

CITY OF FORT WRIGHT, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

CITY OF FORT WRIGHT, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

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CITY OF FORT WRIGHT, KENTUCKY

CITY OFFICIALS

As of June 30, 2021

Mayor

David Hatter

Council Members

Dave Abeln

Adam Feinauer

Scott Wall

Jay Weber

Bernie Wessels

Margie Witt

City Administrator

Jill Cain Bailey

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, each major fund, and the aggregate remaining fund information of the City of Fort Wright, Kentucky, as of and for the year ended June 30, 2021, 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, each major fund, and the aggregate remaining fund information of the City of Fort Wright, Kentucky as of June 30, 2021, 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 39-43 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Ft. Wright, Kentucky's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The budgetary comparison schedule for the Capital Improvement Fund and the combining schedules for the minor funds on pages 44-46 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 2, 2021 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
November 2, 2021

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

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, 2021. Please read this analysis in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position is \$9,573,604.
- During the year, the City's net position increased \$1,122,333.
- 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 \$8,972,468 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 \$2,758,231 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 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, 2021

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 \$9,573,604 as of June 30, 2021. 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, 2021 and 2020:

Net Position	Governmental Activities	
	2021	2020
Current assets	\$ 10,282,365	\$ 10,324,017
Capital assets	8,717,041	6,166,482
Total assets	18,999,406	16,490,499
Deferred outflows of resources	3,254,418	2,869,934
Total assets and deferred outflows of resources	22,253,824	19,360,433
Current liabilities	611,018	672,652
Long-term liabilities	11,730,699	9,586,298
Total liabilities	12,341,717	10,258,950
Deferred inflows of resources	338,503	650,212
Total liabilities and deferred inflows of resources	12,680,220	10,909,162
Net investment in capital assets	8,717,041	6,166,482
Restricted-Municipal Road Aid	51,010	162,874
Unrestricted	805,553	2,121,915
Total Net Position	\$ 9,573,604	\$ 8,451,271

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2021

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 \$805,553 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 2021 and 2020:

Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 709,283	\$ 672,917
Operating grants	436,771	677,752
Capital grants	2,074,483	321,790
General revenues:		
Property taxes	1,914,351	1,912,503
Payroll license fees	2,978,359	2,880,200
Other licenses, fines	2,260	19,076
Investment income	5,388	57,107
Other	281,853	31,609
Total revenues	<u>8,402,748</u>	<u>6,572,954</u>
Expenses:		
General government	1,240,647	1,156,740
Police	2,094,723	2,215,982
Fire	2,618,603	1,974,341
Public works	1,307,916	1,702,708
Parks and recreation	18,526	27,182
Total expenses	<u>7,280,415</u>	<u>7,076,953</u>
Change in net position	1,122,333	(503,999)
Net position-Beginning	8,451,271	8,955,270
Net position-End of year	<u>\$ 9,573,604</u>	<u>\$ 8,451,271</u>

The City's net position increased by \$1,122,333 during the current fiscal year, and this increase includes both \$736,217 in non-cash depreciation expense and \$1,448,208 in non-cash actuarial pension expense. These expenses were offset by \$2,074,483 in capital grants.

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 \$2,367,621. This is available for spending for our citizens.

**CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2021**

The City has \$6,452,804 in committed funds designated for city capital improvements and Dixie Highway revitalization, as well as \$717,372 in assigned funds for Parks, Fire & EMS, and the James A. Ramage Civil War Museum. The also has \$51,010 in funds restricted for Municipal Road Aid use.

GENERAL FUND BUDGET HIGHLIGHTS

City Council passed an original budget for 2020-2021 and made one amendment to the budget. Amended General Fund revenues were \$155,107 less than the amount budgeted. Taxes were \$32,601 more than budget due to increased collections. License and permit revenues was \$222,609 more than budgeted because continuous payroll and gross receipts tax growth in the City. Intergovernmental revenue was \$396,463 less than budgeted due to receipt of CARES Act funds from the Commonwealth of Kentucky during the year being applied to the prior year expenses.

