

CITY OF FORT WRIGHT, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

CITY OF FORT WRIGHT, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

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CITY OF FORT WRIGHT, KENTUCKY

CITY OFFICIALS

As of June 30, 2020

Mayor

David Hatter

Council Members

Dave Abeln

Adam Feinauer

Scott Wall

Jay Weber

Bernie Wessels

Margie Witt

City Administrator

Jill Cain Bailey



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

-Management's Responsibility for the Financial Statements

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

-Auditor's Responsibility

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

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

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

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City of Fort Wright, Kentucky as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4–9, and the general fund budgetary comparison, pension, and OPEB disclosure schedules on pages 37–41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

-Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The capital improvement fund budgetary schedule and the combining schedules for the other minor funds on pages 42–44 are supplementary information and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 November 4, 2020 on our consideration of the City of Fort Wright, 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 City of Fort Wright, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fort Wright, Kentucky's internal control over financial reporting and compliance.



Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
November 4, 2020

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2020

Our discussion and analysis of the City of Ft. Wright, Kentucky's financial performance provides an overview and analysis of the City's financial activities during the fiscal year ended June 30, 2020. Please read this analysis in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position is \$8,451,271
- During the year, the City's net position decreased (\$503,999).
- 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 \$7,584,967 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 pension liability of \$2,001,331 as well as related deferred outflows and inflows of resources as a result of this standard.

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 of 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.

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2020

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 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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Ft. Wright, Kentucky, assets and deferred outflows exceeded liabilities and deferred inflows by \$8,451,271 as of June 30, 2020. A large portion of the City's net position 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 as well as the net pension liability. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The following is a comparison of net position at June 30, 2020 and 2019:

Net Position	Governmental Activities	
	2020	2019
Current assets	\$ 10,324,017	\$ 9,239,661
Capital assets	6,166,482	6,139,065
Total assets	16,490,499	15,378,726
Deferred outflows of resources	2,869,934	2,547,542
Total assets and deferred outflows of resources	19,360,433	17,926,268
Current liabilities	672,652	213,540
Long-term liabilities	9,586,298	7,996,769
Total liabilities	10,258,950	8,210,309
Deferred inflows of resources	650,212	760,689
Total liabilities and deferred inflows of resources	10,909,162	8,970,998
Net investment in capital assets	6,166,482	6,139,065
Restricted-Municipal Road Aid	162,874	727,623
Unrestricted	2,121,915	2,088,582
Total Net Position	\$ 8,451,271	\$ 8,955,270

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2020

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,121,915 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position.

The following is a comparison of the change in net position for 2020 and 2019:

Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 672,917	\$ 658,452
Operating grants	677,752	311,159
Capital grants	321,790	18,418
General revenues:		
Property taxes	1,912,503	1,874,561
Payroll license fees	2,880,200	2,679,370
Other licenses, fines	19,076	15,637
Investment income	57,107	80,974
Other	31,609	40,786
Total revenues	<u>6,572,954</u>	<u>5,679,357</u>
Expenses:		
General government	1,156,740	549,565
Police	2,215,982	1,995,826
Fire	1,974,341	1,614,660
Public works	1,702,708	1,934,370
Plant operations	-	107,765
Parks and recreation	27,182	21,032
Total expenses	<u>7,076,953</u>	<u>6,223,218</u>
Change in net position	(503,999)	(543,861)
Net position-Beginning	8,955,270	9,499,131
Net position-End of year	<u>\$ 8,451,271</u>	<u>\$ 8,955,270</u>

The City's net position decreased by (\$503,999) during the current fiscal year, however this decrease includes both \$679,898 in non-cash depreciation expense and \$1,238,816 in non-cash actuarial pension expense, which contributed significantly to this decrease.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved* fund balance may serve as a useful measure of 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 \$1,570,261. This is available for spending for our citizens.

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2020

The City also has \$7,348,175 in committed funds designated for city capital improvements and assets and has \$569,255 in assigned funds for Parks, Fire & EMS, and the James A. Ramage Civil War Museum.

GENERAL FUND BUDGETING HIGHLIGHTS

City Council passed an original budget for 2019-2020 and made one amendment to the budget. Amended General Fund revenues were \$400,471 than the amount budgeted. Taxes were \$44,753 more than budget due to increased collections. License and permit revenues was \$369,710 more than budgeted because continuous payroll and gross receipts tax growth in the City. Intergovernmental revenue was \$430,573 more than budgeted due to receipt of CARES Act funds from the Commonwealth of Kentucky.

Actual expenditures were \$31,168 more than budgeted amounts, but \$1,570,261 less than amounts received. The most significant variances were in transfers to other funds, which were \$120,581 more than budgeted for transfer to the Dixie Highway/Kyles Lane Fund. Fire and EMS were over budget by \$52,802. Administration, Police, and Public Works spent less than amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$6,166,482. The following table details the capital assets owned by the City in 2020 and 2019 and the corresponding change in capital assets in 2020:

Capital Assets

	Governmental Activities	
	2020	2019
Land	\$ 1,523,000	\$ 1,523,000
Buildings	1,543,500	1,543,500
Infrastructure	24,222,677	23,876,137
Equipment	1,345,913	1,265,301
Vehicles	1,779,571	1,499,408
Subtotals	30,414,661	29,707,346
Accumulated depreciation	(24,248,179)	(23,568,281)
Net Capital Assets	<u>\$ 6,166,482</u>	<u>\$ 6,139,065</u>

