

CITY OF FT. THOMAS, KENTUCKY

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2020

CITY OF FT. THOMAS, KENTUCKY

ANNUAL FINANCIAL STATEMENTS

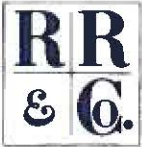
Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council
City of Ft. Thomas, Kentucky**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ft. Thomas, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Ft. Thomas, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of City contributions and net pension liability on pages 5-10 and 44-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ft. Thomas, Kentucky's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 schedule of expenditures of federal awards 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 May 14, 2021 on our consideration of the City of Ft. Thomas, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ft. Thomas, Kentucky's internal control over financial reporting and compliance.

RANKIN, RANKIN, & COMPANY

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

**Ft. Thomas, Kentucky
May 14, 2021**

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"Founded in 1867"

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Ft. Thomas, Kentucky, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Ft. Thomas, Kentucky for the year ended June 30, 2020.

Financial Highlights

The assets of the City exceeded its liabilities (net position) at the close of the most recent year by \$6,296,600.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$19,522,792. This total represents an increase of \$1,587,636 in comparison to the prior fiscal year. The increase was primarily attributable to revenues exceeding the budget projections.

At the end of the current fiscal year, total fund balance for the general fund was \$17,712,932 a \$1,192,251 increase over the prior fiscal year.

Overview of the Financial Statements

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

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

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

The statement of activities presents how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. As a result, revenues and

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for grant funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ft. Thomas maintains individual governmental funds. (Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and changes in fund balances for the general fund, public works/KDOT, central business district and Tower Park funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Ft. Thomas' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Ft. Thomas, assets exceeded liabilities by \$6,296,600 at the close of the most recent year.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt to finance those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resource needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the years ended June 30, 2020 and 2019, net position changed as follows:

	Governmental Activities	
	2020	2019
Current and other assets	\$ 20,300,038	\$ 18,676,531
Capital assets, net	16,851,014	16,786,673
Total assets	37,151,052	35,463,204
Deferred outflows of resources	8,722,583	8,464,764
Other liabilities	721,880	749,051
Long-term liabilities	36,156,851	31,967,242
Total liabilities	36,878,731	32,716,293
Deferred inflow of resources	2,698,304	2,873,627
Net assets:		
Invested in capital assets, net of debt	12,100,651	11,823,410
Restricted	1,382,504	1,059,905
Unrestricted (as restated for 2019)	(7,186,555)	(4,545,267)
Total net position (as restated for 2019)	\$ 6,296,600	\$ 8,338,048

Net position of the City decreased by \$2,041,448 during the current fiscal year, primarily due to change in pension liabilities.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the City's government funds reported combined ending fund balances of \$19,552,792 an increase of \$1,587,636 in comparison with fiscal year FY 2018-19.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the balance of the general fund was \$17,712,932, which represents an increase of \$1,192,251 over fiscal year 2018-2019. Key factors in this change are as follows:

Significant activity in funds other than the City's General Fund includes Special Revenue (Public Works/KDOT Fund and Central Business District Fund), Capital Projects (Tower Park Fund) and Other Governmental Funds (Waste Fee and Debt Service). These funds account for the majority of non-operating activity including, but not limited to, capital infrastructure projects, special projects, debt repayment and activity that must be segregated from the General Fund. The Public Works/KDOT Special Revenue Fund included total expenditures of \$815,229, which consisted primarily of road resurfacing and pier walls for road stabilization. The Capital Projects/Tower Park Fund represents activity from revenues restricted by City ordinance, are earmarked specifically for approved recreation projects. In FY 2019, this fund incurred total expenditures of \$170,910, primarily utilizing carry over funds from prior fiscal years. Significant activity under the Central Business District Fund included debt service for bond issues associated with park improvements and business district revitalization projects, as well as city-sponsored events. The primary source of revenue in this fund is a portion of the city's occupational license fee (.25%), specifically earmarked for infrastructure improvements in the City's business districts. The amount of that transfer for FY2020 totaled \$587,500.

Activity within the Debt Service Fund included total expenditures of \$473,328 representing repayment of borrowed funds associated with the CBD revitalization, Towne Center revitalization, building improvements, general obligation bonds and park improvements.

The following schedules present a summary of general, special revenue, debt service and capital projects revenues and expenditures for the fiscal year ended June 30, 2020, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2020 Amount	Percent of Total	FYE 2019 Amount	Percent of Total
Taxes	\$ 6,328,925	39.80%	\$ 6,242,388	39.74%
Licenses and permits	6,249,554	40.00%	6,272,826	39.72%
Intergovernmental	604,747	3.67%	575,196	4.83%
Charges for services	1,962,225	11.10%	1,741,342	12.34%
Fines and forfeitures	91,768	0.43%	67,097	0.38%
Interest	82,461	0.82%	129,079	0.20%
Special assessments	155,102	0.19%	29,734	0.72%
Miscellaneous	1,004,679	3.99%	626,306	2.07%
Total revenues	\$ 16,479,461	100.00%	\$ 15,683,968	100.00%

As in years past, the increase in the Taxes line is mostly due to the increase in property taxes. Interest revenues decreased in FY 19-20, due to interest rate decrease, as the City continues to invest money in different bonds and securities.

Licenses and permits decreased slightly, as net profits, payroll tax, and insurance premium tax did not trend upward. Miscellaneous income increased due to the recording of \$754,904 in CARES revenue in 2019-20.

Expenditures	FYE 2020 Amount	Percent of Total	FYE 2019 Amount	Percent of Total
General government	\$ 1,629,167	10.94%	\$ 1,347,910	9.92%
Police	3,900,972	26.20%	3,710,394	25.60%
Fire	3,259,126	21.88%	3,151,810	21.64%
General services	3,780,605	25.39%	4,321,591	22.45%
Recreation	873,635	5.87%	712,017	6.29%
Capital outlay	974,523	6.54%	1,179,755	8.31%
Debt service	473,797	3.18%	567,052	5.78%
Total expenditures	\$ 14,891,825	100.00%	\$ 14,990,529	100.00%

The chart above shows that four departmental expenditures increased over fiscal year 2018-2019. Most of this can be attributed to increase in pension contributions, although cost-of-living increases did play a small part as well.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the budget one time. The budget amendment adjusts revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year.

The fiscal year 2019-2020 budget relied primarily on the anticipation of moderate increases in property and payroll taxes and licenses and fees. Actual revenue categories exceeded budgeted amounts by \$933,532. In addition, actual expenditures finished \$656,989 under budgeted appropriations.

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

At year-end, the City had \$4,750,363 in outstanding bonds and capital leases compared to \$4,963,263 last year.

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$ -	\$ -
Capital lease and general obligations (backed by City)	4,750,363	4,963,263
Totals	\$ 4,750,363	\$ 4,963,263

In 2013-14, the City adopted Government Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, which requires the recognition of Net Pension Liability. The Net Pension Liability at June 30, 2020 (based on the July 1, 2019 actuarial report) was \$119,398.

In 2014-15, the City adopted Government Accounting Standards Board Statement No. 68-Financial Reporting for Pensions-an Amendment of GASB Statement No. 27. The Net Pension Liability at June 30, 2020 (based on the July 1, 2019 actuarial report) was \$24,553,010.