Actual expenditures were \$952,467 less than budgeted expenditures and \$797,360 less than revenues received. The most significant variances were in transfers to other funds, which were \$613,168 less than budgeted for transfer to the Capital Improvements Fund. Administration, Police, Fire and EMS, and Public Works spent less than the amended budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$8,717,041. The following table details the capital assets owned by the City in 2021 and 2020 and the corresponding change in capital assets in 2021:

Capital Assets	Governmental Activities	
	2021	2020
Land	\$ 1,523,000	\$ 1,523,000
Buildings	1,543,500	1,543,500
Infrastructure	26,952,460	24,222,677
Equipment	1,373,393	1,345,913
Vehicles	1,918,084	1,779,571
Subtotals	33,310,437	30,414,661
Accumulated depreciation	(24,593,396)	(24,248,179)
Net Capital Assets	<u>\$ 8,717,041</u>	<u>\$ 6,166,482</u>

This year's major additions and deletions included:	
Improvements to infrastructure	\$ 2,930,783
Disposal of infrastructure	(201,000)
Purchases of vehicles	328,513
Disposal of vehicles	(190,000)
Purchases of equipment	27,480
Net depreciation added	(345,217)
Net change in Net Capital Assets	<u>\$ 2,550,559</u>

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2021

Debt: At June 30, 2021 the City has no short or long-term debt.

The City's long-term debt, on the statement of net position, consists of the net unfunded pension and unfunded OPEB liabilities of \$8,972,468 and \$2,758,231, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2021 was a challenging year and the City continues to pay careful attention to the ongoing COVID-19 Pandemic, as well as, any further potential developments that may negatively impact residents, business owners, and our staff. Despite the ongoing health crisis, the City still has many positive things occurring that they are looking forward to in FY 21/22.

A few budget highlights include:

- A budgeted surplus at the end of this fiscal year.
- 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 has 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 last fiscal year. Maintaining the safety of our community is and will remain our highest priority.
- Purchased a new dump truck to assist with snow removal operations and other yearly public work projects, as well as rebranded the Public Works Department with a new logo for easy identification in the community.
- The City is focused on improvements to all park facilities in the community and have plans during FY 21/22 to replace all existing play infrastructure in Volunteer Park, along with creating plans for a reimagined recreational experience at Battery Hooper Park.

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, and City Council reduced the payroll tax to .99% in FY 20/21. As a result of our growth, the ongoing financial analysis and the current state of our finances, City Council voted to keep real and personal property tax rates the same for FY 21/22. This was a decrease from the calculated compensating rates. The waste collection rate will increase marginally to cover increased contractual expenses.

City Council implemented new investment and financial management policies and practices in FY 20/21. The objective was to have taxpayer dollars work for them safely while generating a higher return on investments than what was currently being obtained on bank deposits. Protecting the principal investment remains the number one priority and we continue to watch closely investments during these turbulent economic times.

The City is set to complete the Amsterdam Road Reconstruction effort which was a grant project involving the receipt of almost 3 million dollars in combined state and federal funding. These and other roadway projects in the City are necessary to continue to improve motor vehicle and pedestrian transportation and safety for everyone living in and passing through the Community.

CITY OF FORT WRIGHT, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2021

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

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, 2021
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	<u>Primary Government Governmental Activities</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 5,785,318
Investments	2,995,906
Receivables:	
Taxes	32,261
Intergovernmental	5,860
Accounts	1,463,020
Total Current Assets	<u>10,282,365</u>
Capital Assets, Net of Depreciation	<u>8,717,041</u>
Total Assets	18,999,406
Deferred Outflows of Resources	
Deferred outflows related to net pension and OPEB liabilities	<u>3,254,418</u>
Total Assets and Deferred Outflows of Resources	<u>22,253,824</u>
Liabilities	
Current Liabilities	
Accounts payable	387,254
Payroll related liabilities	223,164
Security deposits	600
Total Current Liabilities	<u>611,018</u>
Long Term Liabilities	
Net pension liability	8,972,468
Net OPEB liability	2,758,231
Total Long Term Liabilities	<u>11,730,699</u>
Total Liabilities	12,341,717
Deferred Inflows of Resources	
Deferred inflows related to net pension and OPEB liabilities	<u>338,503</u>
Total Liabilities and Deferred Inflows of Resources	<u>12,680,220</u>
Net Position	
Invested in capital assets, net of related debt	8,717,041
Restricted	51,010
Unrestricted	805,553
Total Net Position	<u>\$ 9,573,604</u>

