

**CITY OF FORT THOMAS, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2025**

**CITY OF FORT THOMAS, KENTUCKY**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2025**

**TABLE OF CONTENTS**

	<u>Pages</u>
<b>Introductory Section</b>	
City Officials.....	1
<b>Financial Section</b>	
Independent Auditor's Report.....	2-4
Management's Discussion and Analysis.....	5-10
Basic Financial Statements	
Government - Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Internal Service Fund - Statement of Net Position.....	17
Internal Service Fund - Statement of Revenues, Expenses, and Changes in Net Position.....	18
Internal Service Fund - Statement of Cash Flows .....	19
Fiduciary Fund - Statement of Fiduciary Net Position .....	20
Fiduciary Fund - Statement of Changes in Fiduciary Net Position .....	21
Notes to Financial Statements.....	22-47
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Budget to Actual - General Fund.....	48
Required Supplementary Information - Police & Firemen's Pension Plan.....	49
Notes to Required Supplementary Information, Police and Firemen's Pension Plan.....	50
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure - Non-Hazardous.....	51
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure - Hazardous.....	52
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure - Non-Hazardous.....	53
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure - Hazardous.....	54
<b>Supplementary Information</b>	
Combining Balance Sheet - Non-Major Governmental Funds.....	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds.....	56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements <i>Performed in Accordance with Government Auditing Standards</i> .....	57-58

**CITY OF FORT THOMAS, KENTUCKY**

**CITY OFFICIALS**

**As of June 30, 2025**

**Mayor**

Eric Haas

**Council Members**

Jeff Bezold

Adam Blau

Andy Ellison

Lauren McIntosh

Ben Pendery

Eric Strange

**City Administrator**

Matt Kremer

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Unmodified Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Thomas, Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Fort Thomas, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of the City of Fort Thomas, Kentucky, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Unmodified Opinions**

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fort Thomas, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Required Supplementary Information**

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Thomas, Kentucky's basic financial statements. The combining non-major governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements are 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 December 15 2025, on our consideration of the City of Fort 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fort Thomas, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fort Thomas, Kentucky's internal control over financial reporting and compliance.

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen, & Co., Inc.**  
Erlanger, Kentucky  
December 15, 2025

**CITY OF FORT THOMAS, KENTUCKY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Year Ended June 30, 2025**

Our discussion and analysis of the City of Ft. Thomas, Kentucky's financial performance provides an overview and analysis of the City's financial activities during the fiscal year ended June 30, 2025. Please read this analysis in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The City's net position at June 30, 2025 was \$20,008,227.
- During the year, the City's net position increased by \$4,450,611. The net position increased \$3,432,315 in the prior fiscal year.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$16,937,705. This total represents an increase of \$2,173,331, compared to a decrease of \$3,954,484 in the prior fiscal year.
- At the close of the fiscal year, the fund balance for the City's General Fund was \$15,533,965, an increase of \$1,985,402, compared to a \$3,739,078 decrease in the prior fiscal year.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements follow these statements. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**REPORTING THE CITY AS A WHOLE**

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

These two statements report the City's net positions and changes in them. You can think of the City's net position, the difference between assets and liabilities, as one way to measure the City's *financial health*, or financial position. Over time, increases or decreases in the City's net positions are one indicator of whether its financial health is improving or deteriorating. However, to assess the *overall health* of the City, you will need to consider other non-financial factors, such as improvements in services and capabilities.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements:** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are categorized as governmental 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 current sources

**CITY OF FORT THOMAS, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)**  
**For the Year Ended June 30, 2025**

and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is more than that of the government-wide financial statements, it is useful to compare the information presented for 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 maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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, Kentucky, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,008,227 as of June 30, 2025. The following is a comparison of net position at June 30, 2025 and 2024:

<b>Net Position</b>	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
Current assets	\$ 21,037,751	\$ 21,606,841
Capital assets	32,475,122	32,099,465
Total assets	<u>53,512,873</u>	<u>53,706,306</u>
Deferred outflows of resources	4,547,948	4,363,811
Total assets and deferred outflows of resources	<u>58,060,821</u>	<u>58,070,117</u>
Current liabilities	1,383,667	2,863,367
Long-term liabilities	28,109,043	29,776,683
Total liabilities	<u>29,492,710</u>	<u>32,640,050</u>
Deferred inflows of resources	8,559,884	9,872,451
Total liabilities and deferred inflows of resources	<u>38,052,594</u>	<u>42,512,501</u>
Net investment in capital assets	24,139,155	23,358,375
Restricted	921,458	839,394
Unrestricted	(5,052,386)	(8,640,153)
Total Net Position	<u>\$ 20,008,227</u>	<u>\$ 15,557,616</u>

The largest portion of the City's net position, \$24,139,155, reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. A smaller portion of the City's net position, \$921,458, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of (\$5,052,386) may be used to meet the

**CITY OF FORT THOMAS, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)**  
**For the Year Ended June 30, 2025**

government's ongoing obligations to citizens and creditors. This unrestricted fund balance is in a negative position due, in part, to the large balance of net pension and OPEB liabilities the City carries on its employees.

The following is a comparison of the change in net position for 2025 and 2024:

**Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
Revenues:		
Program revenues:		
Charges for services	\$ 2,349,375	\$ 2,440,040
Operating grants	714,992	745,880
Capital grants	2,168,011	701,500
General revenues:		
Property and other taxes	7,174,851	7,854,575
Licenses and permits	9,589,750	9,100,742
Fines and forfeitures	335,621	79,447
Investment income	1,082,249	692,674
Other, net	(704,935)	649,514
Total revenues	<u>22,709,914</u>	<u>22,264,372</u>
Expenses:		
General government	2,126,140	2,157,288
Police	5,286,829	5,019,924
Fire	5,570,005	5,327,510
Public works	4,323,277	4,192,654
Parks and recreation	890,426	898,164
Interest expense	292,297	301,131
Unallocated depreciation	2,619,907	1,776,148
Unallocated pension expense	(2,849,578)	(2,048,301)
Total expenses	<u>18,259,303</u>	<u>17,624,518</u>
Change in net position	4,450,611	4,639,854
Net position-Beginning	15,557,616	10,917,762
Net position-End of year	<u>\$ 20,008,227</u>	<u>\$ 15,557,616</u>

The City's net position increased by \$4,450,611 during the current fiscal year; this increase includes both \$2,619,907 in non-cash depreciation expense and \$2,849,578 in non-cash actuarial pension income. These expenses were partially offset by \$2,168,011 in capital ARPA grants recognized during the year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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 the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported an *unassigned* balance of \$16,937,705. This is available for spending for our citizens.

**CITY OF FORT THOMAS, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)**  
**For the Year Ended June 30, 2025**

The City has \$921,458 in funds restricted for KDOT/Municipal Road Aid use. The City also has \$482,282 in assigned funds designated for City's Debt Service, Waste Fees, and the Central Business District Funds.

**GENERAL FUND BUDGET HIGHLIGHTS**

City Council passed the original budget for 2024-2025 and made one amendment to the budget.

Actual General Fund revenues of \$21,374,989 were \$708,465 more than the amended budgeted revenues of \$20,666,524, mainly due to \$4,500,000 of interfund transfers that were budgeted, but not made; Licenses and permits were \$2,306,500 more than budgeted due to increased payroll tax growth in the City; and Intergovernmental revenue was \$2,149,414 more than budgeted due to the recognition of \$2,168,011 in federal ARPA revenues.

Actual General Fund expenditures of \$19,389,587 were \$3,632,627 less than the amended budgeted expenditures of \$23,022,214 and \$1,985,402 less than revenues received. The most significant variances were general services expenditures which were \$308,167 over budget and administrative expenditures which were \$74,134 over budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – The City's investment in capital assets for its governmental activities as of June 30, 2025 amounts to \$32,475,122. The following table details the capital assets owned by the City in 2025 and 2024 and the corresponding change in capital assets from 2024:

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
Land	\$ 1,327,654	\$ 1,327,654
Construction in progress	685,126	3,571,487
Buildings	10,792,071	10,369,370
Infrastructure	39,770,663	35,701,006
Equipment	4,182,602	3,920,750
Vehicles	4,898,394	3,893,485
Subtotals	61,656,510	58,783,752
Accumulated depreciation	(29,181,388)	(26,684,287)
Net Capital Assets	\$ 32,475,122	\$ 32,099,465

This year's major additions and deletions included:

Infrastructure additions	\$ 4,492,358
Vehicle additions, net of deletions	977,644
Equipment additions, net of deletions	289,117
Net change in CIP	(2,886,361)
Net depreciation added	(2,497,101)
Net change in Net Capital Assets	\$ 375,657

For additional information concerning the City's capital assets, please refer to Note E of the financial statements.

