 pagers that were mostly covered by a regional FEMA grant.

Public Works expenditures decreased due to road projects beginning right after the fiscal end of the year.

Park expenditures decreased due to the park renovation project was winding down.

Recreation expenditures increased due to events being added back since the park renovations were completed.

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

Year Ended June 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2022	2023
Construction in Progress	\$ 2,108,092	\$ 112,791
Land	498,396	498,396
Buildings	4,412,826	4,956,777
Buildings/Land Improvements	1,041,284	2,713,255
Infrastructure	24,707,187	25,448,893
Equipment	1,939,714	2,150,768
Furniture and Fixtures	66,545	66,545
Vehicles	4,222,402	4,264,148
Totals	\$ 38,996,446	\$ 40,211,573

This year's net increase of \$1,215,127 in capital assets included:

Building Improvements	\$ 255,140
Fire and EMS, Equipment	108,275
Parks, Building	543,950
Parks, Land Improvements	1,556,732
Parks, Equipment	215,047
Parks, Vehicle	12,321
Public Works, Equipment	9,297
Public Works, Infrastructure	786,787
Police, Equipment	11,005
Police, Vehicles	160,284
Construction in Progress	(1,995,300)
Building Improvements, Disposals	(32,600)
Equipment, Disposals	(3,398)
Software, Disposals	(3,594)
Fire and EMS Computer Equipment, Disposals	(2,161)
Fire and EMS Equipment, Disposals	(15,283)
Parks Land Improvement, Disposals	(107,301)
Parks Vehicle, Disposals	(7,300)
Public Works Equipment, Disposals	(70,212)
Public Works Infrastructure, Disposals	(45,081)
Police Equipment, Disposals	(37,922)
Police Vehicle, Disposals	(123,559)
	\$ 1,215,127

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

Year Ended June 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

The City has interest-free long-term debt of \$266,799 related to purchase of tasers and body cameras during the current fiscal year. In fiscal year 2023, as required per GASB 68, the City did recognize \$10,792,111 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 \$3,000,801 in net OPEB liability as its proportionate share of unfunded OPEB liability. The City has no immediate liability for the payment of the amount held in these pension and OPEB liability accounts.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual revenue came in lower than the amended budget by \$97,500 due to a pass-thru grant being earned in fiscal year ending June 30, 2024 instead of this fiscal year. Actual expenditures and transfers came in under the amended budget by \$1,052,135 due to the CDBG pass-thru grant project as well as the timing of road projects. The City's General Fund ended the year with revenues exceeding expenditures and transfers by \$1,281,259. \$1,000,000 was transferred to the Road Tax Fund and \$1,100,000 was transferred to the Capital Projects Fund.

FUND BALANCE

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

REQUESTS FOR INFORMATION

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

CITY OF FORT MITCHELL, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2023

	<u>Primary Government</u>
	<u>Governmental Activities</u>
- ASSETS -	
Cash and Cash Equivalents	\$ 12,114,207
Investments	853,800
Receivable:	
Property Taxes	21,504
Other Taxes	1,802,530
Assessments	24,000
Intergovernmental	813,075
Accounts	49,207
Prepaid Expenses	267,450
Total Current Assets	<u>15,945,773</u>
Capital Assets, Net of Accumulated Depreciation	19,406,575
Total Assets	<u>35,352,348</u>
 - DEFERRED OUTFLOWS OF RESOURCES -	
Deferred Outflows Related to Pension Plans	1,624,871
Deferred Outflows Related to OPEB	939,412
Total Deferred Outflows of Resources	<u>2,564,283</u>
 - LIABILITIES -	
Accounts Payable	611,959
Accrued Liabilities	299,658
Deferred Revenue	2,245,644
Loans Payable	58,232
Total Current Liabilities	<u>3,215,493</u>
Long-Term Liabilities:	
Net Pension Liability	10,792,111
Net OPEB Liability	3,000,801
Loans Payable	208,567
Total Liabilities	<u>17,216,972</u>
 - DEFERRED INFLOWS OF RESOURCES -	
Deferred Inflows Related to Pension Plans	493,916
Deferred Inflows Related to OPEB	966,738
Total Deferred Inflows of Resources	<u>1,460,654</u>
 - NET POSITION -	
Net Investment in Capital Assets	19,406,575
Unrestricted	(167,570)
Total Net Position	<u>\$ 19,239,005</u>