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, 2021

Functions/Programs: Primary Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
					Primary Government Governmental Activities
Governmental Activities:					
General government	\$ 1,240,647	\$ 18,539	\$ -	\$ -	\$ (1,222,108)
Public safety - police	2,094,723	6,130	184,909	-	(1,903,684)
Public safety - fire / EMS	2,618,603	304,892	104,441	-	(2,209,270)
Public works	1,307,916	379,472	147,421	2,074,483	1,293,460
Parks and recreation	18,526	250	-	-	(18,276)
Total Primary Government	\$ 7,280,415	\$ 709,283	\$ 436,771	\$ 2,074,483	(4,059,878)
General Revenues:					
					1,914,351
					2,978,359
					2,260
					281,853
					5,388
					<u>5,182,211</u>
					1,122,333
					<u>8,451,271</u>
					<u>\$ 9,573,604</u>

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

CITY OF FORT WRIGHT, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2021

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,466,972	\$ 2,377,702	\$ 940,644	\$ 5,785,318
Investments	-	2,995,906	-	2,995,906
Receivables:				
Taxes	32,261	-	-	32,261
Intergovernmental	5,860	-	-	5,860
Accounts	470,283	964,523	28,214	1,463,020
Due from other funds	1,072	-	321,231	322,303
Total Assets	\$ 2,976,448	\$ 6,338,131	\$ 1,290,089	\$ 10,604,668
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 64,431	\$ 302,276	\$ 20,547	\$ 387,254
Payroll liabilities	223,164	-	-	223,164
Due to other funds	321,232	749	322	322,303
Deferred revenue	-	-	82,540	82,540
Escrow - security deposits	-	-	600	600
Total Liabilities	608,827	303,025	104,009	1,015,861
Fund Balances				
Restricted	-	-	51,010	51,010
Committed	-	6,035,106	417,698	6,452,804
Assigned	-	-	717,372	717,372
Unassigned	2,367,621	-	-	2,367,621
Total Fund Balances	2,367,621	6,035,106	1,186,080	9,588,807
Total Liabilities and Fund Balances	\$ 2,976,448	\$ 6,338,131	\$ 1,290,089	\$ 10,604,668

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

<p>CITY OF FORT WRIGHT, KENTUCKY RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2021</p>
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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet	\$ 9,588,807
Capital assets of \$33,310,437, less accumulated depreciation of (\$24,593,396), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,717,041
Other liabilities, consisting of revenue that are not available to be recognized in current-period revenues, are therefore deferred in the funds	82,540
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	2,121,178
Deferred outflows related to post-employment health insurance (OPEB)	1,133,240
Deferred inflows related to pension	(25,427)
Deferred inflows related to post-employment health insurance (OPEB)	(313,076)
Long-term liabilities, including net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.	
Net pension liability	(8,972,468)
Net post-employment health insurance (OPEB) liability	<u>(2,758,231)</u>
Net position of governmental activities	<u><u>\$ 9,573,604</u></u>

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, 2021

	General Fund	Capital Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,914,351	\$ -	\$ -	\$ 1,914,351
Licenses and permits	2,978,359	-	-	2,978,359
Intergovernmental	263,134	2,074,483	173,636	2,511,253
Charges for services	493,343	-	215,940	709,283
Fines and forfeitures	2,260	-	-	2,260
Uses of money and property	3,141	1,948	299	5,388
Other revenue	172,417	-	27,696	200,113
Total Revenues	<u>5,827,005</u>	<u>2,076,431</u>	<u>417,571</u>	<u>8,321,007</u>
Expenditures				
General government	1,141,192	-	-	1,141,192
Public safety - police	1,503,779	-	-	1,503,779
Public safety - fire / EMS	1,464,725	-	331,664	1,796,389
Public works	269,228	145,361	221,514	636,103
Parks and recreation	-	-	18,526	18,526
Capital outlay	355,993	2,930,783	-	3,286,776
Total Expenditures	<u>4,734,917</u>	<u>3,076,144</u>	<u>571,704</u>	<u>8,382,765</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>1,092,088</u>	<u>(999,713)</u>	<u>(154,133)</u>	<u>(61,758)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	294,728	294,728
Transfers out	(294,728)	-	-	(294,728)
Total Other Financing Sources (Uses)	<u>(294,728)</u>	<u>-</u>	<u>294,728</u>	<u>-</u>
Change in Fund Balances	797,360	(999,713)	140,595	(61,758)
Fund Balances - Beginning	<u>1,570,261</u>	<u>7,034,819</u>	<u>1,045,485</u>	<u>9,650,565</u>
Fund Balances - Ending	<u>\$ 2,367,621</u>	<u>\$ 6,035,106</u>	<u>\$ 1,186,080</u>	<u>\$ 9,588,807</u>

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

<p>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, 2021</p>

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

Net change in fund balance - total governmental funds \$ (61,758)

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	\$ 3,286,776	
Depreciation expense	(736,217)	
Net loss on disposal	<u>-</u>	2,550,559

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. 81,740

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	(1,136,056)
Costs of post-employment health insurance benefits (OPEB) earned	<u>(312,152)</u>

Change in net position of governmental activities \$ 1,122,333

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, 2021

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 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, 2021

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.