**CITY OF FORT THOMAS, KENTUCKY**  
**MANAGEMENT’S DISCUSSION & ANALYSIS (Continued)**  
**For the Year Ended June 30, 2025**

**Debt** – The City’s total long-term debt for governmental activities decreased by \$1,607,462 during the fiscal year. At the end of the fiscal year ended June 30, 2025, the City had \$28,677,295 in total debt. The following table details the balances of debt for fiscal year 2025 and 2024:

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
Lease payable - 2020F	\$ 8,437,083	\$ 8,846,250
Compensated absences	447,255	296,721
Net pension liability	19,193,496	20,418,495
Net OPEB liability	599,461	723,291
	<b>\$ 28,677,295</b>	<b>\$ 30,284,757</b>

For additional information concerning the City’s debt, please refer to Note F of the financial statements.

**Reporting of Net Pension and OPEB Liabilities** – The City has included in its long-term debt the Net Pension and Net OPEB Liabilities as follows:

GASB No. 68 - Accounting and Financial Reporting for Pensions - requires the City to record its proportionate share of the County Employees’ Retirement System (CERS) net pension liability. The City has recorded a net pension liability of \$19,193,496 as well as related deferred outflows and inflows of resources as a result of this standard.

GASB No. 75 - Accounting and Financial Reporting for Other Post-Employment Health Insurance Benefits (OPEB) - requires the City to record its proportionate share of the County Employees’ Retirement System (CERS) net OPEB liability. The City has recorded a net OPEB liability of \$599,461 as well as related deferred outflows and inflows of resources as a result of this standard.

These liabilities, along with their associated deferred outflows and inflows of resources significantly affect the City’s net position. It should be noted that as these net liabilities are reduced through market performance, fund management, and fund growth, the net position of the City should improve.

For additional information concerning the City’s debt, please refer to Note I for information regarding the unfunded pension and OPEB obligations.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

During the budget planning for FY 2026, revenue projections remained conservative. The budgeted expenditures continue to build on the progress the City has set in advancing economic growth, public safety, community parks and the delivery of city services that enhance our residents’ quality of life. In addition to maintaining the City’s financial stability for FY 2026, the City continues to focused on two primary objectives: Employee recruitment/retention and continuing to rebuild and improve public infrastructure.

Significant projects budgeted for fiscal year 2026 include the following:

- Over \$1,000,000 in upgrades for tennis courts and playgrounds at Sergeant and Highland Parks;
- Over \$4,000,000 for Midway Streetscape project;
- Over \$1,700,000 in fire department vehicles, including a new aerial truck and a new ambulance;
- Over \$390,000 in general services for systems and equipment upgrades

**CITY OF FORT THOMAS, KENTUCKY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)**  
**For the Year Ended June 30, 2025**

The City's unassigned General Fund balance has grown to a very healthy balance of \$15,533,965. The City has developed a team-oriented management approach which has allowed for close control and effective use of our taxpayers' dollars.

The City aggressively pursues grant funding to augment the finances and have been extremely fortunate to receive significant American Recovery Plan Act (ARPA) funds over the past years. These funds have helped to offset the costs of many of the capital upgrades within the City. The City also plans to utilize its opioid settlement funds to provide needed drug addiction remediation and recovery in accordance with the uses approved in the settlement.

The City Council and staff continue to work hard to provide top notch services, and to provide a family and business friendly city where people want to live, work, play and own a business. City Council strives to never lose sight of the fact that they are public servants spending hard earned taxpayer dollars and the objective is always to provide the best services possible in the most economical manner. Transparency continues to remain a key component of everyday practices, and the City strives to provide answers to many questions on our website, and via essential staff members maintaining regular office hours and consistent operations.

The City's elected officials and management team remain confident in the City's high level of service delivery to our citizens and believe our business community will continue to grow through fiscal year 2026 and for many years beyond.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Matthew Kremer, City Administrator, City of Ft. Thomas, Kentucky, 130 N. Ft. Thomas Ave., Ft. Thomas, KY 41075.

<b>CITY OF FORT THOMAS, KENTUCKY</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2025</b>
--

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 11,213,967
Investments	5,523,802
Receivables:	
Taxes	2,263,749
Intergovernmental	12,198
Accounts	75,071
National Opioid Settlement	1,027,646
Notes receivable	834,740
Prepaid expenses	86,578
Total Current Assets	<u>21,037,751</u>
Capital Assets, Net of Depreciation	<u>32,475,122</u>
<b>Total Assets</b>	<u>53,512,873</u>
<b>Deferred Outflows of Resources</b>	
Deferred charges on debt issuance	101,116
Deferred outflows related to net pension and OPEB liabilities	4,446,832
Total Deferred Outflows of Resources	<u>4,547,948</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>58,060,821</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	230,371
Payroll related liabilities	585,044
Current portion of bonds payable	419,167
Current portion of compensated absences	149,085
Total Current Liabilities	<u>1,383,667</u>
Long Term Liabilities	
Compensated absences	298,170
Bonds payable	8,017,916
Net pension liability	19,193,496
Net OPEB liability	599,461
Total Long Term Liabilities	<u>28,109,043</u>
<b>Total Liabilities</b>	<u>29,492,710</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to net pension and OPEB liabilities	<u>8,559,884</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>38,052,594</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	24,139,155
Restricted	921,458
Unrestricted	<u>(5,052,386)</u>
<b>Total Net Position</b>	<u>\$ 20,008,227</u>

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

**CITY OF FORT THOMAS, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2025**

Functions/Programs: Primary Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government
					Governmental Activities
<b>Governmental Activities:</b>					
General government	\$ 2,126,140	\$ 190,194	\$ -	\$ -	\$ (1,935,946)
Public safety - police	5,286,829	-	163,209	-	(5,123,620)
Public safety - fire / EMS	5,570,005	505,393	176,694	-	(4,887,918)
Public works	4,323,277	1,551,688	375,089	2,168,011	(228,489)
Parks and recreation	890,426	102,100	-	-	(788,326)
Interest expense	292,297	-	-	-	(292,297)
Unallocated depreciation	2,619,907	-	-	-	(2,619,907)
Unallocated pension	(2,849,578)	-	-	-	2,849,578
<b>Total Primary Government</b>	<b>\$ 18,259,303</b>	<b>\$ 2,349,375</b>	<b>\$ 714,992</b>	<b>\$ 2,168,011</b>	<b>(13,026,925)</b>
<b>General Revenues:</b>					
Property and other taxes					7,174,851
Licenses and permits					9,589,750
Fines and forfeitures					335,621
Other					(704,935)
Investment income					1,082,249
Total General Revenues					17,477,536
<b>Change in Net Position</b>					4,450,611
<b>Net Position - Beginning</b>					15,557,616
<b>Net Position - Ending</b>					<b>\$ 20,008,227</b>

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

<b>CITY OF FORT THOMAS, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2025</b>
---

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,636,169	\$ 1,524,001	\$ 10,160,170
Investments	5,523,802	-	5,523,802
Receivables:			
Taxes	2,263,749	-	2,263,749
Intergovernmental	12,198	-	12,198
Accounts	-	75,071	75,071
National Opioid Settlement	1,027,646	-	1,027,646
Promissory note	834,740	-	834,740
Due from other funds	190,000	-	190,000
Prepaid expenses	72,550	14,028	86,578
<b>Total Assets</b>	<u>\$ 18,560,854</u>	<u>\$ 1,613,100</u>	<u>\$ 20,173,954</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 98,252	\$ 4,154	\$ 102,406
Payroll liabilities	585,044	-	585,044
Due to other funds	-	190,000	190,000
Deferred revenue	2,343,593	15,206	2,358,799
<b>Total Liabilities</b>	<u>3,026,889</u>	<u>209,360</u>	<u>3,236,249</u>
<b>Fund Balances</b>			
Nonspendable	72,550	-	72,550
Restricted	-	921,458	921,458
Committed	-	-	-
Assigned	-	482,282	482,282
Unassigned	15,461,415	-	15,461,415
<b>Total Fund Balances</b>	<u>15,533,965</u>	<u>1,403,740</u>	<u>16,937,705</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 18,560,854</u>	<u>\$ 1,613,100</u>	<u>\$ 20,173,954</u>