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary Government					
Governmental Activities					
General Government	\$ 1,668,033	\$ 157,612	\$ 19,746	\$ 391,303	\$ (1,099,372)
Police	2,481,159	94,311	127,319	-	(2,259,529)
Fire and EMS	3,577,851	1,026,395	349,864	38,241	(2,163,351)
Public Works	2,280,535	529,689	26,980	220,087	(1,503,779)
Parks	153,196	4,600	-	-	(148,596)
Recreation	73,383	3,783	-	-	(69,600)
Loss on Disposal of Capital Assets	30,766	-	-	-	(30,766)
Total Governmental Activities	10,264,923	1,816,390	523,909	649,631	(7,274,993)

GENERAL REVENUES:

Taxes:

Property Taxes	1,765,349
Bank Deposits Tax	172,320
Telecommunications Taxes	56,104
Payroll License	3,887,847
Insurance Premium Taxes	2,039,485
Gross Receipts Tax	807,498
Utility Tax	339,988
License Fees	95,988
Investment Income	427,762
Miscellaneous	31,564
Fines and Forfeitures	7,406
Total General Revenues	9,631,311

Change in Net Position

NET POSITION, BEGINNING

NET POSITION, ENDING

2,356,318

16,882,687

\$ 19,239,005

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Special Revenue Funds			Capital Projects Fund	Total Governmental Funds
		Road Tax Fund	Municipal Road Aid Fund	Park Tax Fund		
- ASSETS -						
Cash and Cash Equivalents	\$ 12,114,207	\$ -	\$ -	\$ -	\$ -	\$ 12,114,207
Investments	853,800	-	-	-	-	853,800
Receivables:						
Property Taxes	17,790	2,762	-	952	-	21,504
Other Taxes	1,802,530	-	-	-	-	1,802,530
Assessments	24,000	-	-	-	-	24,000
Intergovernmental	786,703	-	16,619	9,753	-	813,075
Accounts	49,040	-	-	167	-	49,207
Prepaid Expenses	247,422	-	-	20,028	-	267,450
Due from other Funds	-	3,201,901	405,516	185,003	2,223,345	6,015,765
Total Assets	<u>\$ 15,895,492</u>	<u>\$ 3,204,663</u>	<u>\$ 422,135</u>	<u>\$ 215,903</u>	<u>\$ 2,223,345</u>	<u>\$ 21,961,538</u>
- LIABILITIES AND FUND BALANCES -						
LIABILITIES:						
Accounts Payable	\$ 474,847	\$ -	\$ 30,342	\$ 26,280	\$ 80,489	\$ 611,958
Accrued Liabilities	298,159	-	-	1,499	-	299,658
Deferred Revenue:						
Property Taxes	6,279	2,050	-	684	-	9,013
Assessments	24,000	-	-	-	-	24,000
Intergovernmental	2,157,683	-	-	9,753	-	2,167,436
Accounts	105,619	-	-	-	-	105,619
Due to other Funds	6,015,765	-	-	-	-	6,015,765
Total Liabilities	<u>9,082,352</u>	<u>2,050</u>	<u>30,342</u>	<u>38,216</u>	<u>80,489</u>	<u>9,233,449</u>
FUND BALANCES:						
Nonspendable	247,422	-	-	20,028	-	267,450
Restricted	-	-	391,793	157,659	-	549,452
Committed						
Capital Projects	-	-	-	-	2,142,856	2,142,856
Road Improvements	-	3,202,613	-	-	-	3,202,613
Economic Stabilization	4,824,256	-	-	-	-	4,824,256
Unassigned	1,741,462	-	-	-	-	1,741,462
Total Fund Balances	<u>6,813,140</u>	<u>3,202,613</u>	<u>391,793</u>	<u>177,687</u>	<u>2,142,856</u>	<u>12,728,089</u>
Total Liabilities and Fund Balances	<u>\$ 15,895,492</u>	<u>\$ 3,204,663</u>	<u>\$ 422,135</u>	<u>\$ 215,903</u>	<u>\$ 2,223,345</u>	<u>\$ 21,961,538</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, 2023

Total Fund Balances - Governmental Funds **\$ 12,728,089**

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	40,211,573	
Accumulated Depreciation	(20,804,998)	
		19,406,575

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		60,423
---	--	--------

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

Net Pension Liability	(10,792,111)	
Net OPEB Liability	(3,000,801)	
Loans Payable	(266,799)	
		(14,059,711)

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	1,624,871	
Deferred Inflows of Resources	(493,916)	
		1,130,955

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	939,412	
Deferred Inflows of Resources	(966,738)	
		(27,326)