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.
- *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, 2021

Modified Accrual – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Property taxes, license fees, interest, and other revenues associated with current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government. No allowance for doubtful accounts is required for any receivables as of June 30, 2021.

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

INVESTMENTS – In accordance with Government Accounting Standards Board Statement No. 72, investments held at June 30, 2021 are measured using quoted market prices in an active market for identical investments and/or using significant other observable inputs.

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, 2021, were \$0.265 per \$100 valuation for real property and \$.409 per \$100 valuation for personal property. The assessed value of property on which the levy for 2020 was based was \$582,718,000 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.

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

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”.

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.

CITY OF FT. WRIGHT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

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

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

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

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

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

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

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

CITY OF FT. WRIGHT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

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, 2021. 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, 2021.

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by June 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 cash deposits at June 30, 2021, 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, 2021 was \$5,785,318. 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.

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are fair market value at the end of the year; Level 3 inputs are significant unobservable inputs.

As of June 30, 2021, the City had the following recurring fair value measurements:

	June 30, 2021	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3
Money market	\$ 679,450	\$ 679,450	\$ -	\$ -
Government obligations	2,114,583	-	2,114,583	-
Municipal bonds	201,873	-	201,873	-
Total fair value	<u>\$ 2,995,906</u>	<u>\$ 679,450</u>	<u>\$ 2,316,456</u>	<u>\$ -</u>

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

Credit risk. State law limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments. The City’s investment policy limits its authorized investment instruments in these investments to one of the top three highest rated categories by a nationally rated agency. As of June 30, 2021, the City’s investment in government obligations and municipal bonds were rated Aaa by Moody’s and AA+ by Standard & Poor’s.

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

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

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for governmental activities for the year ended June 30, 2021 is as follows:

	June 30, 2020	Additions	Retirements	June 30, 2021
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	24,222,677	2,930,783	(201,000)	26,952,460
Vehicles	1,779,571	328,513	(190,000)	1,918,084
Equipment	1,345,913	27,480	-	1,373,393
Subtotal	<u>28,891,661</u>	<u>3,286,776</u>	<u>(391,000)</u>	<u>31,787,437</u>
Accumulated depreciation				
Buildings	(1,150,154)	(45,150)	-	(1,195,304)
Infrastructure	(20,619,146)	(579,960)	201,000	(20,998,106)
Vehicles	(1,277,559)	(91,404)	190,000	(1,178,963)
Equipment	(1,201,320)	(19,703)	-	(1,221,023)
Subtotal	<u>(24,248,179)</u>	<u>(736,217)</u>	<u>391,000</u>	<u>(24,593,396)</u>
Other capital assets, less depreciation	<u>4,643,482</u>	<u>2,550,559</u>	<u>-</u>	<u>7,194,041</u>
Capital assets, net	<u>\$ 6,166,482</u>	<u>\$ 2,550,559</u>	<u>\$ -</u>	<u>\$ 8,717,041</u>

Depreciation was charged to the following governmental activities:

Activity	Depreciation
Administration	\$ 11,688
Police	41,814
Fire / EMS	81,049
Infrastructure - Public Works	579,960
Public Works	21,706
Current year governmental activity depreciation expense	<u>\$ 736,217</u>

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

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

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 TRANSFERS

The following interfund transfers occurred for the year ended June 30, 2021:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 294,728
Parks Fund	225,500	-
Dixie Kyles TIF Fund	69,228	-
	\$ 294,728	\$ 294,728

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, 2021, consist of the following:

	General Fund	Capital Improvement Fund	Minor Funds	Total
Restricted	\$ -	\$ -	\$ 51,010	\$ 51,010
Committed	-	6,035,106	417,698	6,452,804
Assigned	-	-	717,372	717,372
Unassigned	2,367,621	-	-	2,367,621
Total Fund Balance	\$ 2,367,621	\$ 6,035,106	\$ 1,186,080	\$ 9,588,807

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 Statue (“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 both *Non-Hazardous* and *Hazardous* duty employees.