This year's major additions and deletions included:

Improvements to infrastructure	\$ 346,540
Purchases of vehicles	280,163
Purchases of equipment	80,612
Net depreciation added	(679,898)
Net change in Net Capital Assets	<u>\$ 27,417</u>

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2020

Debt: During the 2020 fiscal year, the City's only debt is the amount owed to employees for unused vacation time. The following table details the long-term debt owed by the City in 2020 and 2019 and the corresponding change in debt in 2020:

Long Term Debt

	Governmental Activities	
	2020	2019
Compensated absences	\$ -	\$ 82,154
Total Long Term Debt	\$ -	\$ 82,154

The City's long-term debt, on the statement of net position, also includes a net unfunded pension and unfunded OPEB liabilities of \$7,584,967 and \$2,001,331 respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2020 was a challenging year and the City continues to pay careful attention to the pandemic situation, as well as any potential fallout that might affect the Community. Despite that the City still has many positive things occurring that they are looking forward to in FY 20/21.

A few budget highlights include:

- A budgeted surplus at the end of this fiscal year.
- Substantial reserves. In fact, the City has enough cash reserves to operate for a number of years with no additional income in the event of an emergency.
- Zero long-term debt and the City has no plans to add any long-term debt in the foreseeable future.
- Ongoing investment in the 5-year rolling street program. For nearly a decade the City have spent close to \$600,000 per year which is nearly 12% of the General Fund Budget improving and maintaining vital infrastructure.
- Several new positions have been added in the Police Department over the last few years and three (3) new positions in the Fire Department this year. Maintaining the safety of our community is and will remain our highest priority.
- Purchased a new ambulance and a new fire truck with cash to the tune of \$546,982.42. Additionally, our Capital Improvement Plan shows us paying cash for all capital items in the foreseeable future.

City Council continues to constantly analyze income and expenses, and projects them over a ten (10) year period by analyzing historical data, trends, and future expectations. Fort Wright is very fortunate to be a thriving community where property values continue to increase annually as a result of Council's many investments in the community a business-friendly environment continues to attract new business development. As a result of our growth, the ongoing financial analysis and the current state of our finances, City Council voted to reduce property tax rates by 5% for Fiscal Year 20/21, giving property owners an across-the-board tax decrease during a year that has seemed bleak for many. The personal property tax rate and the waste collection fee will remain the same for FY 20/21.

City Council and staff have also been hard at work on important new investment and financial management policies and practices. The objective is to have taxpayer dollars work for them safely while generating a higher return on investments than currently being obtained on bank deposits. Protecting the principal investment is the number one priority.

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2020

The City was recently awarded \$82,500 in Emergency Municipal Road Aid Funding for the stabilization of Fort Henry. Work on this project will be coordinated around the Amsterdam Road Reconstruction effort which is also a grant project involving the receipt of almost 3 million dollars in state and federal funding. These and other roadway projects in the City are improving motor vehicle and pedestrian transportation and safety for everyone living in and passing through the Community.

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 and play. City Council strives to never lose sight of the fact that they are public servants spending hard earned tax 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 continues to provide answers to most questions on our website, and via essential staff members maintaining regular office hours and consistent operations.

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 Jill Cain Bailey, City Administrator, City of Ft. Wright, Kentucky, 409 Kyles Lane, Ft. Wright, KY 41011.

CITY OF FORT WRIGHT, KENTUCKY STATEMENT OF NET POSITION June 30, 2020
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	Primary Government Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 9,111,160
Receivables:	
Taxes	26,177
Intergovernmental	673,287
Accounts	513,393
Total Current Assets	10,324,017
Capital Assets, Net of Depreciation	6,166,482
Total Assets	16,490,499
Deferred Outflows of Resources	
Deferred Outflows Related to Net Pension and OPEB Liabilities	2,869,934
Total Assets and Deferred Outflows of Resources	19,360,433
Liabilities	
Current Liabilities	
Accounts Payable	449,023
Payroll Related Liabilities	223,129
Security Deposits	500
Total Current Liabilities	672,652
Long Term Liabilities	
Net Pension Liability	7,584,967
Net OPEB Liability	2,001,331
Total Long Term Liabilities	9,586,298
Total Liabilities	10,258,950
Deferred Inflows of Resources	
Deferred inflows related to net pension and OPEB liabilities	650,212
Total Liabilities and Deferred Inflows of Resources	10,909,162
Net Position	
Invested in capital assets, net of related debt	6,166,482
Restricted	162,874
Unrestricted	2,121,915
Total Net Position	\$ 8,451,271

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

CITY OF FORT WRIGHT, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

					Net (Expense) Revenue and Changes in Net Position Primary Government
Functions/Programs:					
Primary Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 1,156,740	\$ 6,994	\$ 8,607	\$ -	\$ (1,141,139)
Public Safety - Police	2,215,982	11,287	304,702	-	(1,899,993)
Public Safety - Fire / EMS	1,974,341	263,225	216,764	-	(1,494,352)
Public Works	1,702,708	383,711	142,996	321,790	(854,211)
Parks and Recreation	27,182	7,700	4,683	-	(14,799)
Total Primary Government	\$ 7,076,953	\$ 672,917	\$ 677,752	\$ 321,790	(5,404,494)
General Revenues:					
Property and Other Taxes					1,912,503
Licenses and Permits					2,880,200
Fines and Forfeitures					19,076
Other					31,609
Investment Income					57,107
Total General Revenues					4,900,495
Change in Net Position					(503,999)
Net Position - Beginning					8,955,270
Net Position - Ending					\$ 8,451,271