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

<p><b>CITY OF FORT THOMAS, KENTUCKY</b>  <b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF NET POSITION</b>  <b>June 30, 2025</b></p>
--

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

<b>Total fund balance per balance sheet</b>	\$ 16,937,705
Capital assets of \$61,656,510, less accumulated depreciation of (\$29,181,388), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,475,122
Costs of issuance of debt, including discounts and premiums, are expensed in the funds, but are a deferred expense paid over the life of the bond in the statement of net positions	101,116
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:	
Deferred outflows related to pension	3,475,564
Deferred outflows related to post-employment health insurance (OPEB)	971,268
Deferred inflows related to pension	(3,237,397)
Deferred inflows related to post-employment health insurance (OPEB)	(5,322,487)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	2,358,799
An internal service fund is used by management to charge certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net position	925,832
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.	
Bonds payable	(8,437,083)
Net pension liability	(19,193,496)
Net post-employment health insurance (OPEB) liability	(599,461)
Accrued compensated absences payable	<u>(447,255)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 20,008,227</u></u></b>

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

<b>CITY OF FORT THOMAS, KENTUCKY</b> <b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b> <b>For the Year Ended June 30, 2025</b>
---

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 7,174,851	\$ -	\$ 7,174,851
Licenses and permits	9,589,750	-	9,589,750
Intergovernmental	2,507,914	375,089	2,883,003
Charges for services	873,299	1,549,408	2,422,707
Fines and forfeitures	335,621	-	335,621
Uses of money and property	534,093	548,156	1,082,249
Other revenue	359,461	64,816	424,277
<b>Total Revenues</b>	<u>21,374,989</u>	<u>2,537,469</u>	<u>23,912,458</u>
<b>Expenditures</b>			
General government	1,855,834	255,904	2,111,738
Public safety - police	5,229,869	-	5,229,869
Public safety - fire / EMS	3,978,904	1,553,821	5,532,725
Public works	3,488,811	792,574	4,281,385
Parks and recreation	890,426	-	890,426
Debt service	-	697,420	697,420
Capital outlay	2,335,743	659,821	2,995,564
<b>Total Expenditures</b>	<u>17,779,587</u>	<u>3,959,540</u>	<u>21,739,127</u>
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	<u>3,595,402</u>	<u>(1,422,071)</u>	<u>2,173,331</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	2,310,000	2,310,000
Transfers out	(1,610,000)	(700,000)	(2,310,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,610,000)</u>	<u>1,610,000</u>	<u>-</u>
<b>Change in Fund Balances</b>	1,985,402	187,929	2,173,331
<b>Fund Balances - Beginning</b>	<u>13,548,563</u>	<u>1,215,811</u>	<u>14,764,374</u>
<b>Fund Balances - Ending</b>	<u>\$ 15,533,965</u>	<u>\$ 1,403,740</u>	<u>\$ 16,937,705</u>

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

<p><b>CITY OF FORT THOMAS, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES</b>  <b>AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF ACTIVITIES</b>  <b>For the Year Ended June 30, 2025</b></p>
---

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

**Net change in fund balance - total governmental funds** **\$ 2,173,331**

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

Capital outlays	\$ 2,995,564	
Depreciation expense	<u>(2,619,907)</u>	375,657

Governmental funds report revenue that are not available to be recognized in the current-period as deferred revenues in the funds. This represents the change in the deferred revenue in the current period. (1,129,212)

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 the funds (4,044)

Governmental funds report pension and other post-employment health insurance (OPEB) contributions as expenditures, however, in the statement of activities, the cost of the pension and OPEB benefits earned, net of employer contributions is reported as pension and OPEB expense:

Costs of pension benefits earned	1,657,097
Costs of post-employment health insurance benefits (OPEB) earned	1,192,481

An internal service fund is used by the City to charge the costs of certain health and dental insurance to individual departments. The net revenues (expenses) of the internal service fund are reported within governmental activities. (73,332)

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

Compensated absences	(150,534)
Long-term debt	<u>409,167</u>

**Change in net position of governmental activities** **\$ 4,450,611**

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

**CITY OF FORT THOMAS, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUND**  
**June 30, 2025**

	<b>Governmental Activities</b>
	<b>Internal Service Fund - Health and Dental</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,053,797
Receivables	-
<b>Total Assets</b>	<b>1,053,797</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	127,965
<b>Total Liabilities</b>	<b>127,965</b>
<b>Net Position</b>	
Unrestricted	925,832
<b>Total Net Position</b>	<b>\$ 925,832</b>

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

<b>CITY OF FORT THOMAS, KENTUCKY</b> <b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b> <b>INTERNAL SERVICE FUND</b> <b>For the Year Ended June 30, 2025</b>
---

	<b>Governmental Activities</b>
	<b>Internal Service Fund - Health and Dental</b>
<b>Operating Revenues</b>	
Charges for services:	
Health insurance premium fees	\$ 57,311
Stop loss reimbursement	-
Refunds and credits	33,830
Interest income	-
<b>Total Operating Revenues</b>	<u>91,141</u>
<b>Operating Expenses</b>	
Medical claims	1,220,497
Prescription claims	133,704
Stop loss premiums	267,436
Administrative costs	55,499
Dental Expenses	51,254
<b>Total Operating Expenses</b>	<u>1,728,390</u>
<b>Net Operating Income (Loss)</b>	(1,637,249)
Transfer in	1,563,917
Transfer out	-
<b>Net Income</b>	(73,332)
<b>Net Position - Beginning Of Year</b>	<u>999,164</u>
<b>Net Position - End Of Year</b>	<u><u>\$ 925,832</u></u>

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

**CITY OF FORT THOMAS, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUND**  
**For the Year Ended June 30, 2025**

	<b>Governmental Activities</b>
	<b>Internal Service Fund - Health and Dental</b>
<b>Cash flows from operating activities</b>	
Cash received from interfund services provided	\$ 1,655,058
Cash paid to suppliers	(1,646,537)
<b>Net change in cash from operating activities</b>	<u>8,521</u>
<b>Net change in cash</b>	8,521
<b>Cash and Cash equivalents- beginning of year</b>	<u>1,045,276</u>
<b>Cash and Cash equivalents- end of year</b>	<u>\$ 1,053,797</u>
<b>Reconciliation of operating income to net change in cash from operating activities:</b>	
Operating income	\$ (73,332)
Adjustments to reconcile operating income to net change in cash from operating activities:	
Changes in assets and liabilities:	
Receivables	-
Accounts payable	81,853
<b>Net change in cash from operating activities</b>	<u>\$ 8,521</u>

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

<b>CITY OF FORT THOMAS, KENTUCKY</b> <b>STATEMENT OF FIDUCIARY NET POSITION</b> <b>June 30, 2025</b>
--

	<u>Police &amp; Firemen's Pension Plan</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,760
Investments	-
<b>Total Assets</b>	<u>4,760</u>
<b>Net Position</b>	
Held in trust for pension benefits	<u>4,760</u>
<b>Total Net Position</b>	<u><u>\$ 4,760</u></u>

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

<b>CITY OF FORT THOMAS, KENTUCKY</b> <b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b> <b>For the Year Ended June 30, 2025</b>
--

	<b>Police &amp; Firemen's Pension Plan</b>
<b>Additions</b>	
Investment gains (loss)	\$ -
Contribution from General Fund	5,877
<b>Total Additions</b>	<u>5,877</u>
<b>Deductions</b>	
Benefits distributed	5,877
Administrative expenses	-
<b>Total Deductions</b>	<u>5,877</u>
<b>Change in Net Position</b>	-
<b>Net Position - Beginning of Year</b>	<u>4,760</u>
<b>Net Position - End of Year</b>	<u>\$ 4,760</u>

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

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

**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.

**REPORTING ENTITY** – The City of Ft. Thomas, Kentucky is a municipality governed by a mayor and six-member council. As defined by GAAP, and established by GASB, the financial reporting entity consists of the primary government (The City of Ft. Thomas, Kentucky as legally defined). Potential component units were considered for inclusion in the financial reporting entity. Component units are separate organizations for which the elected officials of the primary government would be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will is held by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. A component unit which is fiscally dependent upon the primary government even when the primary government does not have a voting majority of the component unit's board is also to be included in the statements of the primary government.

**BLENDED COMPONENT UNIT** – a blended components unit, although a legally separate entity, is, in substance, part of the government's operations and so data from this unit is combined with data of the primary government. The blended component unit of the City has a June 30 year end. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and/or financial relationship with the City.

**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.

**BASIS OF PRESENTATION**

***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 the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 services. The City has no business-type activities.