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

Membership in CERS consisted of the following at June 30, 2020:

	Non-Hazardous		Non-Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	81,506	81,147	9,474	9,470
Inactive Plan Members	91,543	29,362	3,422	856
Retired Members	64,539	36,371	10,023	6,853
	<u>237,588</u>	<u>146,880</u>	<u>22,919</u>	<u>17,179</u>
Number of participating employers		<u>1,139</u>		<u>266</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

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.

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

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

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

Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Hazardous 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 or 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:

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

CITY OF FT. WRIGHT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

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, 2021.

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 \$96,734, of which \$77,596 was for the pension fund and \$19,138 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 \$739,500, of which \$561,632 was for the pension fund and \$177,869 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, 2021, the City reported a liability of \$8,972,468 as its proportionate share of the net pension liability (\$1,085,063 for the non-hazardous plan and \$7,887,405 for the hazardous duty plan) The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2020 measurement year, the City's non-hazardous employer allocation proportion was 0.0142% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.2616% of the total CERS hazardous duty employees. For the year ended June 30, 2021, the City recognized a pension expense of \$1,136,056 addition to its \$639,228 pension contribution.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 27,058	\$ -	\$ 244,619	\$ -	\$ 271,677	\$ -
Net difference between projected and actual earnings on plan investments	27,152	-	177,685	-	204,837	-
Changes of assumptions	42,370	-	299,135	-	341,505	-
Changes in proportion and differences between contributions and proportionate share of contributions	87,588	(25,371)	576,343	(56)	663,931	(25,427)
Contributions subsequent to the measurement date	77,596	-	561,632	-	639,228	-
	<u>\$ 261,764</u>	<u>\$ (25,371)</u>	<u>\$ 1,859,414</u>	<u>\$ (56)</u>	<u>\$ 2,121,178</u>	<u>\$ (25,427)</u>

The City's contributions subsequent to the measurement date of \$639,228 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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
2021	\$ 634,431
2022	398,075
2023	271,624
2024	152,393
2025	-
Thereafter	-
	<u>\$ 1,456,523</u>

CITY OF FT. WRIGHT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

Actuarial Assumptions

The total pension liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.05-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2019.

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.

CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	100.00%	6.26%

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 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	\$ 1,338,119	\$ 1,085,063	\$ 875,523
Hazardous	9,747,709	7,887,405	6,368,905
Total	11,085,828	8,972,468	7,244,428

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.

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

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

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

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

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.

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

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

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

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

Contributions

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 for the year ended June 30, 2021, 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 \$19,138 for non-hazardous duty employees and \$177,869 for hazardous duty employees for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$2,758,231 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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,

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

actuarially determined. At the June 30, 2020 measurement date, the City's proportion of the non-hazardous plan was 0.0142% and the hazardous plan was 0.2616%.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$312,151 in addition to its \$197,006 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	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 57,059	\$ (57,104)	\$ 82,932	\$ (241,336)	\$ 139,991	\$ (298,440)
Net difference between projected and actual earnings on plan investments	11,351	-	107,278	-	118,629	-
Changes of assumptions	59,403	(361)	394,259	(2,227)	453,662	(2,588)
Changes in proportion and differences between contributions and proportionate share of contributions	46,855	(10,002)	177,097	(2,046)	223,952	(12,048)
Contributions subsequent to the measurement date	19,138	-	177,869	-	197,007	-
	<u>\$ 193,806</u>	<u>\$ (67,467)</u>	<u>\$ 939,435</u>	<u>\$ (245,609)</u>	<u>\$ 1,133,241</u>	<u>\$ (313,076)</u>

The City's contributions subsequent to the measurement date, \$197,007 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 169,225
2022	112,856
2023	147,866
2024	130,900
2025	62,311
Thereafter	-
	<u>\$ 623,158</u>

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2020, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set-back 1 year for females)
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.68% to 5.34% for the non-hazardous plan and from 5.69% to 5.30% for the hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 74 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

CITY OF FT. WRIGHT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

Discount Rate

The discount rate used to measure the total OPEB liability was 5.34% for the non-hazardous plan and 5.30% 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.