In 2017-18, the City adopted Government Accounting Standards Board Statement No.75 "Accounting and Financial Reporting for Post employment Benefits Other Than Pension". The net pension liability of June 30, 2020 (based on the June 30, 2019 actuarial report) was \$6,429,313.

Capital Assets

At the end of June 30, 2020, the City had \$37,929,013 invested in capital assets including police and fire equipment, buildings, park facilities, roads and sidewalks. This represents a net increase of \$1,254,218. The majority of this increase came from infrastructure improvements. Construction-in-progress increased this year.

		Governmental Activities	
		2020	2019
Land	\$	1,035,535	\$ 1,035,535
Construction Progress		562,480	399,965
Buildings		3,772,029	3,650,866
Improvements/Infrastructure		26,227,739	25,403,473
Equipment		3,122,805	3,026,661
Vehicles		3,208,425	3,158,295
TOTALS	\$	<u>37,929,013</u>	<u>\$ 36,674,795</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's budget for the fiscal year ended June 30, 2020 continued our goal of providing great public service as efficiently as possible. This report shows that the City was able to weather the current pandemic and maintain or slightly grow its primary revenues sources, while still keeping daily and incidental expenditures under control. The fiscal year 2020-2021 budget continues our trend of conservative estimates for both revenues and expenditures. That conservative approach means that the City will maintain enough reserve funds to deal with any crisis or emergency expenditure that should arise. Additionally, a healthy reserve balance allows the City to continue to invest in parks and infrastructure, as outlined in our most recent Community Plan. This budget earmarks funding for several such projects, including park shelters, recreation amenities, and public athletic facilities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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 and spends. If you have questions about this report or need additional financial information, contact the City Administrator's Office at 130 N. Ft. Thomas, Ft. Thomas, Kentucky.

BASIC FINANCIAL STATEMENTS

CITY OF FT. THOMAS, KENTUCKY**Statement of Net Position**

June 30, 2020

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 14,715,143
Investments	2,767,124
Receivables:	
Taxes	163,977
Intergovernmental	786,524
Assessments	63,695
Accounts	1,495,671
Accrued interest	18,277
Prepays	264,330
Deferred expenses	25,297
Capital assets not being depreciated	1,598,015
Capital assets, net of accumulated depreciation	15,252,999
Total assets	<u>37,151,052</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on debt issuance	159,990
Contributions subsequent to the measurement date	1,952,143
Other deferred outflows	6,610,450
Total deferred outflows of resources	<u>8,722,583</u>
LIABILITIES	
Accounts payable	286,617
Accrued liabilities	333,014
Accrued interest payable	102,249
Unearned revenue	-
Noncurrent liabilities:	
Net pension liability	31,101,721
Compensated absences	304,767
Due within one year	220,363
Due in more than one year	4,530,000
Total liabilities	<u>36,878,731</u>
DEFERRED INFLOWS OF RESOURCES	
Differences between projected and actual earnings on pension plan and other deferred inflows	<u>2,698,304</u>
NET POSITION	
Net investment in capital assets	12,100,651
Restricted for:	
Capital	1,382,504
Unrestricted	<u>(7,186,555)</u>
Total net position	<u>\$ 6,296,600</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FT. THOMAS, KENTUCKY
STATEMENT OF ACTIVITIES
June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,385,488	\$ 361,281	\$ -	\$ -	\$ (1,024,207)
Police	3,960,303	-	142,454	-	(3,817,849)
Fire	3,349,552	308,021	110,313	-	(2,931,218)
General services and property mgt.	4,716,909	1,341,796	-	351,980	(3,023,133)
Recreation	934,170	42,895	-	-	(891,275)
Interest and other debt costs	268,833	-	-	-	(268,833)
Pension expense	3,965,572	-	-	-	(3,965,572)
Total governmental activities	<u>18,580,827</u>	<u>2,053,993</u>	<u>252,767</u>	<u>351,980</u>	<u>(15,922,087)</u>
Total primary government	<u>\$ 18,580,827</u>	<u>\$ 2,053,993</u>	<u>\$ 252,767</u>	<u>\$ 351,980</u>	<u>\$ (15,922,087)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					5,796,550
Taxes, levied for bank deposits					63,405
Motor vehicle taxes					528,888
Licenses and permits					6,249,554
Interest					82,461
Miscellaneous					1,159,781
Total general revenues and special items					<u>13,880,639</u>
Change in net position					<u>(2,041,448)</u>
Net position-beginning, as restated					<u>8,338,048</u>
Net position-ending					<u>\$ 6,296,600</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FT. THOMAS, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	General	Special Revenue Public Works/ KDOT	Central Business District	Capital Project Tower Park	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 12,240,324	\$ 1,308,608	\$ 25,140	\$ 444,412	\$ 696,659	\$ 14,715,143
Investments	2,767,124	-	-	-	-	2,767,124
Receivables:						
Taxes	163,977	-	-	-	-	163,977
Governmental units	786,524	-	-	-	-	786,524
Assessments	-	63,695	-	-	-	63,695
Accounts	1,471,225	16,416	-	-	8,030	1,495,671
Accrued interest	18,277	-	-	-	-	18,277
Prepays	263,330	-	1,000	-	-	264,330
Deferred expenses	25,297	-	-	-	-	25,297
Due from other funds	670,000	45,057	86,640	-	-	801,697
Total assets	\$ 18,406,078	\$ 1,433,776	\$ 112,780	\$ 444,412	\$ 704,689	\$ 21,101,735
LIABILITIES DEFERRED INFLOWS AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 170,077	\$ 19,072	\$ 2,001	\$ -	\$ 95,467	\$ 286,617
Accrued liabilities	333,014	-	-	-	-	333,014
Due to other funds	102,139	-	699,558	-	-	801,697
Total liabilities	605,230	19,072	701,559	-	95,467	1,421,328
Deferred inflows of resources						
Unavailable inflows of resources	87,916	32,200	-	-	7,499	127,615
Fund balances:						
Nonspendable - prepaids	263,330	-	-	-	-	263,330
Restricted-capital projects	-	1,382,504	-	-	-	1,382,504
Committed to - capital projects	-	-	-	444,412	-	444,412
Assigned to - capital projects	-	-	-	-	-	-
- waste	-	-	-	-	159,477	159,477
- debt service	-	-	-	-	442,246	442,246
Unassigned	17,449,602	-	(588,779)	-	-	16,860,823
Total fund balances	17,712,932	1,382,504	(588,779)	444,412	601,723	19,552,792
Total liabilities and fund balances	\$ 18,406,078	\$ 1,433,776	\$ 112,780	\$ 444,412	\$ 704,689	\$ 21,101,735
Total governmental fund balances						\$ 19,552,792
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$21,077,999						16,851,014
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.						127,615
Costs of issuance of debt, including discounts and premiums, are expensed currently for government funds and are carried as deferred expense in the statement of net position.						159,990
Deferred outflows from net pension liability						4,419,824
Deferred outflows from OPEB liability.						2,190,626
Contributions subsequent to net pension liability measurement date						1,952,143
Deferred inflows from net pension liability						(919,587)
Deferred inflows from OPEB liability						(1,778,717)
Accrual interest payable on long-term debt						(102,249)
Long-term liabilities, including notes payable, are not due and payable in current period and therefore are not reported in the funds:						
Net pension and OPEB liability						(31,101,721)
Accrued absences payable						(304,767)
Bonds and leases payable						(4,750,363)
Net position of governmental activities						\$ 6,296,600

The notes to the financial statements are an integral part of this statement.