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 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. Internal activity is eliminated in the statement of activities.

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial 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 another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The City uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Governmental funds** are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The City's major governmental funds are as follows:

*General Fund* – 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.

*Debt Service Fund* – 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.

*Special Revenue Funds* – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Special Revenue Funds include:

- *KDOT/Municipal Road Aid Fund* – to account for revenues and related expenses provided by the Commonwealth of Kentucky's Transportation Cabinet through the Department for Local Government.
- *Central Business District Fund* – to account for capital projects in the Central Business District.
- *Waste Fee Fund* – to account for the collection and disbursement of the City's waste fees.

*Internal Service Fund* – The City's Self-Insured Health Insurance Fund accounts is an internal service fund that accounts for the contributions to and disbursements for health and dental insurance for the City's employees.

*Fiduciary Fund* – The fiduciary fund is used to account for assets of the *Police and Fireman's Pension Fund*, which is held by the City on behalf of outside parties. These funds are not presented in the government-wide financial statements.

**BASIS OF ACCOUNTING** – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

Accrual – The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Property taxes, license fees, interest, and other revenues associated with current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government. No allowance for doubtful accounts is required for any receivables as of June 30, 2025.

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

INVESTMENTS – In accordance with Government Accounting Standards Board Statement No. 72, investments held are measured using quoted market prices in an active market for identical investments and/or using significant other observable inputs.

It is the policy of the City to invest public funds in a manner that will provide the maximum security and highest investment of principle while meeting the daily cash flow demands of the City and conforming to both KRS 91A.060 and KRS 66.480.

In accordance with KRS 66.480, the City is authorized to invest in the following:

- A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
- B) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.
- C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.
- D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).
- E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.
- F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.
- G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.
- H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

- I) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.
- J) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).
- K) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).
- L) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

Overall investments in (E), (F), (G), (K), and (L) investment types are restricted to 20% of total local government investments.

**PROPERTY TAXES AND TAX CALENDAR** – Property taxes are levied as of July 1 on property values assessed as of January 1. The taxes are billed on approximately October 1 and are due and payable on October 31. The due date is set each year by council, by ordinance. 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, 2025 (2024 tax year) were \$0.348 per \$100 valuation for real estate and \$0.348 personal property. The taxable assessed value of property on which 2024 was based was \$1,839,811,000.

**NOTE RECEIVABLE** – Notes receivable are recognized when the note is signed and held as a current asset in the funds.

**PREPAIDS** – Payments made to vendors for services that will benefit periods reported as prepaid items under the purchases method.

**INTERFUND ACTIVITY AND ADVANCE RECEIVABLE** – Reciprocal interfund activity includes interfund loans – amounts provided with a requirement for repayment, reported as interfund receivables and payables in the respective funds and interfund services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value, recorded as revenues and expenses in the respective funds. Unpaid amounts would be reported as receivables and payables in the respective funds. Nonreciprocal interfund activity includes interfund transfers – flows of assets without equivalent flows of assets in return, and interfund reimbursements – repayments by the responsible fund.

**SHORT-TERM INTER-FUND RECEIVABLE/PAYABLES** – During the course of operation, 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 inter-fund loans are classified as “inter-fund receivables/payables”.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES** – Deferred outflows of resources represent a consumption of net assets that applies to future periods and therefore deferred until that time. The City recognizes deferred outflows of resources related to pensions and other postemployment benefits as well as debt issuance costs, amortized over the life of the debt.

Deferred inflows of resources represent an acquisition of net assets that applies to future periods and is therefore deferred until that time. The City recognizes deferred inflows of resources related to pensions and other postemployment benefits. The City also recognizes deferred inflows related to unearned governmental grants, opioid settlement funds, and note receivable revenues.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

CAPITAL ASSETS – General capital assets are those assets not specifically related to activities in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statements. Generally, capitalizable items with a cost of \$5,000 or more and two years of useful life are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general 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 had not previously been capitalized. Infrastructure assets (starting July 1, 1980) have been valued at estimated historical cost.

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 capital asset class is as follows:

Buildings	40	years
Public Doman Infrastructure	20-30	years
Improvements	10-20	years
Vehicles	5	years
Machinery and Equipment	3-5	years

COMPENSTATED ABSENCES – The City reports compensated absences in accordance with GASB Statement No. 102, *Accounting for Compensated Absences*. It is the government’s policy to permit employees to accumulate earned but unused vacation-pay benefits. The City incurs a liability for unpaid accumulated leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. The City accrues one third of its available balance of compensated absences as a current liability in the government-wide financial statements; the remaining two-thirds is carried as a long-term liability.

A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate compensated absences as they become due and payable.

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 the 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.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

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

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

**FUND EQUITY** – In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

*Non-spendable fund balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form – long-term receivables and prepaid items; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

*Restricted fund balance* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The KDOT/Municipal Road Aid Fund has a restricted fund balance

*Committed fund balance* – These amounts can only be used for specific purposes to constraints imposed by formal ordinances of the City Council (the government's highest level of decision-making authority). Those committed amounts cannot be used for any other purposes unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The City has no committed fund balances.

*Assigned fund balance* – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes but are neither restricted nor committed. The City Council and City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed. The Central Business District Fund, the Waste Fee Fund, and the Debt Service Fund all have assigned fund balances.

*Unassigned fund balance* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. The City Council has no General Fund minimum fund balance target as of June 30, 2025. No other fund balance policies exist.

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed. The City has no outstanding encumbrances as of June 30, 2025.

**ESTIMATES AND UNCERTAINTIES** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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 June 1<sup>st</sup>, the Mayor submits to the City Council, a proposed operating budget 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. Prior to June 30, 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 City Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council authorizes supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the department 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 two supplementary appropriation ordinances. All appropriations lapse at fiscal year-end. Annual budgets are adopted on a basis consistent with GAAP.

*Deficit net position* – The Central Business District Fund ended the fiscal year in a deficit net position.

**NOTE C – DEPOSITS AND INVESTMENTS**

*Custodial Credit Risk – Deposits* – The City's cash deposits at June 30, 2025, were partially secured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the City's name. The carrying amount of the City's deposits with financial institutions at June 30, 2025 was \$11,213,967. Of the total bank balance, \$250,000 was insured by the Federal Depository Insurance Corporation. The remainder is collateralized with securities held by the financial institution and pledged to collateralize the City's deposits.

Kentucky Revised Statutes authorize cities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state charter banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are fair market value at the end of the year; Level 3 inputs are significant unobservable inputs.

As of June 30, 2025, the City had the following recurring fair value measurements:

	June 30, 2025	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3
Cash and equivalents	\$ 11,213,967	\$ 11,213,967	\$ -	\$ -
Certificates of deposit	4,923,529	-	4,923,529	-
Government obligations	600,273	-	600,273	-
Total fair value	\$ 16,737,769	\$ 11,213,967	\$ 5,523,802	\$ -

*Interest rate risk.* In accordance with the City’s investment policy, interest rate risk is controlled through maturity diversification by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

*Credit risk.* State law limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments. The City’s investment policy limits its authorized investment instruments in these investments to one of the top three highest rated categories by a nationally rated agency. As of June 30, 2025, the City’s investment in government obligations and municipal bonds were rated AA by Standard & Poor’s.

*Concentration of credit risk.* The City may not invest, at any one time, funds in any one of the above listed categories exceeding twenty percent of the total amount of funds invested on behalf of the City.

*Custodial credit risk – investments.* For an investment, this is the risk, that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The policy permits investment in U.S. Treasury obligations and obligations backed by the full faith and credit of the United States and in the securities issued by certain associations and corporations established by the government of the United States.