Plan Target Allocation

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

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	18.75%	4.50%
Non-US equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	3.90%
Core bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	15.00%	3.95%
Total	100.00%	6.26%

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 5.34% for the non-hazardous plan and 5.30% for the hazardous plan, as well as what the proportionate share of the net pension 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	4.34%	5.34%	6.34%
Net OPEB liability, Non-Haz	\$ 438,741	\$ 341,510	\$ 261,652
Discount Rate, Hazardous	4.30%	5.30%	6.30%
Net OPEB liability, Haz	\$ 3,280,636	\$ 2,416,721	\$ 20,581
Total	\$ 3,719,377	\$ 2,758,231	\$ 282,233

<p>CITY OF FT. WRIGHT, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021</p>

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	\$ 264,414	\$ 341,510	\$ 435,068
Net OPEB liability, hazardous	1,727,060	2,416,721	3,264,600
Total	\$ 1,991,474	\$ 2,758,231	\$ 3,699,668

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. \$417,698 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 \$52,165 in 2021 and will remain in effect until 2026.

CITY OF FT. WRIGHT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

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. In March 2021, the 2008 Industrial Building Revenue Bond had an outstanding balloon principal payment due of \$1,911,882, and the Bond was paid in full.

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, 2021, the 2020 Industrial Building Revenue Refunding Bond had an outstanding principal amount totaling \$765,803.

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 2021-22 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 was approved for \$129,345 in additional 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 an intergovernmental revenue at June 30, 2021.

CITY OF FT. WRIGHT, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2021

NOTE N – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

NOTE O – FUTURE ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

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 2, 2021, the date on which the financial statements were available for issue. The City had one event, subsequent to June 30, 2021 through November 2, 2021, to disclose.

The City received its portion of the Federally funded American Recovery Plan Act (ARPA) grant in the amount of \$743,860 in July 2021. These funds are designated for specific uses, and any amount unused by December 31, 2024, will need to be returned.

CITY OF FORT WRIGHT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ -	\$ -	\$ 1,570,261	\$ 1,570,261
Resources (inflows):				
Taxes	1,856,750	1,881,750	1,914,351	32,601
Licenses and permits	2,653,250	2,755,750	2,978,359	222,609
Fines and forfeitures	250	2,315	2,260	(55)
Uses of money and property	50,000	2,750	3,141	391
Intergovernmental	112,125	659,597	263,134	(396,463)
Charges for services	469,150	485,775	493,343	7,568
Other revenues	13,000	194,175	172,417	(21,758)
Interfund transfers	-	-	-	-
Amounts Available for Appropriation	5,154,525	5,982,112	7,397,266	1,415,154
Charges to Appropriations (outflows):				
Administration	1,121,311	1,197,961	1,141,192	56,769
Police	1,702,305	1,732,050	1,587,287	144,763
Fire/EMS	1,428,158	1,797,708	1,715,210	82,498
Public works	347,021	346,497	291,228	55,269
Interfund transfers	-	907,896	294,728	613,168
Total Charges to Appropriations:	4,598,795	5,982,112	5,029,645	952,467
Budgetary Fund Balance, June 30	\$ 555,730	\$ -	\$ 2,367,621	\$ 2,367,621

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

Budgetary Fund Balance	\$ 2,367,621
Adjustments	-
	<u>\$ 2,367,621</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, 2021

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.0142%	0.0148%	0.0110%	1.0670%	0.0130%	0.0380%	0.0140%			
Proportionate share of the net pension liability (asset)	\$ 1,085,063	\$ 1,039,625	\$ 672,187	\$ 623,787	\$ 655,804	\$ 588,586	\$ 452,000			
Covered payroll in year of measurement	\$ 369,748	\$ 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	293.46%	239.21%	154.35%	199.78%	242.66%	169.53%	141.49%			
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 77,596	\$ 71,361	\$ 70,493	\$ 63,060	\$ 43,557	\$ 33,565	\$ 44,267	\$ 43,893		
Actual contribution	77,596	71,361	70,493	63,060	43,557	33,565	44,267	\$ 43,893		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 402,053	\$ 369,748	\$ 434,605	\$ 435,498	\$ 312,237	\$ 270,250	\$ 347,192	\$ 319,456		
Contributions as a percentage of employee payroll	19.30%	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, 2021

The net pension liability as of June 30, 2021, is based on the June 30, 2020, 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, 2021