Total Net Position - Governmental Activities **\$ 19,239,005**

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, 2023

	Special Revenue Funds				Capital Projects Fund	Total Governmental Funds
	General Fund	Road Tax Fund	Municipal Road Aid Fund	Park Tax Fund		
REVENUES:						
Property Taxes	\$ 1,133,122	\$ 499,305	\$ -	\$ 166,613	\$ -	\$ 1,799,040
Bank Deposit Tax	172,320	-	-	-	-	172,320
Telecommunication Tax	56,104	-	-	-	-	56,104
Payroll License	3,887,847	-	-	-	-	3,887,847
Insurance Premium Tax	2,039,485	-	-	-	-	2,039,485
Gross Receipts License	807,498	-	-	-	-	807,498
Other Licenses and Permits	95,988	-	-	-	-	95,988
Utility Franchise Tax	339,988	-	-	-	-	339,988
Intergovernmental	951,014	169,928	173,007	-	-	1,293,949
Fines and Forfeitures	5,788	1,197	-	421	-	7,406
Charges for Services	1,763,609	-	-	4,600	-	1,768,209
Investment Income	276,121	77,960	14,395	10,289	48,997	427,762
Contributions	2,439	-	-	-	-	2,439
Sale of Surplus Property	54,375	-	-	-	-	54,375
Insurance Claims	9,675	-	-	-	-	9,675
Miscellaneous Income	-	-	-	13,585	-	13,585
Total Revenues	<u>11,595,373</u>	<u>748,390</u>	<u>187,402</u>	<u>195,508</u>	<u>48,997</u>	<u>12,775,670</u>
EXPENDITURES:						
General Government	1,545,347	-	-	-	239,826	1,785,173
Police	2,361,792	-	-	-	160,284	2,522,076
Fire and EMS	3,325,652	-	-	-	103,848	3,429,500
Public Works	1,290,206	87,987	206,622	-	-	1,584,815
Parks	-	-	-	1,012,189	-	1,012,189
Recreation	73,383	-	-	-	-	73,383
Total Expenditures	<u>8,596,380</u>	<u>87,987</u>	<u>206,622</u>	<u>1,012,189</u>	<u>503,958</u>	<u>10,407,136</u>
OTHER FINANCING SOURCES (USES):						
Loan Proceeds	250,471	-	-	-	-	250,471
Transfers In	-	1,000,000	-	-	1,100,000	2,100,000
Transfers Out	(2,100,000)	-	-	-	-	(2,100,000)
Total other Financing Sources and Uses	<u>(1,849,529)</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,100,000</u>	<u>250,471</u>
Net Change in Fund Balances	1,149,464	1,660,403	(19,220)	(816,681)	645,039	2,619,005
FUND BALANCES, BEGINNING	<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>
FUND BALANCES, ENDING	<u>\$ 6,813,140</u>	<u>\$ 3,202,613</u>	<u>\$ 391,793</u>	<u>\$ 177,687</u>	<u>\$ 2,142,856</u>	<u>\$ 12,728,089</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 2,619,005

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	1,663,538	
Depreciation Expense	<u>(1,650,210)</u>	13,328

Proceeds from loan payable are reported as other financing sources in the governmental funds, but as a long-term liability in the Statement of Net Position. Repayment of loan payable principal is an expenditure in the governmental funds, but a reduction of long-term liabilities in the Statement of Net Position. This is the amount of proceeds that exceeded principal payments in the period. (177,760)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (111,972)

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. (76,837)

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	1,052,978	
Cost of Benefits Earned	<u>(804,518)</u>	248,460

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	164,332	
Cost of Benefits Earned	<u>(322,238)</u>	<u>(157,906)</u>

Change in Net Position - Governmental Activities \$ 2,356,318

The accompanying notes are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

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, 2023

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 non-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, 2023

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, 2023 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 2023 was based was \$825,446,901.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023 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, 2023

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 three thousand dollars with the exception of infrastructure for which the threshold is ten 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, 2023

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, 2023 the liability for compensated absences is \$163,858.

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 to the pension fund and OPEB fund, (2) changes in assumptions to the OPEB fund, (3) differences between projected and actual earnings on plan investments to the pension fund and OPEB fund, (4) changes in the proportionate share of the City's contributions to the pension fund and OPEB fund and (5) contributions made to the City's pension plan and OPEB plan 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 the expected and actual experience, changes of assumptions, and changes in the proportionate share of the City's contributions 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 differences between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. 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

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and OPEB plan and include (1) differences between the expected and actual experience to the pension fund and OPEB fund, (2) changes in assumptions to the OPEB fund and (3) changes in the proportionate share of the City's contributions to the pension fund and OPEB fund. The deferred amount related to the differences between the expected and actual experience, changes of assumptions and changes in the proportionate share of the City's contributions will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Net Position

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

Fund Balance Policies

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

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

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

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by sources; such as federal or state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Road Aid, 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 transferred from the General Fund to 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, 2023