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

CITY OF FORT WRIGHT, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2020

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 921,255	\$ 7,115,606	\$ 1,074,299	\$ 9,111,160
Receivables:				
Taxes	26,177	-	-	26,177
Intergovernmental	418,180	255,107	-	673,287
Accounts	503,175	-	10,218	513,393
Due from other funds	-	-	2,737	2,737
Total Assets	\$ 1,868,787	\$ 7,370,713	\$ 1,087,254	\$ 10,326,754
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 72,660	\$ 335,894	\$ 40,469	\$ 449,023
Payroll Liabilities	223,129	-	-	223,129
Due to Other Funds	2,737	-	-	2,737
Deferred Revenue	-	-	800	800
Escrow - Security Deposits	-	-	500	500
Total Liabilities	298,526	335,894	41,769	676,189
Fund Balances				
Restricted	-	-	162,874	162,874
Committed	-	7,034,819	313,356	7,348,175
Assigned	-	-	569,255	569,255
Unassigned	1,570,261	-	-	1,570,261
Total Fund Balances	1,570,261	7,034,819	1,045,485	9,650,565
Total Liabilities and Fund Balances	\$ 1,868,787	\$ 7,370,713	\$ 1,087,254	\$ 10,326,754

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

CITY OF FORT WRIGHT, KENTUCKY RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2020

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

Total fund balance per balance sheet	\$ 9,650,565
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Capital assets of \$30,414,662, less accumulated depreciation of (\$24,248,180), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,166,482
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Other liabilities, consisting of revenue that are not available to be recognized in current-period revenues, are therefore deferred in the funds	800
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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	1,974,083
Deferred outflows related to post-employment health insurance (OPEB)	895,851
Deferred inflows related to pension	(129,776)
Deferred inflows related to post-employment health insurance (OPEB)	(520,436)

Long-term liabilities, including net pension and OPEB liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.

Net pension liability	(7,584,967)
Net post-employment health insurance (OPEB) liability	(2,001,331)

Net position of governmental activities	<u>\$ 8,451,271</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF FORT WRIGHT, KENTUCKY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE For the Year Ended June 30, 2020

	General Fund	Capital Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,912,503	\$ -	\$ -	\$ 1,912,503
Licenses and Permits	2,880,200	-	-	2,880,200
Intergovernmental	117,546	321,790	-	439,336
Charges for Services	489,869	-	183,048	672,917
Grants and Contributions	-	-	147,679	147,679
Fines and Forfeitures	19,076	-	-	19,076
Uses of Money and Property	51,496	-	5,611	57,107
Other Revenue	20,279	-	10,530	30,809
Total Revenues	<u>5,490,969</u>	<u>321,790</u>	<u>346,868</u>	<u>6,159,627</u>
Expenditures				
General Government	1,067,160	-	15	1,067,175
Public Safety - Police	1,657,741	-	-	1,657,741
Public Safety - Fire / EMS	1,392,363	-	57,888	1,450,251
Public Works	299,710	684,325	54,012	1,038,047
Parks and Recreation	-	-	27,182	27,182
Capital Outlay	-	346,540	360,775	707,315
Total Expenditures	<u>4,416,974</u>	<u>1,030,865</u>	<u>499,872</u>	<u>5,947,711</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>1,073,995</u>	<u>(709,075)</u>	<u>(153,004)</u>	<u>211,916</u>
Other Financing Sources (Uses)				
CARES Act proceeds	412,527	-	-	412,527
Transfers In	3,423	1,126,103	125,581	1,255,107
Transfers Out	(621,684)	-	(633,423)	(1,255,107)
Total Other Financing Sources (Uses)	<u>(205,734)</u>	<u>1,126,103</u>	<u>(507,842)</u>	<u>412,527</u>
Change in Fund Balances	<u>868,261</u>	<u>417,028</u>	<u>(660,846)</u>	<u>624,443</u>
Fund Balances - Beginning	<u>702,000</u>	<u>6,617,791</u>	<u>1,706,331</u>	<u>9,026,122</u>
Fund Balances - Ending	<u>\$ 1,570,261</u>	<u>\$ 7,034,819</u>	<u>\$ 1,045,485</u>	<u>\$ 9,650,565</u>

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

CITY OF FORT WRIGHT, KENTUCKY RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020
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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 624,443
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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	\$ 707,315	
Depreciation expense	(679,898)	
Net loss on disposal	<u>-</u>	27,417

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.	800
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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	(1,081,898)
Costs of post-employment health insurance benefits (OPEB) earned	(156,915)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as compensated absences.	<u>82,154</u>
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Change in net position of governmental activities	<u><u>\$ (503,999)</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Ft. Wright, 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. Wright, 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. Wright, 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.

The City does not have any component units to be included in its financial report.

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 of 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 those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal activity is eliminated in the statement of activities.

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.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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.