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.2616%	0.2370%	0.2250%	0.2245%	0.2160%	0.2050%	0.2140%			
Proportionate share of the net pension liability (asset)	\$ 7,887,405	\$ 6,545,342	\$ 5,442,060	\$ 5,023,071	\$ 3,712,105	\$ 3,157,084	\$ 2,577,000			
Covered payroll in year of measurement	\$ 1,704,697	\$ 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	462.69%	454.88%	383.15%	356.63%	343.21%	282.48%	237.08%			
Plan fiduciary net position as a percentage of total pension liability	44.11%	46.63%	49.26%	49.80%	57.52%	53.95%	63.46%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 561,632	\$ 512,432	\$ 357,716	\$ 315,317	\$ 305,780	\$ 219,129	\$ 256,496	\$ 236,639		
Actual contribution	561,632	512,432	357,716	315,317	305,780	219,129	256,496	236,639		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	\$ 1,868,368	\$ 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%	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, 2021

The net pension liability as of June 30, 2021, is based on the June 30, 2020, 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, 2021****Schedule of the City's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.0141%	0.0148%	0.0110%	0.0107%						
Proportionate share of the net OPEB liability (asset)	\$ 341,510	\$ 248,559	\$ 195,960	\$ 214,242						
Covered payroll in year of measurement	\$ 369,748	\$ 434,605	\$ 435,498	\$ 312,238						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	92.36%	57.19%	45.00%	66.61%						
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	57.62%	52.40%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 19,138	\$ 17,600	\$ 22,860	\$ 20,468	\$ 14,769					
Actual contribution	19,138	17,600	22,860	20,468	14,769					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	\$ 402,053	\$ 369,748	\$ 434,605	\$ 435,498	\$ 312,238					
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%					

**Notes to Required Supplementary Information
for the Year Ended June 30, 2021**

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, 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, 2021

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.2615%	0.2369%	0.2250%	0.2245%						
Proportionate share of the net OPEB liability (asset)	\$ 2,416,721	\$ 1,752,772	\$ 1,604,408	\$ 1,856,018						
Covered payroll in year of measurement	\$ 1,704,697	\$ 1,438,920	\$ 1,420,348	\$ 1,408,474						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	141.77%	121.81%	112.96%	131.78%						
Plan fiduciary net position as a percentage of total liability	58.84%	64.44%	64.24%	59.00%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 177,869	\$ 162,287	\$ 150,655	\$ 132,803	\$ 131,692					
Actual contribution	177,869	162,287	150,655	132,803	131,692					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	\$ 1,868,368	\$ 1,704,697	\$ 1,438,920	\$ 1,420,348	\$ 1,408,474					
Contributions as a percentage of covered payroll	9.52%	9.52%	10.47%	9.35%	9.35%					

**Notes to Required Supplementary Information
for the Year Ended June 30, 2021**

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, 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, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	\$ 7,025,775	\$ 7,034,819	\$ 7,034,819	\$ -
Resources (inflows):				
Intergovernmental	500,000	1,048,500	2,074,483	1,025,983
Uses of money and property	-	5,200	1,948	(3,252)
Interfund transfers	555,730	2,237,658	-	(2,237,658)
Amounts Available for Appropriation	<u>8,081,505</u>	<u>10,326,177</u>	<u>9,111,250</u>	<u>(1,214,927)</u>
Charges to Appropriations (outflows):				
Capital projects	2,029,000	3,581,500	3,076,144	505,356
Interfund transfers	-	-	-	-
Total Charges to Appropriations:	<u>2,029,000</u>	<u>3,581,500</u>	<u>3,076,144</u>	<u>505,356</u>
Budgetary Fund Balance, June 30	<u>\$ 6,052,505</u>	<u>\$ 6,744,677</u>	<u>\$ 6,035,106</u>	<u>\$ (709,571)</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, 2021

	Parks and Recreation Fund	Municipal Road Aid Fund	Dixie Kyles TIF Fund	Fire and EMS Fund	Ramlage Museum Fund	Total Non-Major Governmental Funds
Assets						
Cash and cash equivalents	\$ 44,485	\$ 127,417	\$ 324,509	\$ 430,872	\$ 13,361	\$ 940,644
Accounts receivable	-	12,576	-	15,638	-	28,214
Due from other funds	225,500	-	93,189	2,542	-	321,231
Total Assets	\$ 269,985	\$ 139,993	\$ 417,698	\$ 449,052	\$ 13,361	\$ 1,290,089
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 220	\$ 6,443	\$ -	\$ 13,763	\$ 121	\$ 20,547
Security deposits	600	-	-	-	-	600
Due to other funds	10	-	-	-	312	322
Deferred revenue	-	82,540	-	-	-	82,540
Total Liabilities	830	88,983	-	13,763	433	104,009
Fund Balances						
Restricted	-	51,010	-	-	-	51,010
Committed	-	-	417,698	-	-	417,698
Assigned	269,155	-	-	435,289	12,928	717,372
Total Fund Balances	269,155	51,010	417,698	435,289	12,928	1,186,080
Total Liabilities and Fund Balances	\$ 269,985	\$ 139,993	\$ 417,698	\$ 449,052	\$ 13,361	\$ 1,290,089