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, 2023

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, 2023, 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 \$12,114,207 and a bank balance of \$12,162,144, the difference being items that had not cleared the bank at June 30, 2023. 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, 2023

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, 2023 was:

Dividend Focus Equity Pool	\$ 51,937
Government Bond Fund	115,879
Corporate Bond Fund	117,451
Equity S&P 500 Index Fund	<u>54,562</u>
Total Investment	<u>\$ 339,829</u>

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, 2023

NOTE E - CAPITAL ASSETS AND LEASES

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

Governmental Activities	Balance at June 30, 2022	Additions	Deductions	Balance at June 30, 2023
Capital Assets not Depreciated				
Land	\$ 498,396	\$ -	\$ -	\$ 498,396
Construction in Progress	2,108,092	-	(1,995,300)	112,792
Total Capital Assets Not Being Depreciated	<u>2,606,488</u>	<u>-</u>	<u>(1,995,300)</u>	<u>611,188</u>
Depreciable Capital Assets				
Infrastructure	24,707,187	786,787	(45,081)	25,448,893
Buildings	4,412,826	543,950	-	4,956,776
Buildings/Land Improvements	1,041,284	1,811,872	(139,901)	2,713,255
Equipment	1,939,714	343,624	(132,570)	2,150,768
Furniture and Fixtures	66,545	-	-	66,545
Vehicles	4,222,402	172,605	(130,859)	4,264,148
Total Depreciable Capital Assets	<u>36,389,958</u>	<u>3,658,838</u>	<u>(448,411)</u>	<u>39,600,385</u>
Total Capital Assets at Historical Cost	<u>38,996,446</u>	<u>3,658,838</u>	<u>(2,443,711)</u>	<u>40,211,573</u>
Less Accumulated Depreciation				
Infrastructure	13,984,734	879,943	-	14,864,677
Buildings	1,912,866	190,636	-	2,103,502
Buildings/Land Improvements	536,335	80,442	(108,388)	508,389
Equipment	1,237,735	142,463	(132,327)	1,247,871
Furniture and Fixtures	66,383	162	-	66,545
Vehicles	1,788,310	356,564	(130,859)	2,014,015
Total Accumulated Depreciation	<u>19,526,363</u>	<u>1,650,210</u>	<u>(371,574)</u>	<u>20,804,999</u>
Depreciable Capital Assets, Net	<u>16,863,596</u>	<u>2,008,628</u>	<u>(76,837)</u>	<u>18,795,387</u>
Total Capital Assets, Net	<u>\$ 19,470,084</u>	<u>\$ 2,008,628</u>	<u>\$ (2,072,137)</u>	<u>\$ 19,406,575</u>

Depreciation was charged to functions as follows.

Governmental Activities	Amount
General Government	\$ 243,309
Police	169,363
Fire and EMS	256,626
Public Works	938,024
Park	42,888
Total Depreciation	<u>\$ 1,650,210</u>

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE E - CAPITAL ASSETS AND LEASES (CONTINUED)

Loans Payable

In June 2021 the City entered into a \$101,160 lease with Kenton County Public Works for the Bromley Crescent Springs Project for thirty-six months. The balance outstanding at June 30, 2023 is \$33,720. In March 2023 the City entered into a \$250,471 lease with Axon Enterprise, Inc. for law enforcement equipment and maintenance for ten years. The balance outstanding at June 30, 2023 is \$233,079. Future minimum lease payments are as follows:

Year Ending June 30	
2024	\$ 58,232
2025	24,512
2026	24,512
2027	24,512
2028	24,512
Thereafter	<u>110,519</u>
	<u>\$ 266,799</u>

Lease Payable

Operating Lease

In June 2022 the City entered into an operating lease for three copiers for sixty months at \$300 per month. Future minimum lease payments for the copiers are as follows:

Year Ending June 30	
2024	\$ 3,600
2025	3,600
2026	3,600
2027	3,600
2028	<u>1,800</u>
	<u>\$ 16,200</u>

In November 2023 the City entered into an operating lease for a postage machine for sixty-three months at \$61 per month.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

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
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

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

Tier 3	Participation date	On or after January 1, 2014
	Unreduced Retirement	At least 5 years service and 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, 2023 for non-hazardous employees was 26.79%, of which 23.40% was for the pension fund and 3.39% was for the insurance fund. The actuarially determined rates set by the Board for the year ended June 30, 2023 for hazardous employees was 49.59%, of which 42.81% was for the pension fund and 6.78% was for the insurance fund. Contributions to the pension plan from the City were \$1,217,310 for the year ended June 30, 2023, of which \$1,052,978 was for the pension fund and \$164,332 was for the insurance fund. The non-hazardous contribution was \$206,204 (\$180,111 for pension and \$26,093 for insurance). The hazardous contribution was \$1,011,106 (\$872,867 for pension and \$138,239 for insurance).