Capital Improvements Fund – The Capital Improvement Fund is the government's designated fund to account for expenditures for capital projects across all funds. This fund was created in fiscal year 2019-2020 with an initial transfer of \$6,617,791 in cash assets to the fund.

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:

- *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.
- *Fire and EMS Fund* – to account for City fire and EMS capital projects.
- *Asset Forfeiture Fund* – to account for funds seized by the Police Department. This fund was closed in fiscal year 2019-20 and its \$3,423 fund balance was transferred to the General Fund.
- *Parks and Recreation Fund* – to account for City park expenditures and projects.
- *Dixie/Kyles TIF Fund* – to account for the revenues and related expenses for the City's Tax Increment Financing District on Dixie Highway and Kyles Lane.
- *James A. Ramage Civil War Museum Fund* – to account for revenues, sales, memberships, and expenditures related to the James A. Ramage Civil War Museum.

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.

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.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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 to be 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, 2020.

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

The City is authorized by state statute to invest in:

- Obligations of the United States and of its agencies and instrumentalities
- Certificates of deposits
- Bankers acceptances
- Commercial paper
- Bonds of other state or local governments
- Mutual funds

PROPERTY TAXES AND TAX CALENDAR – Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed in September and are due and payable in November. The due date is set each year by council, by ordinance. After the due date, the bill becomes delinquent and penalties and interest may be assessed by the City and a lien may be placed on the property. Property tax rates for the year ended June 30, 2020, were \$0.279 per \$100 valuation for real property and \$.409 per \$100 valuation for personal property. The assessed value of property on which the levy for 2019 was based was \$539,188,900 for real property.

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”.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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, 2004, governmental funds infrastructure assets had not previously been capitalized. The City has opted to not retroactively report its major general infrastructure assets. Infrastructure assets (starting July 1, 2004) have been valued at 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	40	years
Improvements	15	years
Vehicles	5	years
Machinery and Equipment	7	years
Furniture and Fixtures	7	years

COMPENSTATED ABSENCES – The City reports compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. It is the government's policy to permit employees to accumulate earned but unused vacation-pay benefits. There is no liability for unpaid accumulated sick 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. 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 principle 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. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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 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 Capital Improvement Fund and the Dixie Highway / Kyles Lane TIF Special Revenue Funds have 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 Parks and Recreation, Fire and EMS, and the Museum Fund 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, 2020. No other fund balance policies exist.

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, 2020.

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.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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 1st, 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 – No funds of the City ended the fiscal year in a deficit net position.

NOTE C – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits – The City's deposits at June 30, 2020, 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, 2020 was \$9,111,160. 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.

Interest rate risk – In accordance with the City's investment policy, interest rate risk is minimized 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 capital in the portfolio.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for governmental activities for the year ended June 30, 2020 is as follows:

	June 30, 2019	Additions	Retirements	June 30, 2020
Governmental activities:				
Assets not being depreciated				
Land	\$ 1,523,000	\$ -	\$ -	\$ 1,523,000
	<u>1,523,000</u>	<u>-</u>	<u>-</u>	<u>1,523,000</u>
Other capital assets				
Buildings	1,543,500	-	-	1,543,500
Infrastructure	23,876,137	346,540	-	24,222,677
Vehicles	1,499,408	280,163	-	1,779,571
Equipment	1,265,301	80,612	-	1,345,913
Subtotal	<u>28,184,346</u>	<u>707,315</u>	<u>-</u>	<u>28,891,661</u>
Accumulated depreciation				
Buildings	(1,105,004)	(45,150)	-	(1,150,154)
Infrastructure	(20,047,657)	(571,489)	-	(20,619,146)
Vehicles	(1,229,309)	(48,250)	-	(1,277,559)
Equipment	<u>(1,186,311)</u>	<u>(15,009)</u>	<u>-</u>	<u>(1,201,320)</u>
Subtotal	<u>(23,568,281)</u>	<u>(679,898)</u>	<u>-</u>	<u>(24,248,179)</u>
Other capital assets, less depreciation	<u>4,616,065</u>	<u>27,417</u>	<u>-</u>	<u>4,643,482</u>
Capital assets, net	<u>\$ 6,139,065</u>	<u>\$ 27,417</u>	<u>\$ -</u>	<u>\$ 6,166,482</u>

Depreciation was charged to the following governmental activities:

Activity	Depreciation
Administration	\$ 11,648
Police	38,664
Fire / EMS	36,731
Infrastructure - Public Works	571,489
Public Works	21,366
Current year governmental activity depreciation expense	<u>\$ 679,898</u>

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE E – 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 accounts 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.

NOTE F – INTERFUND RECEIVABLES AND PAYABLES

The following interfund transfers occurred for the year ended June 30, 2020:

	Transfers In	Transfers Out
General Fund	\$ 3,423	\$ 621,685
Capital Improvement Fund	1,126,103	-
Municipal Road Aid Fund	-	625,000
Park Fund	-	5,000
Dixie Kyles TIF	120,582	-
Asset Forfeiture Fund (closed)	-	3,423
Museum Fund	5,000	-
	<u>\$ 1,255,108</u>	<u>\$ 1,255,108</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 G – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balances as of June 30, 2020, consist of the following:

	General Fund	Capital Improvement Fund	Minor Funds	Total
Restricted	\$ -	\$ -	\$ 162,874	\$ 162,874
Committed	-	7,034,819	313,356	7,348,175
Assigned	-	-	569,255	569,255
Unassigned	<u>1,570,261</u>	<u>-</u>	<u>-</u>	<u>1,570,261</u>
Total Fund Balance	<u>\$ 1,570,261</u>	<u>\$ 7,034,819</u>	<u>\$ 1,045,485</u>	<u>\$ 9,650,565</u>

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE H – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

Plan description - 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 Retirement System, 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 Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System 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 only both Non-Hazardous and Non-Hazardous duty employees.