CITY OF FT. THOMAS, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

		Special Revenue		Capital Project		
	General	Public Works/ KDOT	Central Business District	Tower Park	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 6,225,008	\$ 103,917	\$ -	\$ -	\$ -	\$ 6,328,925
Licenses and permits	6,249,554	-	-	-	-	6,249,554
Intergovernmental	252,767	351,980	-	-	-	604,747
Charges for services	623,159	-	-	1,311	1,139,973	1,764,443
Uses of property	197,782	-	-	-	-	197,782
Fines and forfeitures	91,768	-	-	-	-	91,768
Interest and rentals	79,616	1,070	16	-	1,759	82,461
Special assessments	-	154,695	407	-	-	155,102
Miscellaneous	917,487	26,166	59,092	-	1,934	1,004,679
Total revenues	<u>14,637,141</u>	<u>637,828</u>	<u>59,515</u>	<u>1,311</u>	<u>1,143,666</u>	<u>16,479,461</u>
EXPENDITURES						
Current:						
General government	1,629,167	-	-	-	-	1,629,167
Police	3,900,972	-	-	-	-	3,900,972
Fire	3,259,126	-	-	-	-	3,259,126
General services and property mgt.	2,378,354	-	255,683	11,616	1,134,952	3,780,605
Recreation	873,635	-	-	-	-	873,635
Capital outlay	-	815,229	-	159,294	-	974,523
Debt service:						
Principal	-	-	-	-	212,861	212,861
Interest	469	-	-	-	260,467	260,936
Total expenditures	<u>12,041,723</u>	<u>815,229</u>	<u>255,683</u>	<u>170,910</u>	<u>1,608,280</u>	<u>14,891,825</u>
Excess(deficiency) of revenues over(under) expenditures	<u>2,595,418</u>	<u>(177,401)</u>	<u>(196,168)</u>	<u>(169,599)</u>	<u>(464,614)</u>	<u>1,587,636</u>
OTHER FINANCING SOURCES(USES)						
Transfers in	-	500,000	587,500	300,000	473,917	1,861,417
Transfers out	(1,403,167)	-	(458,250)	-	-	(1,861,417)
Total other financing sources and uses	<u>(1,403,167)</u>	<u>500,000</u>	<u>129,250</u>	<u>300,000</u>	<u>473,917</u>	<u>-</u>
Net change in fund balances	<u>1,192,251</u>	<u>322,599</u>	<u>(66,918)</u>	<u>130,401</u>	<u>9,303</u>	<u>1,587,636</u>
Fund balances - beginning	\$ <u>16,520,681</u>	\$ <u>1,059,905</u>	\$ <u>(521,861)</u>	\$ <u>314,011</u>	\$ <u>592,420</u>	\$ <u>17,965,156</u>
Fund balances - ending	\$ <u><u>17,712,932</u></u>	\$ <u><u>1,382,504</u></u>	\$ <u><u>(588,779)</u></u>	\$ <u><u>444,412</u></u>	\$ <u><u>601,723</u></u>	\$ <u><u>19,552,792</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FT. THOMAS, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Net change in fund balances-total governmental funds	\$ 1,587,636
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital asset purchases capitalized	1,300,108
Depreciation expense	(1,234,015)
The effect of disposition of capital assets is a decrease to net assets	(1,752)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	59,918
Government funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(11,060)
Accrued interest on long-term debt is reported in the government wide financial statements and not in governmental funds.	3,124
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets. This is the amount of debt principal payments.	212,900
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	7,265
Change in contributions subsequent to the net pension liability measurement date.	141,910
Government funds report the effect of net pension liability reported as deferred inflows and as deferred outflows.	302,292
Government funds report the effect of net pension liability expenses based on proportionate share of service cost and calculated pension costs from measurement date to measurement date.	(4,409,774)
Change in net position of governmental activities	\$ (2,041,448)

The notes to the financial statements are an integral part of this statement.

CITY OF FT. THOMAS, KENTUCKY STATEMENT OF NET POSITION - INTERNAL SERVICE FUND For Year Ended June 30, 2020

	Self Insured Health Insurance Fund
Assets	
Cash and cash equivalents	\$ 370,016
Total Assets	<u>370,016</u>
Liabilities	
Due to General Fund	-
Accrued expenses	<u>38,899</u>
Total Liabilities	<u>38,899</u>
Net Position	
Held for insurance claims	<u>331,117</u>
Total Net Position	<u><u>\$ 331,117</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FT. THOMAS, KENTUCKY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INTERNAL SERVICE FUND For the Year Ended June 30, 2020
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	Self Insured Health Insurance Fund
Revenues	
Health insurance premiums	\$ 69,871
Stop loss reimbursement	420,181
Refunds and credits	4,247
Total Revenues	<u>494,299</u>
Expenditures	
Medical claims	951,867
Prescription claims	114,855
Stop loss premiums	302,388
Administrative costs	47,105
Total Expenditures	<u>1,416,215</u>
Transfers in	<u>1,237,526</u>
Change in Net Position	315,610
 Net Position, Beginning of Year	 15,507
Net Position, End of Year	<u><u>\$ 331,117</u></u>

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

CITY OF FT. THOMAS, KENTUCKY STATEMENT OF CASH FLOWS INTERNAL SERVICE FUND For Year Ended June 30, 2020

	Self Insured Health Insurance Fund
Cash Flows From Operating Activities:	
Medical premiums and other reimbursements	\$ 1,731,825
Claims and other cost paid	<u>(1,437,642)</u>
Net change in cash from operating activities	294,183
Cash and Cash Equivalents, Beginning of Year	<u>75,833</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 370,016</u></u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Operating income	\$ 315,610
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Increase (decrease) in accrued expenses	<u>(21,427)</u>
Net change in cash from operating activities	<u><u>\$ 294,183</u></u>

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

CITY OF FT. THOMAS, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

June 30, 2020

	Police and Firemen's Pension Plan
ASSETS	
Cash and cash equivalents	\$ 55,843
Total assets	<u>55,843</u>
LIABILITIES	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for pension benefits	<u>55,843</u>
Total net position	\$ <u><u>55,843</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FT. THOMAS, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2020

	Police and Firemen's Pension Plan
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ -
Total investment earnings	
Miscellaneous income	-
Transfer from General Fund	-
Total additions (reductions)	-
DEDUCTIONS	
Benefits paid	23,834
Administrative expense	1,674
Total deductions	25,508
CHANGE IN NET POSITION	
NET POSITION-BEGINNING OF YEAR	81,351
NET POSITION END OF YEAR	\$ 55,843
The notes to the financial statements are an integral part of this statement.	

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NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Ft. Thomas, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Ft. Thomas is a municipality governed by a mayor and six-member council. As required by U.S. generally accepted accounting principles, these financial statements present the government and its component unit entities for which the government is considered to be financially accountable.