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

At June 30, 2023, the City reported a liability of \$10,792,111 for its proportionate share of the net pension liability. The non-hazardous portion of the net pension liability was \$1,686,746 and the hazardous portion was \$9,105,365. The net pension liability was based on an actuarial valuation performed on June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2022, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2021. 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, 2022. This method was expected to be reflective of the City’s long-term contribution effort. At June 30, 2022, the City’s proportion was 0.023333% for non-hazardous and 0.298394% for hazardous, an increase of 0.000269% and decrease of 0.003352% from its proportion measured, respectively, as of June 30, 2021.

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

For the year ended June 30, 2023, the City recognized pension expense of \$761,758. At June 30, 2023, 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	\$ 262,870	\$ 15,021
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	253,551	-
Changes in proportion and differences between City contributions and proportionate share of contributions	55,472	478,895
City contributions subsequent to the measurement date	1,052,978	-
	\$ 1,624,871	\$ 493,916

The \$1,052,978 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ (12,116)
2025	(70,198)
2026	(106,100)
2027	266,391
	\$ 77,977

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2021 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%

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

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 non-disabled 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, 2022 valuation were based on the results of an actuarial experience study for the period ending June 30, 2021.

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.

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
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100%	

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE F – EMPLOYEE’S PENSION PLAN (CONTINUED)

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Non-hazardous	\$ 2,108,223	\$ 1,686,746	\$ 1,338,149
Hazardous	\$ 11,342,223	\$ 9,105,365	\$ 7,283,583

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, 2023, \$128,309 was payable to the pension plan, of which \$112,073 was for the pension fund and \$16,236 was for the insurance fund.

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 Board of Trustees (the Board) of the 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, earn \$10 per month for insurance benefits at retirement for every year of earned service.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)

Hazardous employees whose participation began on or after July 1, 2023 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 2022 is \$13.99 for CERS Non-hazardous employees and \$20.99 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, 2023 for non-hazardous employees was 26.79%, of which 23.40 % was for the pension fund and 3.39% was for the insurance fund. The actuarially determined rates set by the Board for the year ended June 30, 2023 for hazardous employees was 49.59%, of which 42.81% was for the pension fund and 6.78% 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, 2023, the City reported a liability of \$3,000,801 for its proportionate share of the net OPEB liability. The non-hazardous portion of the net OPEB liability was \$460,401 and the hazardous portion was \$2,540,400. The net OPEB liability was based on an actuarial valuation performed on June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, using generally accepted actuarial principles. There have been no actuarial assumption or method changes since June 30, 2021. 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, 2022. This method is expected to be reflective of the City's long-term contribution effort. At June 30, 2022 the City's proportion was 0.023329% for non-hazardous and 0.298244% for hazardous, an increase of 0.000270% and a decrease of 0.003501% from its proportion measured, respectively, as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$322,236. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF FORT MITCHELL, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 102,475	\$ 256,038
Changes of assumptions	496,883	497,112
Net difference between projected and actual earnings on plan investments	111,409	-
Changes in proportion and differences between City contributions and proportionate share of contributions	20,000	213,588
City contributions subsequent to the measurement date	208,645	-
	<u>\$ 939,412</u>	<u>\$ 966,738</u>

The \$208,645 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, 2024. 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:	
2024	\$ (33,089)
2025	(33,120)
2026	(109,740)
2027	22,940
2028	(82,962)
	<u>\$ (235,971)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 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%

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)

Healthcare trend rates	Pre-65: Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post-65: Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
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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, 2022 valuation were based on the results of an actuarial experience study for the period ending June 30, 2021.

Discount rate. The single discount rate used to measure the total OPEB liability was 5.70% for nonhazardous and 5.61% for hazardous. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and the future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to the future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate assumed that each participating employer contributes the actuarially determined employer contribution each year calculated in accordance with the current funding policy.

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.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)

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 5.70% for non-hazardous and 5.61% 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 (4.70% for non-hazardous and 4.61% for hazardous) or 1-percentage-point higher (6.70% for non-hazardous and 6.61% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	\$ 615,483	\$ 460,401	\$ 332,200
Hazardous	\$ 3,529,810	\$ 2,540,400	\$ 1,736,814

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	\$ 342,297	\$ 460,401	\$ 602,221
Hazardous	\$ 1,773,929	\$ 2,540,400	\$ 3,474,686

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, 2023.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

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, 2023 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 \$668,508 for the fiscal year ended June 30, 2023.