Membership in CERS consisted of the following at June 30, 2019:

	Non-hazardous	Hazardous	Total
Active Plan Members	84,632	9,402	94,034
Inactive Plan Members	85,300	2,702	88,002
Retired Members	58,933	8,000	66,933
	<u>228,865</u>	<u>20,104</u>	<u>248,969</u>
Number of participating employers			<u>1,140</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty 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

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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 the health insurance benefit 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 plan contributions by the employee are based on the tier:

	Required Contribution
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 duty 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 the health insurance benefit 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

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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 plan contributions by the employee are based on the tier:

	Required Contribution
Tier 1	8%
Tier 2	8%
Tier 3	8%

Contributions

For non-hazardous duty employees, the City contributed 24.06% of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020.

For hazardous duty employees, the City contributed 39.58% of which 30.06% was for the pension fund and 9.52% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020.

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$88,961, of which \$71,361 was for the pension fund and \$17,600 was for the health insurance fund.

The City made all required contributions for the hazardous Plan obligation for the fiscal year in the amount of \$674,719, of which \$512,432 was for the pension fund and \$162,287 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, 2020, the City reported a liability of \$7,584,967 as its proportionate share of the net pension liability (\$1,039,625 for the non-hazardous plan and \$6,545,342 for the hazardous duty plan) The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's non-hazardous employer allocation proportion was 0.01478% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.23695% of the total CERS hazardous duty employees. For the year ended June 30, 2020, the City recognized a pension expense of \$1,081,901 addition to its \$583,793 pension contribution.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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At June 30, 2020, 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 of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 26,545	\$ (4,393)	\$ 278,096	\$ -	\$ 304,641	\$ (4,393)
Net difference between projected actual earnings on plan investments	-	(16,759)	-	(92,634)	-	(109,393)
Changes of assumptions	105,222	-	635,351	-	740,573	-
Changes in proportion and differences between contributions and proportionate share of contributions	153,741	(15,801)	191,335	(190)	345,076	(15,991)
Contributions subsequent to the measurement date	71,361	-	512,432	-	583,793	-
	<u>\$ 356,869</u>	<u>\$ (36,953)</u>	<u>\$ 1,617,214</u>	<u>\$ (92,824)</u>	<u>\$ 1,974,083</u>	<u>\$ (129,777)</u>

The City's contributions subsequent to the measurement date of \$583,793 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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
2020	\$ 767,365
2021	354,955
2022	131,105
2023	7,088
2024	-
Thereafter	-
	<u>\$ 1,260,513</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth	2.00%
Salary increase	3.30-3.55%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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The mortality table used for active members is Pub-2010 General Mortality table for the Non-Hazardous System and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

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 (Haz & Non-Haz)	Long Term
	Target Allocation	Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,300,276	\$ 1,039,625	\$ 822,375
Hazardous	8,183,146	6,545,342	5,202,579
Total	<u>\$ 9,483,422</u>	<u>\$ 7,584,967</u>	<u>\$ 6,024,954</u>

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, 2018, the contribution was \$13.38 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, 2018, the contribution was \$13.38 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%

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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:

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

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% for hazardous duty employees; 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. Contributions to the OPEB plan from the City were \$17,600 for non-hazardous duty employees and \$162,287 for hazardous duty employees for the year ended June 30, 2020.

CITY OF FT. WRIGHT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

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

At June 30, 2020, the City reported a liability of \$2,001,331 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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 June 30, 2019, the City's proportion of the non-hazardous plan was 0.01478% and the hazardous plan was 0.23695%.

For the year ended June 30, 2020, the City recognized an OPEB expense of \$156,915 in addition to its \$179,887 contribution. 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 of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (74,996)	\$ -	\$ (326,073)	\$ -	\$ (401,069)
Net difference between projected actual earnings on plan investments	-	(11,040)	-	(100,773)	-	(111,813)
Changes of assumptions	73,551	(492)	529,680	(3,319)	603,231	(3,811)
Changes in proportion and differences between contributions and proportionate share of contributions	58,025	(309)	54,708	(3,434)	112,733	(3,743)
Contributions subsequent to the measurement date	17,600	-	162,287	-	179,887	-
	<u>\$ 149,176</u>	<u>\$ (86,837)</u>	<u>\$ 746,675</u>	<u>\$ (433,599)</u>	<u>\$ 895,851</u>	<u>\$ (520,436)</u>

The City's contributions subsequent to the measurement date, \$179,887 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. 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
2020	\$ 134,628
2021	41,400
2022	(9,137)
2023	21,075
2024	5,643
Thereafter	1,919
	<u>\$ 195,528</u>

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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Actuarial Assumptions