**NOTE D – NOTE RECEIVABLE**

On May 12, 2022, the City entered into a development agreement with The Quarter Group, LLC to construct a commercial building (One Highland Place) in the Fort Thomas Town Center. The City loaned \$850,000 to the Quarter Group to facilitate the start of this development project. The note is a 10 year, non-recourse loan, with repayments of i) a \$10,000 per year for each year of the note, beginning the first full calendar year of the tenant being open for business and ii) a variable payment made from the available cash of the developer until the City development funds are repaid in full or forgiven. The City began receiving repayments beginning in fiscal year 2025 and the balance is \$834,740 at June 30, 2025.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

**NOTE E – CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for governmental activities for the year ended June 30, 2025 is as follows:

	June 30, 2024	Additions	Retirements	June 30, 2025
<b>Governmental activities:</b>				
Assets not being depreciated				
Land	\$ 1,327,654	\$ -	\$ -	\$ 1,327,654
Construction in progress	3,571,487	304,528	(3,190,889)	685,126
	<u>4,899,141</u>	<u>304,528</u>	<u>(3,190,889)</u>	<u>2,012,780</u>
Other capital assets				
Buildings	10,792,071	-	-	10,792,071
Infrastructure	35,278,305	4,492,358	-	39,770,663
Vehicles	3,920,750	1,065,975	(88,331)	4,898,394
Equipment	3,893,485	323,592	(34,475)	4,182,602
Subtotal	<u>53,884,611</u>	<u>5,881,925</u>	<u>(122,806)</u>	<u>59,643,730</u>
Accumulated depreciation				
Buildings	(2,732,656)	(592,955)	-	(3,325,611)
Infrastructure	(17,689,640)	(1,376,868)	-	(19,066,508)
Vehicles	(3,063,217)	(439,969)	88,331	(3,414,855)
Equipment	(3,198,774)	(210,115)	34,475	(3,374,414)
Subtotal	<u>(26,684,287)</u>	<u>(2,619,907)</u>	<u>122,806</u>	<u>(29,181,388)</u>
Other capital assets, less depreciation	<u>27,200,324</u>	<u>3,262,018</u>	<u>-</u>	<u>30,462,342</u>
<b>Capital assets, net</b>	<u><u>\$ 32,099,465</u></u>	<u><u>\$ 3,566,546</u></u>	<u><u>\$ (3,190,889)</u></u>	<u><u>\$ 32,475,122</u></u>

Beginning balances between the Buildings and Infrastructure categories, and their related accumulated depreciation accounts, have been reclassified. The net total beginning balances are unchanged.

Depreciation is shown on the government-wide *Statement of Activities* as unallocated depreciation and is not allocated by function.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

**NOTE F – LONG-TERM DEBT**

**Capital Lease Obligations**

The capital lease obligations are payable from the revenues of the City. Long-term debt outstanding at June 30, 2025 consisted of the following:

*Capital Lease Payable – 2020F*

On October 29, 2020, the City entered into a \$10,185,000 capital lease agreement with the Kentucky Bond Corporation to refund the Parks and Midway bond issues and to finance the City Building renovation. The lease is payable for a period of 30 years with an interest rate of 3.00%.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2026	\$ 419,167	\$ 274,955	\$ 694,122
2027	433,333	261,332	694,665
2028	449,167	247,249	696,416
2029	463,333	232,651	695,984
2030	481,250	217,593	698,843
2031-2035	2,633,333	843,604	3,476,937
2036-2040	1,195,000	491,398	1,686,398
2041-2045	1,141,667	316,116	1,457,783
2046-2050	1,220,833	116,958	1,337,791
Total	<u>\$ 8,437,083</u>	<u>\$ 3,001,856</u>	<u>\$ 11,438,939</u>

*Changes in Long-Term Liability*

Long-term liability activity for the year ended June 30, 2025 was as follows:

Governmental Activities:	June 30, 2024	Additions	Retirements	June 30, 2025	Current Portion
Lease Payable - 2020F	\$ 8,846,250	\$ -	\$ (409,167)	\$ 8,437,083	\$ 419,167
Compensated Absences	296,721	150,534	-	447,255	149,085
Net Pension Liability	20,418,495	-	(1,224,999)	19,193,496	-
Net OPEB Liability	723,291	-	(123,830)	599,461	-
Total	<u>\$ 30,284,757</u>	<u>\$ 150,534</u>	<u>\$ (1,757,996)</u>	<u>\$ 28,677,295</u>	<u>\$ 568,252</u>

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

**NOTE G – INTERFUND TRANSFERS**

The following interfund transfers occurred for the year ended June 30, 2025:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,610,000
Central Bus. District Fund	1,010,000	700,000
KDOT/MRA Fund	600,000	-
Debt Service Fund	700,000	-
Waste Fee Fund	-	-
	<u>\$ 2,310,000</u>	<u>\$ 2,310,000</u>

Transfers are used to move funds from the fund that statute or budget requires such funds to be received into the fund that statute or budget requires such funds to be disbursed from. Transfers are also used to move unrestricted funds collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to fund from which it was originally provided once a project is completed.

**NOTE H – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

Governmental fund balances as of June 30, 2025 consist of the following:

	General Fund	Non-Major Funds	Total
Nonspendable	\$ 72,550	\$ -	\$ 72,550
Restricted	-	921,458	921,458
Committed	-	-	-
Assigned	-	482,282	482,282
Unassigned	15,461,415	-	15,461,415
Total Fund Balance	<u>\$ 15,533,965</u>	<u>\$ 1,403,740</u>	<u>\$ 16,937,705</u>

**NOTE I – COUNTY EMPLOYEES’ RETIREMENT SYSTEM**

*Plan description* – City employees are covered by CERS (County Employees’ Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The City has both *Non-Hazardous* and *Hazardous Duty* employees.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

Membership in CERS consisted of the following at June 30, 2023:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	78,810	78,418	9,205	9,156
Inactive Plan Members	111,086	27,097	4,287	835
Retired Members	70,932	38,679	11,603	8,176
	<u>260,828</u>	<u>144,194</u>	<u>25,095</u>	<u>18,167</u>
Number of participating employers		<u>1,141</u>		<u>260</u>

**PENSION PLAN**

**Non-Hazardous Pension Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to non-hazardous plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive health insurance benefits after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

*Contributions* – Required pension contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5%
Tier 3	5%

**Hazardous Pension Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to hazardous plan employees and beneficiaries. Employees are vested in the plan after five years of service.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit and 55 years old, or any age with 20 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or any age with 25 years of service.
	Reduced retirement	15 years service and 50 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive health insurance benefits after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Contributions* – Required pension contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	8%
Tier 2	8%
Tier 3	8%

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

**Contributions**

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. The employee contribution rate is also set by state statute.

For non-hazardous duty employees, the City contributed 19.71% of covered-employee's compensation, of which 19.71% was for the pension fund and 0.00% was for the health insurance fund.

For hazardous duty employees, the City contributed 38.61% of covered-employee's compensation, of which 36.49% was for the pension fund and 2.12% was for the health insurance fund.

The City made all required contributions for the non-hazardous plan pension obligation for the fiscal year in the amount of \$465,727, of which \$465,727 was for the pension fund and \$0 was for the health insurance fund.

The City made all required contributions for the hazardous plan pension obligation for the fiscal year in the amount of \$1,935,597, of which \$1,829,317 was for the pension fund and \$106,280 was for the health insurance fund.

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

At June 30, 2025, the City reported a liability of \$19,193,496 (\$4,019,383 for the non-hazardous plan and \$15,174,113 for the hazardous plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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 the June 30, 2024 measurement year, the City's non-hazardous employer allocation proportion was 0.0672% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.5899% of the total CERS hazardous duty employees. For the year ended June 30, 2025, the City recognized a pension benefit of \$1,657,096 in addition to its \$2,295,044 pension contribution.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 194,546	\$ -	\$ 985,974	\$ -	\$ 1,180,520	\$ -
Net difference between projected actual earnings on plan investments	-	(258,425)	-	(809,880)	-	(1,068,305)
Changes of assump.	-	(181,597)	-	(856,399)	-	(1,037,996)
Changes in proportion, differences between contributions and proportionate share of contributions	-	(100,880)	-	(1,030,216)	-	(1,131,096)
Contributions subsequent to the measurement date	465,727	-	1,829,317	-	2,295,044	-
	<u>\$ 660,273</u>	<u>\$ (540,902)</u>	<u>\$ 2,815,291</u>	<u>\$ (2,696,495)</u>	<u>\$ 3,475,564</u>	<u>\$ (3,237,397)</u>

The City's contributions subsequent to the measurement date of \$2,295,044 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2025	\$ (1,168,251)
2026	(250,075)
2027	(408,215)
2028	(230,336)
2029	-
Thereafter	-
	<u>\$ (2,056,877)</u>

**Basis of Calculations**

The System Actuary, Gabriel, Roeder, Smith & Co. (GRS), completed reports by plan in compliance with GASB Statement No. 67 Financial Reporting for Pension Plans. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2023. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

**Assumptions**

Below is a summary of the principal assumptions used for the June 30, 2023, actuarial valuation:

Inflation	2.50%
Payroll Growth Rate	2.0% for CERS Non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Investment Rate of Return	6.50% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

**Changes of Assumptions**

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2023. It is our opinion that these procedures for determining the information contained in these reports are reasonable, appropriate, and comply with applicable requirements under GASB No. 67.