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, 2023 is \$1,621,629.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

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	\$ 1,000,000
General	Capital Projects	<u>1,100,000</u>
Total		<u>\$ 2,100,000</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	\$ 3,201,901
Municipal Road Aid	General	405,516
Park Tax	General	185,003
Capital Projects	General	<u>2,223,345</u>
Total		<u>\$ 6,015,765</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. However, by Ordinance 2023-06, adopted May 26, 2023, the City designated its Administration Department as the Agency for the TIF in place of the Authority. The original 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, which capital investment report was approved by the State, that shows the Minimum Capital Investment as required by the Tax Incentive Agreement has been achieved. The current owners of the site (the "Developer") have revised plans for the development of the site to include a continuing care retirement center, medical office, hotel, retail, restaurant and residential uses (the "Project"). The City and Developer approved a Master Development Agreement related to the revised Project dated May 1, 2023. In addition, the State has approved a First Amendment to Tax Incentive Agreement to approve the revised Project, dated December 7, 2023.

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2023

NOTE M - TAX INCREMENT FINANCING COMPONENT UNIT (CONTINUED)

The City and Developer anticipate construction to begin on the Project site on or before July 1, 2024. To date, no local or State increment has been paid by the City to fund any costs related to the Project. Since the local TIF was activated effected January 1, 2018, the 30-year pledge of local TIF revenues will terminate on December 31, 2047, which will only allow local incremental revenues to be available to assist the Project for approximately 24 years. To allow for certain incremental taxes to be available to support the Project for a full 30-year period, the City (along with the County of Kenton, Kentucky), approved a Grant Agreement, dated November 18, 2023, that provides incremental taxes from occupational taxes to be pledged to the Project for a 6 year period beginning at the expiration of the TIF.

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 initially recorded in a deferred revenue account on the balance sheet when received. Municipalities have until December 31, 2024 to obligate and December 31, 2026 to spend all ARPA funds. The City expensed \$494,393 of those funds in the prior fiscal year, resulting in \$1,676,982 available at June 30, 2022. The City expensed \$54,856 of those funds in this fiscal year, resulting in \$1,622,126 available at June 30, 2023.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated events through March 25, 2024, 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, 2023

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2022	\$ 5,428,633	\$ 5,663,676	\$ 5,663,676	\$ -
Resources (Inflows)				
Property Taxes	1,101,000	1,130,500	1,133,122	2,622
Bank Deposit Tax	200,000	172,320	172,320	-
Telecommunication Tax	56,000	56,000	56,104	104
Payroll License	3,202,500	3,700,000	3,887,847	187,847
Insurance Premium Tax	1,654,000	1,691,975	2,039,485	347,510
Gross Receipts License	859,950	700,000	807,498	107,498
Other Licenses and Permits	106,500	94,553	95,988	1,435
Utility Franchise Tax	330,750	346,000	339,988	(6,012)
Intergovernmental	1,731,971	1,929,000	951,014	(977,986)
Fines and Forfeitures	5,500	5,500	5,788	288
Charges for Services	1,674,509	1,725,631	1,763,609	37,978
Investment Income	20,000	220,000	276,121	56,121
Contributions	1,000	2,389	2,439	50
Sale of Surplus Property	15,000	46,000	54,375	8,375
Insurance Claims	6,000	4,800	9,675	4,875
Total Resources	<u>10,964,680</u>	<u>11,824,668</u>	<u>11,595,373</u>	<u>(229,295)</u>
Appropriations (Outflows)				
General Government	1,964,852	2,148,897	1,545,347	603,550
Police	2,499,781	2,525,864	2,361,792	164,072
Fire and EMS	3,490,751	3,517,445	3,325,652	191,793
Public Works	1,420,398	1,380,918	1,290,206	90,712
Recreation	65,511	75,391	73,383	2,008
Total Appropriations	<u>9,441,293</u>	<u>9,648,515</u>	<u>8,596,380</u>	<u>1,052,135</u>
Other Financing Sources (Uses):				
Loan Proceeds	-	250,471	250,471	-
Interfund Transfers	(1,425,000)	(2,100,000)	(2,100,000)	-
Total Other Financing Sources (Uses)	<u>(1,425,000)</u>	<u>(1,849,529)</u>	<u>(1,849,529)</u>	<u>-</u>
Excess Resources over Appropriations	<u>98,387</u>	<u>326,624</u>	<u>1,149,464</u>	<u>(1,281,430)</u>
Budgetary Fund Balance, June 30, 2023	<u>\$ 5,527,020</u>	<u>\$ 5,990,300</u>	<u>\$ 6,813,140</u>	<u>\$ (1,281,430)</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 - ROAD TAX FUND

Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2022	\$ 1,199,493	\$ 1,542,210	\$ 1,542,210	\$ -
Resources (Inflows)				
Property Taxes	479,520	496,800	499,305	2,505
Intergovernmental	-	139,000	169,928	30,928
Fines and Forfeitures	1,200	1,000	1,197	197
Investment Income	10,000	60,000	77,960	17,960
Total Resources	<u>490,720</u>	<u>696,800</u>	<u>748,390</u>	<u>51,590</u>
Appropriations (Outflows)				
Public Works	<u>1,759,000</u>	<u>920,704</u>	<u>87,987</u>	<u>832,717</u>
Total Appropriations	<u>1,759,000</u>	<u>920,704</u>	<u>87,987</u>	<u>832,717</u>
Interfund Transfers	<u>700,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Excess Resources over Appropriations	<u>(568,280)</u>	<u>776,096</u>	<u>1,660,403</u>	<u>884,307</u>
Budgetary Fund Balance, June 30, 2023	<u>\$ 631,213</u>	<u>\$ 2,318,306</u>	<u>\$ 3,202,613</u>	<u>\$ 884,307</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, 2023

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2022	\$ 1,367,018	\$ 2,027,617	\$ 1,497,817	\$ (529,800)
Resources (Inflows)				
Investment Income	20,790	65,577	48,997	(16,580)
Total Resources	<u>20,790</u>	<u>65,577</u>	<u>48,997</u>	<u>(16,580)</u>
Appropriations (Outflows)				
General Government	642,000	653,000	239,826	413,174
Police	208,000	215,000	160,284	54,716
Fire and EMS	120,000	120,000	103,848	16,152
Public Works	60,000	-	-	-
Total Appropriations	<u>1,030,000</u>	<u>988,000</u>	<u>503,958</u>	<u>484,042</u>
Interfund Transfers	<u>800,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>
Excess Resources over Appropriations	<u>(209,210)</u>	<u>177,577</u>	<u>645,039</u>	<u>467,462</u>
Budgetary Fund Balance, June 30, 2023	<u>\$ 1,157,808</u>	<u>\$ 2,205,194</u>	<u>\$ 2,142,856</u>	<u>\$ (62,338)</u>

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

CITY OF FORT MITCHELL, KENTUCKY

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

County Employees Retirement System

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset) - Non-hazardous	0.023333%	0.025064%	0.022860%	0.021456%	0.021528%	0.027495%	0.020674%	0.019631%	0.024002%	
City's proportion of the net pension liability (asset) - Hazardous	0.298394%	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	\$ 1,686,746	\$ 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	\$ 9,105,365	\$ 8,032,959	\$ 9,988,940	\$ 9,075,494	\$ 7,868,063	\$ 7,397,181	\$ 4,652,677	\$ 3,892,713	\$ 2,843,398	
Total City's proportionate share of the net pension liability (asset)	\$ 10,792,111	\$ 9,503,470	\$ 11,742,283	\$ 10,584,504	\$ 9,179,184	\$ 9,006,548	\$ 5,670,592	\$ 4,736,765	\$ 3,622,122	
City's covered-employee payroll	\$ 2,637,240	\$ 2,411,890	\$ 2,503,613	\$ 2,511,890	\$ 2,430,479	\$ 2,464,891	\$ 2,043,271	\$ 1,873,522	\$ 1,860,515	
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	409.22%	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	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%	
Hazardous	47.11%	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 required supplementary information are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY
SCHEDULE OF CITY PENSION CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution - Non-hazardous	\$ 180,111	\$ 137,320	\$ 113,701	\$ 113,014	\$ 88,295	\$ 81,067	\$ 151,622	\$ 164,682	\$ 124,263	\$ 160,116
Contractually required contribution - Hazardous	\$ 872,867	\$ 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>\$ (1,052,978)</u>	<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	\$ 2,803,383	\$ 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	37.56%	30.75%	27.19%	27.78%	23.12%	21.53%	27.86%	28.32%	29.58%	30.38%

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

CITY OF FORT MITCHELL, KENTUCKY

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

County Employees Retirement System

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net OPEB liability (asset) - Non-Hazardous	0.023329%	0.023059%	0.022854%	0.021450%	0.021527%	0.027495%				
City's proportion of the net OPEB liability (asset) - Hazardous	0.298244%	0.301745%	0.331201%	0.328513%	0.325352%	0.330633%				
City's proportionate share of the net OPEB liability (asset) - Hazardous	\$ 460,401	\$ 441,453	\$ 551,855	\$ 360,779	\$ 382,208	\$ 552,744				
City's proportionate share of the net OPEB liability (asset) - Hazardous	\$ 2,540,400	\$ 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)	\$ 3,000,801	\$ 2,881,240	\$ 3,612,502	\$ 2,791,315	\$ 2,701,834	\$ 3,285,993				
City's covered-employee payroll	\$ 2,637,240	\$ 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	113.79%	119.46%	144.29%	111.12%	111.16%	133.31%				
Plan fiduciary net position as a percentage of the total pension liability										
Non-hazardous	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%				
Hazardous	64.13%	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 required supplementary information are an integral part of this statement.