Blended Component Units

Blended components units, although legally separate entities, are, in substance, part of government's operations and so data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year end. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

Included within the reporting entity:

City of Fort Thomas Police and Firemen's Pension Fund

All public safety employees who retired prior to February 1, 1988 participate in the Police and Firemen's Pension Fund. The fund functions for the benefit of the retirees and is governed by a five member board of trustees, the mayor, a member of the legislative body, the finance director and two public safety retirees. The City is obligated to fund all costs based upon actuarial valuations.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020
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cial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure. The beginning net position has been restated to reflect GASB 67, financial reporting for pension plans.

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

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. 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.

The government reports the following funds of the financial reporting entity:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

The capital project funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

The debt service fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City.

The fiduciary fund is used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds in the City. These funds are not presented in the government-wide financial statements.

Assets, liabilities and net assets or equity

Cash and Cash Equivalents

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

CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities;
2. Certificates of deposit
3. Bankers' acceptances
4. Commercial paper.
5. Bonds of this state or local governments.
6. Mutual funds.

Investments

In accordance with GASB Statement 31, investments held at June 30, 2020 are recorded at fair value based upon quoted market prices. (Level 1)

Property Tax Receivable

Property taxes are levied as of July 1 on property values assessed on January 1. The taxes are billed on approximately October 1 and are due and payable on October 31. On November 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on November 1. Property tax rates for the year ended June 30, 2020 (2019 tax year) were \$3.826 per \$100 valuation for real estate and \$3.861 personal property. The taxable assessed value of property on which 2019 was based was \$1,398,611,533.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

Capital Assets

Capital 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. 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 (recorded and accounted for) in the government-wide financial statements. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2000, governmental funds infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

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

Buildings	40 years
Building Improvements	10-20 years
Public Domain Infrastructure	20-30 years
Vehicles	5 years
Office Equipment	3-5 years

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. There is a liability for unpaid accumulated sick leave since the government does have a policy to pay amounts when employees separate from service with the government. There is also a liability for vacation pay that has been approved for carryover by the City's Administrative Officer. The total liability for these types of compensated absences is reported in the government-wide financial statements.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report as a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/Expenditure) until then. The government only has one item that qualifies for reporting in the government-wide statement of net position, a deferred charge on debt. This amount is deferred and amortized over the life of the debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance Policies

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

In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, committed, assigned or unassigned:

Nonspendable fund balances arise when resources cannot be spent because of their form and because resources must be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the Council. The Council must approve the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

Restricted, committed and assigned amounts can only be used when expenditures for the amounts set aside for that specific purpose are incurred. Otherwise, the unassigned fund balance amount will be used.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental funds are classified as follows:

Governmental funds – by character	Current-further classified by function
	Debt service
	Capital outlay

In the fund financial statements governmental funds report expenditures of financial resources.

Interfund Transactions

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

Restricted Revenues

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

Use of Estimates

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

Date of Management's Review

Subsequent events were evaluated through May 14, 2021, which is the date the financial statements were available for review.

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by May 31, the Mayor submits to the Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain citizen comment.
- C. By July 1, the budget is legally enacted through passage of an ordinance.
- D. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made. The Council adopted one supplementary appropriation ordinances. All appropriations lapse at fiscal year end.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE C-DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2020, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance, as required by state legal requirements.

As of June 30, 2020, the City had the following investments: Certificates of Deposit and Municipal Bonds, fair value \$2,767,124, with a maturity from 11/02/20 to 9/01/23. Interest rate risk is limited and credit risk is within the City's investment policy. For investments, custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of the investments that are in the possession of an outside party. The City has custodial risk at June 30, 2020 in the amount of \$2,767,124 for its certificates of deposit. All cash and investments are Level 1, quoted prices in active markets for identical assets.

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Retirements/ Deletions	Balance June 30, 2020
Governmental activities:				
Not being depreciated:				
Land	\$ 1,035,535	\$ -	\$ -	\$ 1,035,535
Construction in progress	399,965	361,485	(198,970)	562,480
Subtotal	<u>1,435,500</u>	<u>361,485</u>	<u>(198,970)</u>	<u>1,598,015</u>
Other capital assets:				
Buildings	3,650,866	121,163	-	3,772,029
Improvements/infrastructure	25,403,473	824,266	-	26,227,739
Equipment	3,026,661	119,342	(23,198)	3,122,805
Vehicles	3,158,295	72,822	(22,692)	3,208,425
Subtotal	<u>35,239,295</u>	<u>1,137,593</u>	<u>(45,890)</u>	<u>36,330,998</u>
Accumulated depreciation:				
Buildings	2,025,048	122,638	(21,446)	2,126,240
Improvements/infrastructure	12,892,577	832,478	-	13,725,055
Equipment	2,492,026	106,840	-	2,598,866
Vehicles	2,478,471	172,059	(22,692)	2,627,838
Subtotal	<u>19,888,122</u>	<u>1,234,015</u>	<u>(44,138)</u>	<u>21,077,999</u>
Net other assets	<u>15,351,173</u>	<u>(96,422)</u>	<u>(1,752)</u>	<u>15,252,999</u>
Net capital assets	\$ <u>16,786,673</u>	\$ <u>265,063</u>	\$ <u>(200,722)</u>	\$ <u>16,851,014</u>

CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 87,419
Police	59,331
Fire	90,426
General services	936,304
Recreation	60,535
Total governmental activities depreciation expense	<u>\$ 1,234,015</u>

NOTE E-LONG-TERM DEBT

Capital Lease Obligations

The capital lease obligations are payable from general revenues of the City.

Long-term debt outstanding at June 30, 2020 for the capital leases consisted of the following:

Capital Lease Payable-Real Estate

The City entered into a capital lease agreement on June 29, 2001 with BB&T Bank to finance the purchase of certain real estate. The lease payable is for a period of twenty years at a rate of 3.50%. Annual debt service payment requirements to maturity are as follows:

Year Ending June 30,	Amount
2021	16,681
Thereafter	-
Subtotal	16,681
Less: interest	(1,318)
TOTAL	<u>\$ 15,363</u>

CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

Capital Lease Payable – Midway Streetscape

The City entered into a \$2,290,000 capital lease agreement on August 25, 2010 with the Kentucky Bond Corporation to finance the Midway Streetscape project. The lease payable is for a period of twenty years with interest rates from 1.00% to 4.00%.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Amount
2021	156,225
2022	157,163
2023	152,612
2024	152,900
2025	157,838
2026 -2030	177,438
Subtotal	954,176
Less: interest	(134,176)
Total	\$ 820,000

Capital Lease Payable – Parks

The City entered into a \$4,260,000 capital lease agreement on April 14, 2011 with the Kentucky Bond Corporation to finance the Parks rehabilitation project. The lease payable is for a period of twenty-five years with interest rates from 3.00% to 5.75%.