**Discount Rate**

A single discount rate of 6.50% for the nonhazardous and hazardous plans was used to measure the total pension liability for the fiscal year ended June 30, 2024. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current 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 must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy. The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2025**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2025:

Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous
Mortality	System specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**Plan Target Allocation**

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

Asset Class	CERS Pensions	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit / high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	<u>100.00%</u>	<u>4.69%</u>
Long-Term Inflation Assumption		<u>2.50%</u>
Expected Nominal Return for Portfolio		<u>7.19%</u>

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.50%	6.50%	7.50%
Non-hazardous	\$ 5,181,641	\$ 4,019,383	\$ 3,055,015
Hazardous	19,535,086	15,174,113	11,613,618
Total	\$ 24,716,727	\$ 19,193,496	\$ 14,668,633

**HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS**

**Non-Hazardous OPEB Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty Plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

*Contributions* – Required health insurance Plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	None
Tier 2	1%
Tier 3	1%

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

**Hazardous OPEB Plan Description**

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to hazardous duty Plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

*Contributions* – Required health insurance Plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

**Contributions**

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. The employee contribution rate is set by state statute.

For non-hazardous employees, the City contributed 0.00% of covered employees' compensation for the health insurance fund.

For hazardous duty employees, the City contributed 2.12% of covered employees' compensation for the health insurance fund.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

The City was not required to contribute for the non-hazardous plan OPEB obligation for the fiscal year.

The City made all required contributions for the hazardous plan OPEB obligation for the fiscal year in the amount of \$106,280.

These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, the City recognized an OPEB benefit of \$1,192,480 in addition to its \$106,280 OPEB contribution.

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

At June 30, 2024, the City reported a net liability of \$599,461 (a \$116,372 OPEB asset for the non-hazardous plan and \$715,833 OPEB liability for the hazardous plan) as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability 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 governmental entities, actuarially determined. At the June 30, 2024 measurement year, the City's non-hazardous employer allocation proportion was 0.0673% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.5901% of the total CERS hazardous duty employees.

In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 64,562	\$ (915,621)	\$ 193,843	\$ (2,620,113)	\$ 258,405	\$ (3,535,734)
Net difference between projected actual earnings on plan investments	-	(106,197)	-	(449,820)	-	(556,017)
Changes of assump.	105,447	(82,113)	485,543	(629,979)	590,990	(712,092)
Changes in proportion, differences between contributions and proportionate share of contributions	15,593	(53,688)	-	(464,957)	15,593	(518,645)
Contributions subsequent to the measurement date	-	-	106,280	-	106,280	-
	<u>\$ 185,602</u>	<u>\$ (1,157,619)</u>	<u>\$ 785,666</u>	<u>\$ (4,164,869)</u>	<u>\$ 971,268</u>	<u>\$ (5,322,488)</u>

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

The City's contributions subsequent to the measurement date of \$0 for non-hazardous duty employees and \$106,280 for hazardous duty employees, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2025	\$ (1,408,103)
2026	(1,089,889)
2027	(1,315,759)
2028	(679,807)
2029	36,059
Thereafter	-
	<u>\$ (4,457,499)</u>

**Basis of Calculations**

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles

**Assumptions**

Below is a summary of the principal assumptions used for the June 30, 2023 actuarial valuation:

Investment Rate of Return	6.50% for CERS Non-hazardous
Inflation	2.50%
Salary Increases	3.30% to 10.30%, varies by service for CERS Non-hazardous
Payroll Growth Rate	2.0% for CERS Non-hazardous
Mortality	System specific mortality table based on experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Health Care Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

**Change in Assumptions - Plan**

There have been no other plan provision changes that would materially impact the total OPEB liability (asset) since June 30, 2023. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

**Discount Rate**

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan’s anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

Single discount rates of 5.99% for the nonhazardous plan and 6.02% for the hazardous plan were used to measure the total OPEB liability for the fiscal year ended June 30, 2024. They are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s fiduciary net position and future contributions were projected to be 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 system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarial determined contributions, and it is our understanding that any 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 must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2025**

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2025:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

Mortality System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Healthcare Trend Rates  
 Pre - 65 Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.

Post - 65 Initial trend starting at 9.00% at January 1, 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were included into the liability measurement.

**Changes of Assumptions - Contributions**

The discount rates used to calculate the total OPEB liability (asset) increased from 5.93% to 5.99%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

**Plan Target Allocation**

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

Asset Class	CERS Pensions	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Core bonds	10.00%	2.85%
Specialty credit /high yield	10.00%	3.82%
Cash	0.00%	1.70%
Real estate	7.00%	4.90%
Real return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.99% for the Non-hazardous plan and the 6.02% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**CITY OF FT. THOMAS, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2025**

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.99%	5.99%	6.99%
Net OPEB liability, Non-Haz	\$ 157,349	\$ (116,372)	\$ (346,518)
Discount Rate, Hazardous	5.02%	6.02%	7.02%
Net OPEB liability, Haz	\$ 1,978,228	\$ 715,833	\$ (339,143)
Total	\$ 2,135,577	\$ 599,461	\$ (685,661)

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, Non-hazardous	\$ (279,978)	\$ (116,372)	\$ 74,216
Net OPEB liability, Hazardous	(110,969)	715,833	1,682,184
Total	\$ (390,947)	\$ 599,461	\$ 1,756,400

**Plan Fiduciary Net Position**

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**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 general liability risk 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 reasonable estimated.

*Self-Insurance Fund* – The City has established a Health and Dental Self-Insurance Fund. Under this program, the first \$40,000 of a participant’s medical, dental or visions claims are payable by the self-insurance fund. The City purchases insurance for claims in excess of coverage provided by the fund. All departments of the City participate in the program and make payments to the medical self-insurance fund based on historical estimates of the amounts needed to pay prior and current year claims.

The claims liability of \$127,965 reported as of June 20, 2025, is based upon requirements of *GASB Statement No. 30, Risk Financing Omnibus*, an amendment of *GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

<p><b>CITY OF FT. THOMAS, KENTUCKY</b>  <b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>Year Ended June 30, 2025</b></p>
---

Changes in the claims liability amount during the years ended June 30, 2023 through 2025 are as follows:

Year ended June 30,:	Beginning Liability	Current Year Claims & Changes in Estimates	Claims Payments	Ending Liability
2025	\$ 46,112	\$ 1,405,455	\$ 1,323,602	\$ 127,965
2024	307,242	1,030,477	1,291,607	46,112
2023	59,366	1,862,145	1,614,269	307,242

The General Fund contains no provision for estimated legal claims. No claim has exceeded insurance coverage amounts in the past three fiscal years. On the Government-wide Statement of Activities, the City recognizes both the expense (\$1,728,390) and the revenue (\$1,655,057) of the internal service fund in charges for services.

**NOTE K – CONTIGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal or state governments. 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.

The City is a defendant in one significant lawsuit, involving firefighter union grievances. There are no known potential financial contingencies for the City at the date of these financial statements, and the City has engaged a labor attorney to vigorously defend the City’s position.

**NOTE L – STATE AND LOCAL FISCAL RECOVERY FUNDS**

In response to the COVID-19 Global Pandemic, the City qualified and was approved for \$4,278,762 in funding from the American Rescue Plan Act. This funding has been designated to help city governments respond to the pandemic and its negative economic impacts. The City has received these funds and has recognized all \$4,278,762 as income; with \$2,168,011 recognized as income during the year ended June 30, 2025.

**NOTE M – OPIOID SETTLEMENT FUNDS**

The City has begun receiving National Opioid Settlements funds from opioid manufacturers, distributors, and retailers. The use of these funds is restricted by the settlement to specific purposes to fight the opioid epidemic. The total amount of settlement known to the City is \$1,476,740, and \$449,094 has been received as June 30, 2025; the remaining \$1,027,646 has been recognized as a receivable. The entire \$1,476,740 balance is being held as unearned revenue at June 30, 2025. The City will recognize these funds when appropriate uses, per the settlement agreement, have been established.

**NOTE N – CONDUIT DEBT**

On July 30, 2020, the City entered into an agreement with a developer to issue City of Fort Thomas 2020B Industrial Revenue Bonds, with a maturity date of September 1, 2050, in the amount of \$3,925,000 to provide financial assistance to a private-sector developer for the acquisition, construction, and related infrastructure costs of a commercial and residential condominium project within the City. The bonds are

<b>CITY OF FT. THOMAS, KENTUCKY</b> <b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2025</b>
--

secured by the properties financed and are payable solely from the developer. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2025, the 2020B Industrial Building Revenue Bond had an outstanding principal amount totaling \$3,860,000.