The total OPEB liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase s	3.30-3.55%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality:	
Pre-retirement	PUB-2010 General Mortality table for Non-Hazardous System, and the PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set- forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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In 2019 the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.85% to 5.68%

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 Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.68% for the non-hazardous plan and 5.69% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the City's 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 5.68% for the non-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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.68%	5.68%	6.68%
Net OPEB liability, Non-Haz	\$ 332,967	\$ 248,559	\$ 179,013
Discount Rate, Hazardous	4.69%	5.69%	6.69%
Net OPEB liability, Haz	\$ 2,445,470	\$ 1,752,772	\$ 1,190,502
Total	\$ 2,778,437	\$ 2,001,331	\$ 1,369,515

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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Sensitivity of the City's 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	\$ 184,855	\$ 248,559	\$ 325,809
Net OPEB liability, hazardous	1,219,605	1,752,772	2,403,207
Total	<u>\$ 1,404,460</u>	<u>\$ 2,001,331</u>	<u>\$ 2,729,016</u>

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 County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE I – CONTINGENT 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 not a defendant in any known litigation.

NOTE J – TAX ABATEMENTS

In accordance with GASB 77, the must disclose tax abatements and incentives provided within the City. The City has two Tax Increment Financing (TIF) Districts on which tax abatements are provided to the developer to fund the cost to develop infrastructure in the District.

Dixie Kyles Lane TIF District – The local participation TIF district for Dixie Highway Kyles Lane created in 2013 and required the City to collect and hold 80% of the real property taxes collected in the district footprint for the city in a given year. This incentive allowed the City to finance the infrastructure expenses associated with the project. The incentive is in place for 30 years. \$313,356 has been withheld and remains in the project fund for future expenses of the project.

Von Lehman CPA & Advisory Firm – In 2016, to facilitate the move of Von Lehman CPA & Advisory Firm to Ft. Wright, the City agreed to abate 50% of occupational license tax for 5 years and 25% for the next 5 years. This abatement totaled \$47,401 in 2020 and will remain in effect until 2026.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE K – CONDUIT DEBT OBLIGATION / CAPITAL LEASE (LESSOR) AGREEMENT

In December 2008, the City entered into an agreement with a developer to issue City of Fort Wright Industrial Revenue Bonds, with a maturity date of December 1, 2028, in the amount of \$4,000,000 to provide financial assistance to a private-sector developer for the construction of an office complex development within the City. The bonds are 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, 2020, the 2008 Industrial Building Revenue Bond had an outstanding principal amount totaling \$2,036,680.

This agreement also assigned the City as the owner of the property who will then, in turn, lease the property back to the developer under a capital (financing) lease agreement ending on December 31, 2028. The developer agreed to pay the Industrial Revenue Bond principal and interest to the bond trust in lieu of rent to the City. The developer has also agreed to pay the City additional rents, in lieu of the City's *ad valorem* property tax lost on the development, in an amount equal to the *ad valorem* property tax rate plus \$1 for each \$1,000 of assessed value of the development.

On June 1, 2020, the City entered into an agreement with a developer to issue City of Fort Wright Industrial Revenue Bonds, with a maturity date of June 1, 2028, in the amount of \$850,000 to provide financial assistance to a private-sector developer for the construction of an office complex development within the City. The bonds are 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, 2020, the 2020 Industrial Building Revenue Refunding Bond had an outstanding principal amount totaling \$850,000.

NOTE L – COVID-19 GLOBAL PANDEMIC

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

NOTE M – CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$412,527 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic. The City has recognized these funds as other financial resources and as an accounts receivable at June 30, 2020

NOTE N – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations* – FY 2020

Statement No. 88 – *Certain Disclosures Related to Debt* – FY 2020

Statement No. 95 – *Postponement of Effective Dates of Authoritative Guidance* – FY 2020

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE O – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – FY 2021

Statement No. 87 – *Leases* – FY 2022

Statement No. 89 – *Accounting for Interest Cost in Construction Projects* – FY 2021

Statement No. 90 – *Majority Equity Interests* – FY 2021

Statement No. 91 – *Conduit Debt Obligations* – FY 2023

Statement No. 92 – *Omnibus 2020* – FY 2022

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2022

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2022

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022

NOTE P – SUBSEQUENT EVENTS

Management has evaluated events through November 4, 2020, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2020 through November 4, 2020 to disclose.

CITY OF FORT WRIGHT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 647,150	\$ 650,000	\$ 702,000	\$ 52,000
Resources (inflows):				
Taxes	1,828,500	1,867,750	1,912,503	44,753
Licenses and Permits	2,524,750	2,510,490	2,880,200	369,710
Fines and Forfeitures	5,500	5,500	19,076	13,576
Uses of Money and Property	45,000	45,000	51,496	6,496
Intergovernmental	99,500	99,500	530,073	430,573
Current Services	464,250	464,250	489,869	25,619
Other Revenues	15,000	15,000	20,279	5,279
Interfund Transfers	-	-	3,423	3,423
Amounts Available for Appropriation	<u>5,629,650</u>	<u>5,657,490</u>	<u>6,608,919</u>	<u>951,429</u>
Charges to Appropriations (outflows):				
Administration	1,123,043	1,137,934	1,067,160	70,774
Police	1,567,271	1,688,519	1,657,741	30,778
Fire/EMS	1,256,561	1,339,561	1,392,363	(52,802)
Public Works	356,248	340,373	299,710	40,663
Interfund Transfers	679,377	501,103	621,684	(120,581)
Total Charges to Appropriations:	<u>4,982,500</u>	<u>5,007,490</u>	<u>5,038,658</u>	<u>(31,168)</u>
Budgetary Fund Balance, June 30	<u>\$ 647,150</u>	<u>\$ 650,000</u>	<u>\$ 1,570,261</u>	<u>\$ 920,261</u>

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

Budgetary Fund Balance	\$ 1,570,261
Adjustments	-
	<u>\$ 1,570,261</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.