CITY OF FORT MITCHELL, KENTUCKY
SCHEDULE OF CITY OPEB FUND CONTRIBUTIONS
County Employees Retirement System

Last 10 Fiscal Years

	<u>2023</u>	<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>
Contractually required contribution - Non-hazardous	\$ 26,093	\$ 37,492	\$ 28,042	\$ 27,872	\$ 28,633	\$ 26,313	\$ 18,796			
Contractually required contribution	\$ 138,239	\$ 208,304	\$ 171,716	\$ 184,466	\$ 207,277	\$ 150,552	\$ 182,229			
Contributions in relation to the contractually required contribution	<u>\$ (164,332)</u>	<u>\$ (245,796)</u>	<u>\$ (199,758)</u>	<u>\$ (212,338)</u>	<u>\$ (235,910)</u>	<u>\$ (176,865)</u>	<u>\$ (201,025)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
City's covered-employee payroll	\$ 2,803,383	\$ 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	5.86%	9.32%	8.28%	8.48%	9.39%	7.28%	8.14%			

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

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2023

NOTE 1 – NOTES TO PENSION SCHEDULES

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

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

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

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

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

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

2015

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

2017

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

2019

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

CITY OF FORT MITCHELL, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2023

NOTE 1 – NOTES TO PENSION SCHEDULES (CONTINUED)

- 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 the PUB-2010 Safety Morality table for 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, 2023

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.
- The assumed salary increase for CERS Hazardous was adjusted for between 3.05% to 18.55%, depending on service to between 3.55% and 19.05%, depending on service.
- For active members, the mortality table used is PUB-2010 General Mortality table, for the Nonhazardous Plans, and 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, 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.
- 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 6.25% 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 increased 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 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

2020

- The assumed healthcare trend rates for pre - 65 members increased from an initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 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 increased from an initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years to an initial trend starting at 6.30% then 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, 2023

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2022	\$ 342,647	\$ 411,013	\$ 411,013	\$ -
Resources (Inflows)				
Intergovernmental	170,000	162,000	173,007	11,007
Investment Income	2,000	17,000	14,395	(2,605)
Total Resources	<u>172,000</u>	<u>179,000</u>	<u>187,402</u>	<u>8,402</u>
Appropriations (Outflows)				
Public Works	<u>300,720</u>	<u>230,720</u>	<u>206,622</u>	<u>24,098</u>
Total Appropriations	<u>300,720</u>	<u>230,720</u>	<u>206,622</u>	<u>24,098</u>
Excess Resources over Appropriations	<u>(128,720)</u>	<u>(51,720)</u>	<u>(19,220)</u>	<u>32,500</u>
Budgetary Fund Balance, June 30, 2023	<u>\$ 213,927</u>	<u>\$ 359,293</u>	<u>\$ 391,793</u>	<u>\$ 32,500</u>

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

Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1, 2022	\$ 116,153	\$ 994,368	\$ 994,368	\$ -
Resources (Inflows)				
Property Taxes	160,840	165,434	166,613	1,179
Contributions	900,000	-	-	-
Fines and Forfeitures	320	300	421	121
Charges for Services	-	2,000	4,600	2,600
Investment Income	3,600	6,000	10,289	4,289
Miscellaneous Income	-	-	13,585	13,585
Total Resources	<u>1,064,760</u>	<u>173,734</u>	<u>195,508</u>	<u>21,774</u>
Appropriations (Outflows)				
Parks	1,050,192	1,141,423	1,012,189	129,234
Total Appropriations	<u>1,050,192</u>	<u>1,141,423</u>	<u>1,012,189</u>	<u>129,234</u>
Interfund Transfers	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess Resources over Appropriations	<u>(60,432)</u>	<u>(967,689)</u>	<u>(816,681)</u>	<u>151,008</u>
Budgetary Fund Balance, June 30, 2023	<u>\$ 55,721</u>	<u>\$ 26,679</u>	<u>\$ 177,687</u>	<u>\$ 151,008</u>

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



**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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2024.

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 or significant deficiencies 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.

March 25, 2024