#### **NOTE O – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

##### ***GASB Statement No. 102, Certain Risk Disclosures***

GASB 102 requires that other leases such as leased assets available for use, assets under Public-Private and Public-Public Partnerships and assets listed as Subscription-Based Information Technology Arrangements, be disclosed separately by major classes. This statement took effect for financial statements starting with the fiscal year that ends June 30, 2025 and had no significant impact on the City.

#### **NOTE P – FUTURE ACCOUNTING STANDARDS**

##### ***GASB Statement No. 103, Financial Reporting Model Improvements.***

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). The requirements of this Statement are effective for the fiscal year that ends June 30, 2026.

##### ***GASB Statement No. 104, Disclosure of Certain Capital Assets***

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirements of this Statement are effective for the fiscal year that ends June 30, 2026.

#### **NOTE Q – SUBSEQUENT EVENTS**

Management has evaluated events through December 15, 2025, the date on which the financial statements were available for issue. The City had no events, subsequent to June 30, 2025 through December 15, 2025, that require disclosure.

**CITY OF FORT THOMAS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2025**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Budgetary fund balance, July 1</b>	\$ 19,228,458	\$ 17,850,810	\$ 13,548,563	\$ (4,302,247)
<b>Resources (inflows):</b>				
Taxes	7,327,024	7,327,024	7,174,851	(152,173)
Licenses and permits	7,280,000	7,283,250	9,589,750	2,306,500
Intergovernmental	312,500	358,500	2,507,914	2,149,414
Fines and forfeitures	62,000	62,400	335,621	273,221
Uses of money and property	353,000	378,000	534,093	156,093
Charges for services	636,250	668,250	873,299	205,049
Other revenues	62,500	89,100	359,461	270,361
Interfund transfers	6,300,000	4,500,000	-	(4,500,000)
<b>Amounts Available for Appropriation</b>	<u>41,561,732</u>	<u>38,517,334</u>	<u>34,923,552</u>	<u>(3,593,782)</u>
<b>Charges to Appropriations (outflows):</b>				
Administration	1,783,015	1,781,700	1,855,834	(74,134)
Police	4,858,146	5,366,027	5,229,869	136,158
Fire/EMS	4,141,430	4,325,069	3,978,904	346,165
General services	3,062,211	3,180,644	3,488,811	(308,167)
Parks and recreation	920,065	946,610	890,426	56,184
Capital expenditures	3,991,181	3,912,164	2,335,743	1,576,421
Interfund transfers	3,510,000	3,510,000	1,610,000	1,900,000
<b>Total Charges to Appropriations:</b>	<u>22,266,048</u>	<u>23,022,214</u>	<u>19,389,587</u>	<u>3,632,627</u>
<b>Budgetary Fund Balance, June 30</b>	<u>\$ 19,295,684</u>	<u>\$ 15,495,120</u>	<u>\$ 15,533,965</u>	<u>\$ 38,845</u>

**Reconciliation of Budgetary Basis to GAAP Statement of  
Revenues, Expenditures and Changes in Fund Balance**

Budgetary Fund Balance	\$ 15,533,965
Adjustments	-
	<u>\$ 15,533,965</u>

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

**NOTE -1 BUDGETING POLICIES**

The City follows the procedures established pursuant to Chapter 108 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. The budget for the governmental fund type is adopted on a basis consistent with the general accepted accounting principles. Budgeted amounts in the financial statements are as adopted by the City Council.

<p><b>CITY OF FORT THOMAS, KENTUCKY</b>  <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  <b>POLICE AND FIREMEN'S PENSION PLAN</b>  <b>For the Year Ended June 30, 2025</b></p>
---

<i>Schedule of City Contributions</i>	2025
Actuarially determined contribution	\$ 5,877
Contributions in relation to the actuarially determined contribution	<u>5,877</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Covered-employee payroll (No active employees)	 \$ -
Actual contributions as a percentage of covered-employee payroll (No active employees)	0%
 <i>Schedule of Changes in the Net Position Liability and Related Ratios</i>	
<hr/>	
Total Pension Liability	
Difference between expected and actual experience	\$ 3,997
Benefit payments	<u>(5,877)</u>
Net change in total pension liability	<u>\$ (1,880)</u>
 Total pension liability - June 30, 2024	 \$ 37,037
Total pension liability - June 30, 2025	<u>\$ 35,157</u>
 Contributions - employer, less plan costs	 \$ 5,877
Benefit payments	(5,877)
 Plan fiduciary net position - June 30, 2024	 \$ 4,760
Plan fiduciary net position - June 30, 2025	<u>\$ 4,760</u>
 Net unfunded pension liability	 <u>\$ 30,397</u>
 Plan fiduciary net position as a percentage of total pension liability	 13.5%
 Covered-employee payroll (No active employees)	 \$ -
Actual contributions as a percentage of covered-employee payroll (No active employees)	0%

<p><b>CITY OF FORT THOMAS, KENTUCKY</b>  <b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>  <b>POLICE AND FIREMEN'S PENSION PLAN</b>  <b>June 30, 2025</b></p>
---

**Note 1 - Valuation Date**

Actuarially determined contribution rates are calculated as of July 1, of the preceeding fiscal year end in which the contributions are reported.

**Note 2 - Benefit Changes**

No changes

**Note 3 - Changes in Assumptions Used to Determine Contribution Rates**

In 2025, 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**

	<i>Police and Firemen's Pension Plan</i>
	_____
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 2025 Static Mortality Tables: Annuiant Male/Female

**CITY OF FORT THOMAS, KENTUCKY**  
**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS**  
**Last Ten Fiscal Years**

**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**County Employees' Retirement System (CERS)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.0672%	0.0674%	0.0710%	0.0698%	0.0679%	0.0722%	0.0675%	0.0698%	0.0633%	0.0636%
Proportionate share of the net pension liability (asset)	\$ 4,019,383	\$ 4,325,689	\$ 5,130,069	\$ 4,447,747	\$ 5,211,555	\$ 5,077,225	\$ 4,112,844	\$ 4,087,482	\$ 3,480,085	\$ 2,733,591
Covered payroll in year of measurement	\$ 2,110,633	\$ 1,949,430	\$ 1,971,683	\$ 1,783,578	\$ 1,740,834	\$ 1,820,955	\$ 1,669,303	\$ 1,696,971	\$ 1,544,748	\$ 1,500,000
Share of the net pension liability (asset) as a percentage of its covered payroll	190.43%	221.90%	260.19%	249.37%	299.37%	278.82%	246.38%	240.87%	225.28%	182.24%
Plan fiduciary net position as a percentage of total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 465,727	\$ 492,622	\$ 456,218	\$ 417,405	\$ 344,266	\$ 335,981	\$ 295,351	\$ 241,730	\$ 236,694	\$ 191,840
Actual contribution	465,727	492,622	456,218	417,405	344,266	335,981	295,351	241,730	236,694	191,840
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 2,362,896	\$ 2,110,633	\$ 1,949,430	\$ 1,971,683	\$ 1,783,578	\$ 1,740,834	\$ 1,820,955	\$ 1,669,303	\$ 1,696,971	\$ 1,544,748
Contributions as a percentage of employee payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2025**

The net pension liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

**CITY OF FORT THOMAS, KENTUCKY**  
**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - HAZARDOUS**  
**Last Ten Fiscal Years**

**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**County Employees' Retirement System (CERS)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.5899%	0.5969%	0.6338%	0.6629%	0.6695%	0.7049%	0.6798%	0.6640%	0.5992%	0.6150%
Proportionate share of the net pension liability (asset)	\$ 15,174,113	\$ 16,092,806	\$ 19,340,014	\$ 17,647,028	\$ 20,186,218	\$ 19,475,783	\$ 16,439,485	\$ 14,856,559	\$ 12,228,122	\$ 9,233,553
Covered payroll in year of measurement	\$ 4,245,086	\$ 4,290,336	\$ 4,135,157	\$ 3,963,754	\$ 4,012,129	\$ 4,015,413	\$ 3,786,575	\$ 3,645,239	\$ 3,422,510	\$ 3,300,000
Share of the net pension liability (asset) as a percentage of its covered payroll	357.45%	375.09%	467.70%	445.21%	503.13%	485.03%	434.15%	407.56%	357.29%	279.80%
Plan fiduciary net position as a percentage of total pension liability	57.05%	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.80%	57.52%	57.52%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,829,317	\$ 1,745,155	\$ 1,836,823	\$ 1,400,164	\$ 1,191,504	\$ 1,206,046	\$ 998,341	\$ 840,566	\$ 791,211	\$ 785,317
Actual contribution	1,829,317	1,745,155	1,836,823	1,400,164	1,191,504	1,206,046	998,341	840,566	791,211	785,317
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 5,013,200	\$ 4,245,086	\$ 4,290,336	\$ 4,135,157	\$ 3,963,754	\$ 4,012,129	\$ 4,015,413	\$ 3,786,575	\$ 3,645,239	\$ 3,422,510
Contributions as a percentage of covered payroll	36.49%	41.11%	42.81%	33.86%	30.06%	30.06%	24.86%	22.20%	21.71%	22.95%