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Amount
2021	290,925
2022	292,725
2023	294,219
2024	295,281
2025	291,006
2026-2030	2,065,206
2031-2035	2,262,687
2036	454,725
Subtotal	6,246,774
Less: interest	(2,331,774)
Total	\$ 3,915,000

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	June 30, 2019	Additions	Retirements	June 30, 2020	Due Within One Year
Governmental activities:					
Lease payable-real estate	\$ 28,263	\$ -	\$ 12,900	\$ 15,363	\$ 15,363
Lease payable - Midway	945,000	-	125,000	820,000	125,000
Lease payable - Parks	3,990,000	-	75,000	3,915,000	80,000
Net pension liability -single employer	94,009	25,389	-	119,398	-
Net pension liability - multi employer plan	26,597,938	4,384,385	-	30,982,323	-
Compensated absences	312,032	-	7,265	304,767	-
Totals	\$ 31,967,242	\$ 4,409,774	\$ 220,165	\$ 36,156,851	\$ 220,363

NOTE F-CLAIMS AND JUDGMENTS

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

NOTE G-EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

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

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

General Information about the Pension Plan

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

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

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

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

Hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 3-high creditable compensation years with a minimum of 24 months and a minimum of three fiscal years. Final compensation is determined by dividing the total salary earned during the 3-high years by the number of months worked, then multiplying by twelve. Hazardous members, age 55 or older, or with 20 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For hazardous members who began contributing to CERS on or after September 1, 2008, any member age 60 or older with 60 months of service or a member with 25 years of service, may retire with no reduction in benefits. In addition, a member, age 60 with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

Non-hazardous Contributions - For the year ended June 30, 2020, all plan members who began participating before September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2020, participating employers contributed 24.06% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2020 was

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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24.06% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 102 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

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

Contributions to the non-hazardous pension plan from the City were \$335,981 for the year ended June 30, 2020.

Hazardous Contributions – For the year ended June 30, 2020, all plan members who began participating before September 1, 2008, were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2020, participating employers contributed 39.58% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2020 was 39.58% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 9% of their annual creditable compensation. Eight percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 102 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate

CITY OF FT. THOMAS, KENTUCKY
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of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 8% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to participate in the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute 8% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the hazardous pension plan from the City were \$1,141,907 for the year ended June 30, 2020.

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

At June 30, 2020, the City reported a liability of \$5,077,225 for its proportionate share of the net pension liability for non-hazardous and \$19,475,785 for hazardous. The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.07 percent for non-hazardous and 0.71 percent for hazardous.

For the year ended June 30, 2020, the City recognized pension expense of \$595,171 for non-hazardous and expense of \$2,815,547 for hazardous. At June 30, 2020, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

	GENERAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 957,118	\$ 21,453
Change in assumptions	2,404,371	-
Net difference between projected and actual earnings on pension plan investments	397,065	754,545
Changes in proportion and difference between City contributions and proportionate share of contributions	661,270	143,589
City contributions subsequent to the measurement date	1,477,888	-
Total	<u>\$ 5,897,712</u>	<u>\$ 919,587</u>

The \$1,477,888 reported as deferred outflows of resources relating to pensions resulting from the City's contributions made after the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	General Hazardous	General Non-Hazardous
2020	\$ 1,784,362	\$ 396,894
2021	759,842	191,165
2022	261,950	82,662
2023	17,555	5,807
2024	-	-
Totals	<u>\$ 2,823,709</u>	<u>\$ 676,528</u>

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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

Asset Class	CERS Non-Hazardous		CERS Hazardous	
	Target Allocation	Long-Term Expected Nominal Return	Target Allocation	Long-Term Expected Nominal Return
US Equity	15.75%	4.30%	15.75%	4.30%
Non-US Equity	15.75%	4.80%	15.75%	4.80%
Private Equity	7.00%	6.65%	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%	15.00%	2.60%
Core Bonds	20.50%	1.35%	20.50%	1.35%
Cash equivalent	3.00%	0.20%	3.00%	0.20%
Real Estate	5.00%	4.85%	5.00%	4.85%
Opportunistic	3.00%	2.97%	3.00%	2.97%
Real Return	15.00%	4.10%	15.00%	4.10%
Total	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The Single discount rates were based on the expected rate of return on pension investments of 6.25% for each plan. Based on the stated assumptions and the projection of cashflows for each fiscal year ending, the Pension Plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the cur-

CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

rent plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of the projected benefit payments to determine the Total Pension Liability for each plan. The projection of cash flows used to determine the single discount rate assumes that each fund receives the employer required contributions each future year, as determined by the current funding policy established in Statute, which includes the phase-in provisions from House Bill 362 (passed 2018) that applies to CERS.

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

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

		1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
CERS				
Non-hazardous	\$	6,350,169	\$ 5,077,725	\$ 4,016,239
Ft. Thomas percent 0.073				
 Hazardous	\$	24,349,101	\$ 19,475,785	\$ 15,480,368
Ft. Thomas percent 0.705				

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

NOTE H-POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Insurance Benefits County Employees Retirement System (CERS)

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

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

<p>CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020</p>
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General Information about the Insurance Fund

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

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

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

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. Dollar contributions for fiscal year 2019 was \$13.58 for non-hazardous and \$20.37 for hazardous. This benefit is not protected under the invariable contract provisions of the Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Insurance Contributions – Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the system contribute the actuarially determined contribution rate, which is determined using a closed funding period (25 years as of June 30, 2019) and the actuarial assumptions and methods adopted by the Board. Current assets, future contributions and investment earnings are projected to be sufficient to pay the projected benefit payment from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions. It is the understanding that

CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

At June 30, 2020, the City reported a liability of \$1,213,901, for its proportionate share of the net OPEB liability for non-hazardous and \$5,215,412 for hazardous. The City's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.072 percent for non-hazardous and 0.705 percent for hazardous.

For the year ended June 30, 2020, the City recognized OPEB expense of \$20,236 for non-hazardous and \$465,501 expense for hazardous. At June 30, 2020, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	GENERAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,336,499
Change in assumptions	1,935,278	12,277
Net difference between projected and actual earnings on OPEB plan investments	43,636	397,404
Changes in proportion and difference between City contributions and proportionate share of contributions	211,712	32,537
City contributions subsequent to the measurement date	474,255	-
Total	<u>\$ 2,664,881</u>	<u>\$ 1,778,717</u>

The \$474,255 is reported as deferred outflows of resources relating to OPEB resulting from the City's contributions made after the measurement date of the net OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF FT. THOMAS, KENTUCKY
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Year Ended June 30	Hazardous	Non- Hazardous
2020 \$	376,566 \$	(4,447)
2021	99,163	(4,447)
2022	(69,703)	12,696
2023	37,090	(20,153)
2024	-	(13,936)
Thereafter	-	(919)
Totals \$	443,116 \$	(31,206)

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Payroll growth	2.0 percent, average
Investment rate of return	6.25 percent
Health cost trend rates Pre-65	7.0% for 2018, decreasing to an ultimate rate of 4.05% over a period of twelve years
Health cost trend rates Post-65	5.0% for 2018, decreasing to an ultimate rate of 4.05% over a period of ten years

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

The actuarial assumptions used in the June 30, 2019 valuation were based on results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Asset Class	CERS Insurance Plans	
	Target Allocation	Long-Term Expected Nominal Return
US Equity*	15.75%	4.30%
Non-US Equity	15.75%	4.80%
Private equity	7.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	20.50%	1.35%
Cash equivalent	3.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	6.56%

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

Discount Rate – The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. Based on the stated assumptions and the projection of cash flows for each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan Investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed 2018) that applies to CERS.