CITY OF FORT WRIGHT, KENTUCKY
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS
Year Ended June 30, 2020

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.0148%	0.0110%	1.0670%	0.0130%	0.0380%	0.0140%				
Proportionate share of the net pension liability (asset)	\$ 1,039,625	\$ 672,187	\$ 623,787	\$ 655,804	\$ 588,586	\$ 452,000				
Covered payroll in year of measurement	\$ 434,605	\$ 435,498	\$ 312,238	\$ 270,252	\$ 347,193	\$ 319,456				
Share of the net pension liability (asset) as a percentage of its covered payroll	239.21%	154.35%	199.78%	242.66%	169.53%	141.49%				
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 71,361	\$ 70,493	\$ 63,060	\$ 43,557	\$ 33,565	\$ 44,267	\$ 43,893			
Actual contribution	71,361	70,493	63,060	43,557	33,565	44,267	\$ 43,893			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	\$ 369,748	\$ 434,605	\$ 435,498	\$ 312,237	\$ 270,250	\$ 347,192	\$ 319,456			
Contributions as a percentage of employee payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%			

Notes to Required Supplementary Information
for the Year Ended June 30, 2020

The net pension liability as of June 30, 2020, is based on the June 30, 2019, 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 H in the Notes to the Financial Statements.

CITY OF FORT WRIGHT, KENTUCKY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - HAZARDOUS****Year Ended June 30, 2020**

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.2370%	0.2250%	0.2245%	0.2160%	0.2050%	0.2140%				
Proportionate share of the net pension liability (asset)	\$ 6,545,342	\$ 5,442,060	\$ 5,023,071	\$ 3,712,105	\$ 3,157,084	\$ 2,577,000				
Covered payroll in year of measurement	\$ 1,438,920	\$ 1,420,348	\$ 1,408,474	\$ 1,081,584	\$ 1,117,628	\$ 1,086,996				
Share of the net pension liability (asset) as a percentage of its covered payroll	454.88%	383.15%	356.63%	343.21%	282.48%	237.08%				
Plan fiduciary net position as a percentage of total pension liability	46.63%	49.26%	49.80%	57.52%	53.95%	63.46%				

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 512,432	\$ 357,716	\$ 315,317	\$ 305,780	\$ 219,129	\$ 256,496	\$ 236,639			
Actual contribution	512,432	357,716	315,317	305,780	219,129	256,496	236,639			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	\$ 1,704,697	\$ 1,438,920	\$ 1,420,347	\$ 1,408,474	\$ 1,081,584	\$ 1,117,628	\$ 1,086,996			
Contributions as a percentage of covered payroll	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%			

**Notes to Required Supplementary Information
for the Year Ended June 30, 2020**

The net pension liability as of June 30, 2020, is based on the June 30, 2019, 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 H in the Notes to the Financial Statements.

CITY OF FORT WRIGHT, KENTUCKY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS****Year Ended June 30, 2020**

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.0148%	0.0110%	0.0107%							
Proportionate share of the net OPEB liability (asset)	\$ 248,559	\$ 195,960	\$ 214,242							
Covered payroll in year of measurement	\$ 434,605	\$ 435,498	\$ 312,238							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	57.19%	45.00%	66.61%							
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 17,600	\$ 22,860	\$ 20,468	\$ 14,769						
Actual contribution	17,600	22,860	20,468	14,769						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	\$ 369,748	\$ 434,605	\$ 435,498	\$ 312,238						
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	4.73%						

**Notes to Required Supplementary Information
for the Year Ended June 30, 2020**

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, 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 H in the Notes to the Financial Statements.

CITY OF FORT WRIGHT, KENTUCKY**MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - HAZARDOUS****Year Ended June 30, 2020****Schedule of the City's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.2369%	0.2250%	0.2245%							
Proportionate share of the net OPEB liability (asset)	\$ 1,752,772	\$ 1,604,408	\$ 1,856,018							
Covered payroll in year of measurement	\$ 1,438,920	\$ 1,420,348	\$ 1,408,474							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	121.81%	112.96%	131.78%							
Plan fiduciary net position as a percentage of total liability	64.44%	64.24%	59.00%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 162,287	\$ 150,655	\$ 132,803	\$ 131,692						
Actual contribution	162,287	150,655	132,803	131,692						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	\$ 1,704,697	\$ 1,438,920	\$ 1,420,348	\$ 1,408,474						
Contributions as a percentage of covered payroll	9.52%	10.47%	9.35%	9.35%						

**Notes to Required Supplementary Information
for the Year Ended June 30, 2020**

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, 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 H in the Notes to the Financial Statements.