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2025**

The net pension liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

**CITY OF FORT THOMAS, KENTUCKY**  
**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS**  
**Last Ten Fiscal Years**

**Schedule of the City's Proportionate Share of the Net OPEB Liability**  
**County Employees' Retirement System (CERS)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net OPEB liability	0.0673%	0.0674%	0.0710%	0.0679%	0.0679%	0.0722%	0.0675%	0.0698%		
Proportionate share of the net OPEB liability (asset)	\$ (116,372)	\$ (93,072)	\$ 1,400,247	\$ 1,335,214	\$ 1,640,255	\$ 1,213,901	\$ 1,198,982	\$ 1,403,862		
Covered payroll in year of measurement	\$ 2,110,633	\$ 1,949,430	\$ 1,971,683	\$ 1,783,578	\$ 1,740,834	\$ 1,820,955	\$ 1,669,303	\$ 1,696,971		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.51%	-4.77%	71.02%	74.86%	94.22%	66.66%	71.83%	82.73%		
Plan fiduciary net position as a percentage of total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%		

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ 66,029	\$ 113,963	\$ 84,898	\$ 82,864	\$ 95,790	\$ 78,444	\$ 80,263	
Actual contribution	-	-	81,829	113,963	84,898	82,864	95,790	78,444	80,263	
Contribution deficiency (excess)	-	-	(15,800)	-	-	-	-	-	-	
Covered payroll	\$ 2,362,896	\$ 2,110,633	\$ 1,949,430	\$ 1,971,683	\$ 1,783,578	\$ 1,740,834	\$ 1,820,955	\$ 1,669,303	\$ 1,696,971	
Contributions as a percentage of covered payroll	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%	

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2025**

The net OPEB liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

**CITY OF FORT THOMAS, KENTUCKY**  
**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - HAZARDOUS**  
**Last Ten Fiscal Years**

**Schedule of the City's Proportionate Share of the Net OPEB Liability**  
**County Employees' Retirement System (CERS)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net OPEB liability	0.5901%	0.5967%	0.6335%	0.6629%	0.6693%	0.7049%	0.6798%	0.6640%		
Proportionate share of the net OPEB liability (asset)	\$ 715,833	\$ 816,363	\$ 5,395,875	\$ 5,359,794	\$ 6,185,122	\$ 5,215,412	\$ 4,846,627	\$ 5,489,480		
Covered payroll in year of measurement	\$ 4,245,086	\$ 4,290,336	\$ 4,135,157	\$ 3,963,754	\$ 4,012,129	\$ 4,015,413	\$ 3,786,576	\$ 3,645,239		
Share of the net OPEB liability (asset) as a percentage of its covered payroll	16.86%	19.03%	130.49%	135.22%	154.16%	129.88%	127.99%	150.59%		
Plan fiduciary net position as a percentage of total liability	93.53%	92.72%	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%		

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 106,280	\$ 109,523	\$ 291,039	\$ 432,951	\$ 377,349	\$ 381,955	\$ 420,606	\$ 354,099	\$ 340,796	
Actual contribution	106,280	109,523	360,339	432,951	377,349	381,955	420,606	354,099	340,796	
Contribution deficiency (excess)	-	-	(69,300)	-	-	-	-	-	-	
Covered payroll	\$ 5,013,200	\$ 4,245,086	\$ 4,290,336	\$ 4,135,157	\$ 3,963,754	\$ 4,012,129	\$ 4,015,413	\$ 3,786,576	\$ 3,645,239	
Contributions as a percentage of covered payroll	2.12%	2.58%	6.78%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%	

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2025**

The net OPEB liability as of June 30, 2025, is based on the June 30, 2024, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

<b>CITY OF FORT THOMAS, KENTUCKY</b> <b>COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS</b> <b>June 30, 2025</b>
---

	<b>KDOT Municipal Road Aid Fund</b>	<b>Debt Service Fund</b>	<b>Waste Fee Fund</b>	<b>Central Business District Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 862,509	\$ 407,228	\$ 142,160	\$ 112,104	\$ 1,524,001
Accounts receivable	69,146	-	5,925	-	75,071
Prepaid expenses	-	-	-	14,028	14,028
Due from other funds	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 931,655</u></b>	<b><u>\$ 407,228</u></b>	<b><u>\$ 148,085</u></b>	<b><u>\$ 126,132</u></b>	<b><u>\$ 1,613,100</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 4,154	\$ 4,154
Due to other funds	-	-	150,000	40,000	190,000
Deferred revenue	10,197	-	5,009	-	15,206
<b>Total Liabilities</b>	<b><u>10,197</u></b>	<b><u>-</u></b>	<b><u>155,009</u></b>	<b><u>44,154</u></b>	<b><u>209,360</u></b>
<b>Fund Balances</b>					
Restricted	921,458	-	-	-	921,458
Assigned	-	407,228	(6,924)	81,978	482,282
<b>Total Fund Balances</b>	<b><u>921,458</u></b>	<b><u>407,228</u></b>	<b><u>(6,924)</u></b>	<b><u>81,978</u></b>	<b><u>1,403,740</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 931,655</u></b>	<b><u>\$ 407,228</u></b>	<b><u>\$ 148,085</u></b>	<b><u>\$ 126,132</u></b>	<b><u>\$ 1,613,100</u></b>

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

**CITY OF FORT THOMAS, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2025**

	<b>KDOT Municipal Road Aid Fund</b>	<b>Debt Service Fund</b>	<b>Waste Fee Fund</b>	<b>Central Business District Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>					
Charges for services	\$ 7,067	\$ -	\$ 1,542,341	\$ -	\$ 1,549,408
Uses of money and property	534,160	13,996	-	-	548,156
Intergovernmental grants	375,089	-	-	-	375,089
Other revenue	18,143	-	1,060	45,613	64,816
<b>Total Revenues</b>	<u>934,459</u>	<u>13,996</u>	<u>1,543,401</u>	<u>45,613</u>	<u>2,537,469</u>
<b>Expenditures</b>					
Current					
General Government	-	-	-	255,904	255,904
Parks and recreation	-	-	-	-	-
Public works	1,452,395	-	-	-	1,452,395
Debt service payments	-	697,420	-	-	697,420
Waste collection services	-	-	1,553,821	-	1,553,821
<b>Total Expenditures</b>	<u>1,452,395</u>	<u>697,420</u>	<u>1,553,821</u>	<u>255,904</u>	<u>3,959,540</u>
<b>Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Sources</b>	<u>(517,936)</u>	<u>(683,424)</u>	<u>(10,420)</u>	<u>(210,291)</u>	<u>(1,422,071)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	600,000	700,000	-	1,010,000	2,310,000
Transfers out	-	-	-	(700,000)	(700,000)
<b>Total Other Financing Sources (Uses)</b>	<u>600,000</u>	<u>700,000</u>	<u>-</u>	<u>310,000</u>	<u>1,610,000</u>
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	82,064	16,576	(10,420)	99,709	187,929
<b>Fund Balances, Beginning of Year</b>	<u>839,394</u>	<u>390,652</u>	<u>3,496</u>	<u>(17,731)</u>	<u>1,215,811</u>
<b>Fund Balances, End of Year</b>	<u>\$ 921,458</u>	<u>\$ 407,228</u>	<u>\$ (6,924)</u>	<u>\$ 81,978</u>	<u>\$ 1,403,740</u>

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

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

**To the Honorable Mayor and  
Commissioners of the  
City of Fort Thomas, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Fort Thomas, Kentucky as of June 30, 2025 and the related notes to the financial statements which collectively comprise the City of Fort Thomas, Kentucky's financial statements, and have issued our report thereon dated December 15, 2025.

**Internal Control over Financial Reporting**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fort 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen & Co., Inc.**

Erlanger, Kentucky

December 15, 2025