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The discount rates of 5.68% for non-hazardous and 5.69% for hazardous were used to measure the total OPEB liability for the system as of June 30, 2019. The following presents the net OPEB liability calculated using the discount rate of percent, as well as what the systems' net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.68%) or one percentage point higher (6.68%) than the current rate for non-hazardous and one percentage point lower (4.69%) or one percentage point higher (6.69%) than the current rate for hazardous:

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

CERS	1% Decrease	5.68% Non-hazardous 5.69% Hazardous	1% Increase
Proportionate Share	\$ 1,626,127	\$ 1,213,901	\$ 874,253
Non-hazardous			
Proportionate Share	\$ 7,276,551	\$ 5,215,412	\$ 3,542,366
Hazardous			

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

CERS	1% Decrease	Healthcare Trend Rate	1% Increase
Proportionate Share	\$ 902,784	\$ 1,213,901	\$ 1,591,166
Non-hazardous			
Proportionate Share	\$ 3,628,963	\$ 5,215,412	\$ 7,150,794
Hazardous			

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

NOTE I-CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE J-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 through the efforts and cooperation of its risk manager and department heads. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2020, 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.

CITY OF FT. THOMAS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE K – INTERFUND BALANCES AND TRANSFERS

The General Fund records a \$670,000 receivable from the Central Business District Fund for funds advanced for construction projects. It records \$102,139 due to the Public Works/KDOT and Central Business District funds for past costs incurred by those funds for the General Fund.

The General Fund (\$603,167) and Central Business District Fund (\$458,250) transferred \$473,917 to the Debt Service Fund for payment of the City's debt. The General Fund transferred \$587,500 to the Central Business District Fund representing a .25 percent tax collected by the General Fund on behalf of the CBD. The General Fund transferred \$300,000 to the Tower Park Fund and \$500,000 to the KDOT Fund for capital improvements.

NOTE L – COMMITMENTS

At June 30, 2020, the City had committed \$243,577 in paving costs for Tower Park, \$164,200 for Park Shelter construction, and \$21,375 for City Building design costs.

NOTE M – COVID 19 GLOBAL PANDEMIC

The primary effects on the City from the COVID-19 Global Pandemic has been a slight reduction in payroll, insurance and occupational license tax revenue received, and an increase in unbudgeted expenses for personal protective equipment. The City management is unsure of a timeline for when, or if, these revenues and expenses will return to pre-pandemic levels. The 2020-21 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

NOTE N – CARES ACT FUNDING

In response to the Covid-19 Global Pandemic, the City has qualified and been approved for \$1,176,677 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic. The City has recognized these funds as other financial resources and as an accounts receivable at June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
For the Year Ended June 30, 2020

	Required Supplementary Information Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/(Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 13,117,058	\$ 14,606,377	\$ 16,520,681	\$ 1,914,304
Resources (inflows):				
Taxes	6,033,604	6,059,214	6,225,008	165,794
Licenses and permits	5,398,500	5,344,250	6,249,554	905,304
Intergovernmental	282,375	292,575	252,767	(39,808)
Fines and forfeitures	57,000	57,000	91,768	34,768
Charges for services	572,000	598,050	623,159	25,109
Interest and uses of property	223,500	286,760	277,398	(9,362)
Lease proceeds	-	-	-	-
Miscellaneous	50,000	105,760	917,487	811,727
Transfer in	900,000	960,000	-	(960,000)
Amounts available for appropriation	<u>26,634,037</u>	<u>28,309,986</u>	<u>31,157,822</u>	<u>2,847,836</u>
Charges to appropriations (outflows):				
General government	1,500,820	1,743,550	1,629,167	114,383
Police	3,954,244	4,012,713	3,900,972	111,741
Fire	3,307,573	3,358,994	3,259,126	99,868
General services and property mgt.	2,515,780	2,618,595	2,378,354	240,241
Recreation	864,617	1,004,860	873,635	131,225
Capital outlay	-	-	-	-
Debt service	-	-	469	(469)
Transfers out	<u>1,363,167</u>	<u>1,363,167</u>	<u>1,403,167</u>	<u>(40,000)</u>
Total charges to appropriations	<u>13,506,201</u>	<u>14,101,879</u>	<u>13,444,890</u>	<u>656,989</u>
Budgetary fund balance, June 30	\$ <u>13,127,836</u>	\$ <u>14,208,107</u>	\$ <u>17,712,932</u>	\$ <u>3,504,825</u>

NOTE: Capital outlay expenditures are budgeted in the respective departments.

CITY OF FT. THOMAS, KENTUCKY**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-PUBLIC WORKS/KDOT FUND****For the Year Ended June 30, 2020**

	Required Supplementary Information			Variance with Final Budget
	Budgeted Amounts		Actual	Positive
	Original	Final	Amounts	(Negative)
Budgetary fund balances, July 1	\$ 1,200,345	\$ 1,060,486	\$ 1,059,905	\$ (581)
Resources (inflows):				
Taxes	97,000	97,000	103,917	6,917
Intergovernmental	300,000	330,000	351,980	21,980
Interest	1,000	750	1,070	320
Special assessments	201,000	89,140	154,695	65,555
Miscellaneous	5,000	26,200	26,166	(34)
Transfers	400,000	500,000	500,000	-
Amounts available for appropriation	<u>2,204,345</u>	<u>2,103,576</u>	<u>2,197,733</u>	<u>94,157</u>
Charges to appropriations (outflows):				
Current:				
General services	-	-	-	-
Capital outlay:				
Street and sidewalk projects	965,000	1,108,000	815,229	292,771
Transfers to other funds	-	-	-	-
Total	<u>965,000</u>	<u>1,108,000</u>	<u>815,229</u>	<u>292,771</u>
Budgetary fund balances, June 30	\$ <u>1,239,345</u>	\$ <u>995,576</u>	\$ <u>1,382,504</u>	\$ <u>386,928</u>

CITY OF FT. THOMAS, KENTUCKY**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-CENTRAL BUSINESS DISTRICT****For the Year Ended June 30, 2020**

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balances, July 1	\$ (531,403)	\$ (449,465)	\$ (521,860)	\$ (72,395)
Resources (inflows):				
Current services	-	-	-	-
Special assessments	-	-	407	407
Interest	-	-	16	16
Miscellaneous	44,800	57,400	59,092	1,692
Lease Proceeds	-	-	-	-
Transfers from other funds	647,500	852,012	587,500	(264,512)
Amounts available for appropriation	160,897	459,947	125,155	(334,792)
Charges to appropriations (outflows):				
Current:				
General government	-	-	-	-
General services and recreation	176,200	281,450	255,683	25,767
Capital outlay	-	310,000	-	310,000
Transfers to other funds	458,250	458,250	458,250	-
Total	634,450	1,049,700	713,933	335,767
Budgetary fund balances, June 30	\$ (473,553)	\$ (589,753)	\$ (588,778)	\$ 975

CITY OF FT. THOMAS, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREMEN'S PENSION PLAN
For the Year Ended June 30, 2020