CITY OF FORT WRIGHT, KENTUCKY BUDGETARY COMPARISON SCHEDULE CAPITAL IMPROVEMENT FUND For the Year Ended June 30, 2020
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	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 5,707,857	\$ 6,617,791	\$ 6,617,791	\$ -
Resources (inflows):				
Intergovernmental	50,000	65,000	321,790	256,790
Uses of Money and Property	-	-	-	-
Interfund Transfers	1,304,377	1,126,103	1,126,103	-
Amounts Available for Appropriation	<u>7,062,234</u>	<u>7,808,894</u>	<u>8,065,684</u>	<u>256,790</u>
Charges to Appropriations (outflows):				
Capital projects	1,630,000	1,729,500	1,030,865	698,635
Interfund Transfers	-	-	-	-
Total Charges to Appropriations:	<u>1,630,000</u>	<u>1,729,500</u>	<u>1,030,865</u>	<u>698,635</u>
Budgetary Fund Balance, June 30	<u>\$ 5,432,234</u>	<u>\$ 6,079,394</u>	<u>\$ 7,034,819</u>	<u>\$ 955,425</u>

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

CITY OF FORT WRIGHT, KENTUCKY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Parks and Recreation Fund	Municipal Road Aid Fund	Dixie Kyles TIF Fund	Fire and EMS Fund	Asset Foreiture Fund	Ramlage Museum Fund	Total Non-Major Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 55,623	\$ 182,524	\$ 310,619	\$ 519,647	\$ -	\$ 5,886	\$ 1,074,299
Accounts Receivable	-	8,471	-	1,747	-	-	10,218
Due from Other Funds	-	-	2,737	-	-	-	2,737
Total Assets	<u>\$ 55,623</u>	<u>\$ 190,995</u>	<u>\$ 313,356</u>	<u>\$ 521,394</u>	<u>\$ -</u>	<u>\$ 5,886</u>	<u>\$ 1,087,254</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 97	\$ 28,121	\$ -	\$ 10,448	\$ -	\$ 1,803	\$ 40,469
Security Deposits	500	-	-	-	-	-	500
Deferred Revenue	800	-	-	-	-	-	800
Total Liabilities	<u>1,397</u>	<u>28,121</u>	<u>-</u>	<u>10,448</u>	<u>-</u>	<u>1,803</u>	<u>41,769</u>
Fund Balances							
Restricted	-	162,874	-	-	-	-	162,874
Committed	-	-	313,356	-	-	-	313,356
Assigned	54,226	-	-	510,946	-	4,083	569,255
Total Fund Balances	<u>54,226</u>	<u>162,874</u>	<u>313,356</u>	<u>510,946</u>	<u>-</u>	<u>4,083</u>	<u>1,045,485</u>
Total Liabilities and Fund Balances	<u>\$ 55,623</u>	<u>\$ 190,995</u>	<u>\$ 313,356</u>	<u>\$ 521,394</u>	<u>\$ -</u>	<u>\$ 5,886</u>	<u>\$ 1,087,254</u>

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

CITY OF FORT WRIGHT, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Parks and Recreation Fund	Municipal Road Aid Fund	Dixie Kyles TIF Fund	Fire and EMS Fund	Asset Forfeiture Fund	Museum Fund	Total Non-Major Governmental Funds
Revenues							
Charges for Service	\$ 7,700	\$ -	\$ -	\$ 169,814	\$ -	\$ 5,534	\$ 183,048
Uses of Money and Property	-	5,611	-	-	-	-	5,611
Grants and Contributions	-	108,651	34,345	-	-	4,683	147,679
Other Revenue	633	-	397	9,500	-	-	10,530
Total Revenues	8,333	114,262	34,742	179,314	-	10,217	346,868
Expenditures							
Current							
Parks and Recreation	16,033	-	-	-	-	-	16,033
Public Works	-	54,000	-	-	-	-	54,000
Fire / EMS	-	-	-	418,644	-	-	418,644
Museum Operations	-	-	-	-	-	11,134	11,134
Administration	15	12	15	19	-	-	61
Total Expenditures	16,048	54,012	15	418,663	-	11,134	499,872
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Sources	(7,715)	60,250	34,727	(239,349)	-	(917)	(153,004)
Other Financing Sources (Uses)							
Transfers In	-	-	120,581	-	-	5,000	125,581
Transfers Out	(5,000)	(625,000)	-	-	(3,423)	-	(633,423)
Total Other Financing Sources (Uses)	(5,000)	(625,000)	120,581	-	(3,423)	5,000	(507,842)
Excess (Deficit) of Revenues Over (Under) Expenditures	(12,715)	(564,750)	155,308	(239,349)	(3,423)	4,083	(660,846)
Fund Balances, Beginning of Year	66,941	727,624	158,048	750,295	3,423	-	1,706,331
Fund Balances, End of Year	\$ 54,226	\$ 162,874	\$ 313,356	\$ 510,946	\$ -	\$ 4,083	\$ 1,045,485

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
Members of Council
City of Fort Wright, 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 and each major fund of the City of Fort Wright, Kentucky as of June 30, 2020 and the related notes to the financial statements which collectively comprise the City of Fort Wright, Kentucky's financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered City of Fort Wright, 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 Wright, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fort Wright, 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 Wright, 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*.



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

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.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.

Erlanger, Kentucky

November 4, 2020