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, 2021

	Parks and Recreation Fund	Municipal Road Aid Fund	Dixie Kyles TIF Fund	Fire and EMS Fund	Ramlage Museum Fund	Total Non-Major Governmental Funds
Revenues						
Charges for services	\$ 250	\$ -	\$ -	\$ 211,549	\$ 4,141	\$ 215,940
Uses of money and property	-	84	215	-	-	299
Intergovernmental grants	-	109,566	34,802	29,268	-	173,636
Other revenue	19	-	97	15,190	12,390	27,696
Total Revenues	<u>269</u>	<u>109,650</u>	<u>35,114</u>	<u>256,007</u>	<u>16,531</u>	<u>417,571</u>
Expenditures						
Current						
Parks and recreation	10,840	-	-	-	-	10,840
Public works	-	221,514	-	-	-	221,514
Fire / EMS	-	-	-	331,664	-	331,664
Museum operations	-	-	-	-	7,686	7,686
Administration	-	-	-	-	-	-
Total Expenditures	<u>10,840</u>	<u>221,514</u>	<u>-</u>	<u>331,664</u>	<u>7,686</u>	<u>571,704</u>
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Sources	<u>(10,571)</u>	<u>(111,864)</u>	<u>35,114</u>	<u>(75,657)</u>	<u>8,845</u>	<u>(154,133)</u>
Other Financing Sources (Uses)						
Transfers in	225,500	-	69,228	-	-	294,728
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>225,500</u>	<u>-</u>	<u>69,228</u>	<u>-</u>	<u>-</u>	<u>294,728</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	214,929	(111,864)	104,342	(75,657)	8,845	140,595
Fund Balances, Beginning of Year	54,226	162,874	313,356	510,946	4,083	1,045,485
Fund Balances, End of Year	<u>\$ 269,155</u>	<u>\$ 51,010</u>	<u>\$ 417,698</u>	<u>\$ 435,289</u>	<u>\$ 12,928</u>	<u>\$ 1,186,080</u>

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

CITY OF FORT WRIGHT, KENTUCKY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2021
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Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Contract Number	Expenditures
<u>U.S. Department of Transportation</u>			
<i>Passed through the Kentucky Department for Transportation and the Ohio-Kentucky-Indiana Regional Council of Governments (OKI) - Surface Transportation Program for Northern Kentucky (SNK)</i>			
Highway Planning and Construction	20.205	06-00438.00	\$ 1,969,925
<u>U.S. Department of the Treasury</u>			
<i>Passed through the Kentucky Department for Local Government</i>			
Coronavirus Relief Funds for States	21.019	C081	<u>129,345</u>
Total Federal Financial Assistance			<u><u>\$ 2,099,270</u></u>

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards includes federal grant activity of the City of Fort Wright, Kentucky. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position or activities of the City.

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Subrecipients

There are no subrecipients for these awards.

<p>CITY OF FORT WRIGHT, KENTUCKY SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2021</p>
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I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes x No
- Significant deficiencies identified? _____ Yes x None reported

Noncompliance material to financial statements noted

_____ Yes x No

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? _____ Yes x No
- Significant deficiencies identified? _____ Yes x None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200. 516(a)

_____ Yes x No

Identification of major programs:

Federal Program or Cluster

CFDA Number

Highway Planning & Construction

20.205

*Passed Through the Commonwealth of Kentucky
Department for Transportation and OKI*

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

II. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported

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

No matters were reported

CITY OF FORT WRIGHT, KENTUCKY
Schedule of Prior Year Audit Findings and Questioned Costs
Prior Year Ended June 30, 2020

NO UNIFORM GUIDANCE AUDIT REQUIRED IN FY 2020
NO AUDIT FINDINGS

**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, 2021 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 2, 2021.

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*.

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
November 2, 2021

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

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

Report on Compliance for Each Major Program

We have audited the City of Fort Wright, Kentucky's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Fort Wright, Kentucky's major federal programs for the year ended June 30, 2021. City of Fort Wright, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The City of Fort Wright, Kentucky's management is responsible for the compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Fort Wright, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

November 2, 2021