	<u>2020</u>
<u>Schedule of City Contributions</u>	
Actuarially determined contribution	\$ 25,158
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	\$ <u>25,158</u>
Covered-employee payroll	no active employees
Actual contributions as a percentage of covered-employee payroll	no active employees
<u>Schedule of Changes in the Net Position Liability and Related Ratios</u>	
Total pension liability	
Difference between expected and actual experience	\$ 23,715
Benefit payments	<u>(25,158)</u>
Net change in total pension liability	(1,443)
Total pension liability - June 30 2019	<u>178,662</u>
Total pension liability - June 30 2020	<u>177,219</u>
Plan fiduciary net position	(1,674)
Contributions-employer, less plan costs	-
Net investment income	
Benefit payments	<u>(25,158)</u>
Net change in plan fiduciary net position	<u>(26,832)</u>
Plan fiduciary net position - June 30, 2019	<u>84,653</u>
Plan fiduciary net position - ending June 30, 2020	<u>57,821</u>
Net pension liability	\$ <u>119,398</u>
Plan fiduciary net position as percentage of the total pension liability	32.6%
Covered-employee payroll	No active employees
Net pension liability as a percentage of covered-employee payroll	No active employees

CITY OF FT. THOMAS, KENTUCKY NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2020

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

Note 2. Benefit Changes: None

Note 3. Change in Assumptions: In 2020, amounts reported as change in assumptions under the Employees' Pension Plan resulted primarily from updating the mortality table.

Note 4. Methods and Assumptions Used to Determine Contribution Rates:

	Police and Firemen's Pension Plan
Actuarial cost method	Unit Credit
Asset valuation method	Market Value
Investment rate of return	5.0%, compounded annually net of investment expenses, including inflation
Mortality	IRS 2020 Static Mortality Tables: Annuitant Male/Female

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS-PENSION
Year Ended June 30, 2020

	2015	2016	2017	2018	2019	2020
Non-hazardous:						
Contractually required contribution	\$ 281,426	\$ 265,240	\$ 316,994	\$ 241,730	\$ 295,351	\$ 335,981
Contributions in relation to the contractually required contribution	\$ 281,426	\$ 265,240	\$ 316,994	\$ 241,730	\$ 295,351	\$ 335,981
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,592,675	\$ 1,554,748	\$ 1,696,971	\$ 1,669,303	\$ 1,820,955	\$ 1,740,834
Contributions as a percentage of covered-employee payroll	17.67%	17.06%	18.68%	14.48%	16.22%	19.30%
Hazardous:						
Contractually required contribution	\$ 1,139,420	\$ 1,127,717	\$ 1,132,211	\$ 840,566	\$ 998,441	\$ 1,206,046
Contributions in relation to the contractually required contribution	\$ 1,139,420	\$ 1,127,717	\$ 1,132,211	\$ 840,566	\$ 998,441	\$ 1,206,046
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 3,320,955	\$ 3,422,510	\$ 3,645,239	\$ 3,786,575	\$ 4,015,413	\$ 4,012,129
Contributions as a percentage of covered-employee payroll	34.31%	32.95%	31.06%	22.20%	24.86%	30.06%

Required supplementary information is intended to show ten years of data. Additional years information will be added as it is available.
Beginning in 2018, reported contributions and covered payroll excludes OPEB, which is reported separately.

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY-
NON-HAZARDOUS AND HAZARDOUS
Year Ended June 30, 2020

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Non-hazardous:					
City's proportion of the net pension liability	0.0636%	0.0633%	0.0698%	0.0675%	0.0722%
City's proportionate share of the net pension liability	\$ 2,733,591	\$ 3,480,085	\$ 4,087,482	\$ 4,112,844	\$ 5,077,225
City's covered-employee payroll	\$ 1,554,748	\$ 1,696,971	\$ 1,669,303	\$ 1,820,955	\$ 1,740,834
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	175.82%	205.08%	244.80%	225.86%	291.65%
Plan fiduciary net position as a percentage of the total pension liability	57.5%	55.5%	53.30%	53.54%	50.5%
Hazardous:					
City's proportion of the net pension liability	0.6015%	0.5992%	0.6640%	0.6798%	0.7049%
City's proportionate share of the net pension liability	\$ 9,233,553	\$ 12,228,122	\$ 14,856,559	\$ 16,439,485	\$ 19,475,783
City's covered-employee payroll	\$ 3,422,510	\$ 3,645,239	\$ 3,786,576	\$ 4,015,413	\$ 4,012,129
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	269.79%	335.45%	392.35%	409.41%	485.42%
Plan fiduciary net position as a percentage of the total pension liability	60.0%	54.0%	49.8%	49.30%	46.6%

Required supplementary information is intended to show ten years of data. Additional years information will be added as it is available.

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - OPEB
For the Year Ended June 30, 2020

	2017	2018	2019	2020
Non-hazardous:				
Contractually required contribution	\$ 80,263	\$ 78,444	\$ 95,790	\$ 82,864
Contributions in relation to the contractually required contribution	\$ 80,263	\$ 78,442	\$ 95,790	\$ 82,864
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City' covered payroll	\$ 1,696,971	\$ 1,669,303	\$ 1,820,955	\$ 1,740,834
Contributions as a percentage of covered-employee payroll	4.73%	4.70%	5.26%	4.76%
Hazardous:				
Contractually required contribution	\$ 340,796	\$ 354,099	\$ 420,606	\$ 381,955
Contributions in relation to the contractually required contribution	\$ 340,796	\$ 354,099	\$ 420,606	\$ 381,955
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 3,645,239	\$ 3,786,576	\$ 4,015,413	\$ 4,012,129
Contributions as a percentage of covered-employee payroll	9.35%	9.35%	10.47%	9.52%

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

CITY OF FT. THOMAS, KENTUCKY**SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY-
NON-HAZARDOUS AND HAZARDOUS****For the Year Ended June 30, 2020**

	June 30, 2017	June 30, 2018	June 30, 2019
Non-hazardous:			
City's proportion of the net OPEB liability	0.0698%	0.0675%	0.0722%
City's proportionate share of the net OPEB liability	\$ 1,403,862	\$ 1,198,982	\$ 1,213,901
City's covered-employee payroll	\$ 1,669,303	\$ 1,820,955	\$ 1,740,834
City's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	84.10%	65.84%	69.73%
Plan fiduciary net position as a percentage of the total OPEB liability	52.4%	57.6%	60.4%
Hazardous:			
City's proportion of the net OPEB liability	0.6640%	0.6798%	0.7049%
City's proportionate share of the net OPEB liability	\$ 5,489,480	\$ 4,846,627	\$ 5,215,412
City's covered-employee payroll	\$ 3,786,576	\$ 4,015,413	\$ 4,012,129
City's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	144.97%	120.70%	129.99%
Plan fiduciary net position as a percentage of the total OPEB liability	59.0%	64.2%	64.4%

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

CITY OF FT. THOMAS, KENTUCKY NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2020

Pension

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

Changes in benefit terms. There were no benefit changes reported in the June 30, 2019 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which was used in the performance of the actuarial valuations as of June 30, 2019. Specifically, the total Pension liability as of June 30, 2019 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note G starting on page 31.

OPEB

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

Changes in benefit terms. There were no benefit changes reported in the June 30, 2019 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which was used in the performance of the actuarial valuations as of June 30, 2019. Specifically, the total OPEB liability as of June 30, 2019 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%

In addition, refer to Note H starting on page 37.

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SUPPLEMENTARY INFORMATION

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-TOWER PARK FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 246,800	\$ 314,092	\$ 314,011	\$ (81)
Resources (inflows):				
Current services	2,500	1,120	1,211	91
Interest	-	-	-	-
Miscellaneous	2,500	100	100	-
Transfers in from other funds	300,000	300,000	300,000	-
Amounts available for appropriation	<u>551,800</u>	<u>615,312</u>	<u>615,322</u>	<u>10</u>
Charges to appropriations (outflows):				
General services and recreation	22,000	10,800	11,616	(816)
Capital outlay	300,000	400,000	159,294	240,706
Transfers to other funds	-	204,512	-	204,512
Total	<u>322,000</u>	<u>615,312</u>	<u>170,910</u>	<u>444,402</u>
Budgetary fund balances, June 30	<u>\$ 229,800</u>	<u>\$ -</u>	<u>\$ 444,412</u>	<u>\$ 444,412</u>

CITY OF FT. THOMAS, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue		Total Nonmajor Governmental Funds
	Waste Fee	Debt Service	
ASSETS			
Cash and cash equivalents	\$ 254,413	\$ 442,246	\$ 696,659
Accounts receivable	8,030	-	8,030
Total assets	<u>\$ 262,443</u>	<u>\$ 442,246</u>	<u>\$ 704,689</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 95,467	\$ -	\$ 95,467
Deferred revenues	7,499	-	7,499
Due to General Fund	-	-	-
Total liabilities	<u>102,966</u>	<u>-</u>	<u>102,966</u>
Fund balances:			
Assigned to:			
Debt service	-	442,246	442,246
Waste	159,477	-	159,477
Total fund balances	<u>159,477</u>	<u>442,246</u>	<u>601,723</u>
Total liabilities and fund balances	<u>\$ 262,443</u>	<u>\$ 442,246</u>	<u>\$ 704,689</u>

CITY OF FT. THOMAS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2020

	Special Revenue		Total Nonmajor Governmental Funds
	Waste Fee	Debt Service	
REVENUES			
Charges for services	\$ 1,139,973	\$ -	\$ 1,139,973
Interest	-	1,759	1,759
Miscellaneous income	-	1,934	1,934
Total revenues	<u>1,139,973</u>	<u>3,693</u>	<u>1,143,666</u>
EXPENDITURES			
Current:			
General government	-	-	-
General services	1,134,952	-	1,134,952
Debt service:			
Principal	-	212,861	212,861
Interest	-	260,467	260,467
Total expenditures	<u>1,134,952</u>	<u>473,328</u>	<u>1,608,280</u>
Excess (deficiency) of revenues over(under) expenditures	<u>5,021</u>	<u>(469,635)</u>	<u>(464,614)</u>
OTHER FINANCING SOURCES(USES)			
Transfers in	-	473,917	473,917
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>473,917</u>	<u>473,917</u>
Net change in fund balances	<u>5,021</u>	<u>4,282</u>	<u>9,303</u>
Fund balances - beginning	<u>154,456</u>	<u>437,964</u>	<u>592,420</u>
Fund balances - ending	<u>\$ 159,477</u>	<u>\$ 442,246</u>	<u>\$ 601,723</u>



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

**To the Mayor and Council
City of Ft. Thomas, Kentucky**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ft. Thomas, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Ft. Thomas, Kentucky's basic financial statements and have issued our report thereon dated May 14, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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Compliance and Other Matters

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

Purpose of this Report

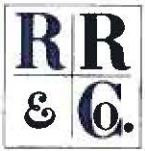
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

RANKIN, RANKIN & COMPANY

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

Ft. Wright, Kentucky
May 14, 2021

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RANKIN, RANKIN & COMPANY
Certified Public Accountants

■ Lookout Corporate Center
1717 Dixie Highway, Suite 600
Ft. Wright, Kentucky 41011

■ Tel. 859/331-5000

**To the Mayor and Council
City of Ft. Thomas, Kentucky
Ft. Thomas, Kentucky**

In planning and performing our audit of the financial statements of City of Ft. Thomas, Kentucky for the year ended June 30, 2020, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 14, 2021 on the financial statements of the City of Ft. Thomas, Kentucky

Comprehensive General Ledger

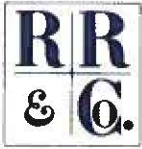
In past years, the City has used elements of a general ledger system, primarily for recording cash activity during the year. At year end, that system was supplemented with spread sheet journal entries to complete the trial balance for the year. While adequate for arriving at the year end trial balance, (used for preparing the financial statements), we believe that utilizing the full capability of the general ledger system would add to greater efficiency and control over the reporting of various entries during and at the year end. In addition, reconciling the monthly trial balances to monthly records, such as bank reconciliations would make the year end reconciliations easier.

RANKIN, RANKIN & COMPANY

**Ft. Wright, Kentucky
May 14, 2021**

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SINGLE AUDIT SECTION



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the Mayor and
Members of City Council
City of Ft. Thomas, Kentucky**

Report on Compliance for Each Major Federal Program

We have audited the City of Ft. Thomas, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Ft. Thomas, Kentucky's major federal programs for the year ended June 30, 2020. City of Ft. Thomas, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Ft. Thomas, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ft. Thomas, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Ft. Thomas, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Ft. Thomas, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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Report on Internal Control over Compliance

Management of the City of Ft. Thomas, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Ft. Thomas, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ft. Thomas, Kentucky's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RANKIN, RANKIN & COMPANY

**Ft. Wright, Kentucky
May 14, 2021**

CITY OF FT. THOMAS, KENTUCKY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2020

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Contract Number</u>	<u>Expenditures</u>
<u>U.S. Department of Treasury</u>			
Passed through:			
Kentucky Department of Local Government			
<i>Coronavirus Aid, Relief, and Economic Security Act</i>	21.019	C124	\$ 754,904
<u>U.S. Department of Transportation</u>			
Passed through:			
Kentucky Transportation Cabinet			
<i>Highway Planning and Construction</i>	20.205	06-03216	26,200
<i>Highway Safety</i>	20.600	PT-20-24	<u>16,410</u>
 Total Federal Financial Assistance			 \$ <u><u>797,514</u></u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF FT. THOMAS, KENTUCKY***Notes to the Schedule of Expenditures of Federal Awards*****June 30, 2020****NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ft. Thomas, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B – DE MINIMUS INDIRECT COST RATE

The City has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiencies identified?

____ Yes
____ Yes

x No
 x None reported

Noncompliance material to financial statements noted

____ Yes

x No

Federal awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified?

____ Yes
____ Yes

x No
 x None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

____ Yes

x No

Identification of major programs:
Federal Program or Cluster

CFDA Numbers

Coronavirus Aid, Relief and Economic Security Act

21.019

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

____ Yes

x No

II. FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported.

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2020

NO CFR 200 (UNIFORM GUIDANCE) AUDIT IN FISCAL YEAR 2019

NO PRIOR YEAR AUDIT FINDINGS