

CITY OF FORT THOMAS, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2024

DRAFT

CITY OF FORT THOMAS, KENTUCKY
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2024

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CITY OF FORT THOMAS, KENTUCKY

CITY OFFICIALS

As of June 30, 2024

Mayor

Eric Haas

Council Members

Jeff Bezold

Adam Blau

Andy Ellison

Lauren McIntosh

Ben Pendery

Eric Strange

City Administrator

Matt Kremer

INDEPENDENT AUDITOR'S REPORT

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

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Thomas, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Fort Thomas, Kentucky's basic financial statements as listed in the table of contents.

Qualified Opinion on the General Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the City of Fort Thomas, Kentucky, as of June 30, 2024, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the governmental activities, business-type activities (Internal Service Fund), the major fund (Central Business District Fund), the aggregate remaining fund information (KDOT/Public Works Fund, Debt Service Fund, the Waste Fee Fund, and the Police and Firemen's Pension Plan).

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of the City of Fort Thomas, Kentucky, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to the Qualified Opinion on the General Fund

Management has not appropriately segregated and reconciled cash accounts in the General Fund and, accordingly, has not reduced the risk of material misstatement of cash to a tolerable level. Accounting principles generally accepted in the United States of America require cash accounts be accurately and timely reconciled each month. The amount by which this unreconciled departure could affect assets of the General Fund has been determined to be \$322,498. Prior period adjustments have been made to write down General Fund cash by \$322,498 effective June 30, 2024.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Thomas, Kentucky's basic financial statements. The combining minor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining minor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25 2025, on our consideration of the City of Fort Thomas, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fort Thomas, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fort Thomas, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky

August 25, 2025

**CITY OF FORT THOMAS, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended June 30, 2024**

Our discussion and analysis of the City of Ft. Thomas, Kentucky's financial performance provides an overview and analysis of the City's financial activities during the fiscal year ended June 30, 2024. Please read this analysis in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position at June 30, 2024 was \$14,552,821.
- During the year, the City's net position increased by \$2,427,520. This amount consists of a \$4,240,165 increase in net position net of a \$1,812,645 decrease from adjustments made to the prior period fund balance. The net position increased \$2,347,080 in the prior year.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$14,758,119. This total represents a decrease of \$3,960,738, which included \$1,812,645 in adjustments from prior fiscal years.
- At the close of the fiscal year, the fund balance for the City's General Fund was \$13,548,563, a \$3,739,078 decrease, which included \$1,152,645 adjustments from prior fiscal years.

USING THIS ANNUAL REPORT

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

REPORTING THE CITY AS A WHOLE

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources

CITY OF FORT THOMAS, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024

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

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

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Ft. Thomas, Kentucky, assets and deferred outflows exceeded liabilities and deferred inflows by \$14,552,821 as of June 30, 2024. 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, 2024 and 2023:

| Net Position | Governmental Activities | |
|---|--------------------------------|----------------------------|
| | 2024 | (Restated) 2023 |
| Current assets | \$ 20,553,596 | \$ 21,236,039 |
| Capital assets | 32,099,465 | 28,265,863 |
| Total assets | 52,653,061 | 49,501,902 |
| Deferred outflows of resources | 4,363,811 | 9,143,421 |
| Total assets and deferred outflows of resources | 57,016,872 | 58,645,323 |
| Current liabilities | 2,814,917 | 971,341 |
| Long-term liabilities | 29,776,683 | 40,794,722 |
| Total liabilities | 32,591,600 | 41,766,063 |
| Deferred inflows of resources | 9,872,451 | 6,566,604 |
| Total liabilities and deferred inflows of resources | 42,464,051 | 48,332,667 |
| Net investment in capital assets | 23,358,375 | 19,023,363 |
| Restricted | 839,394 | 790,110 |
| Unrestricted | (9,644,948) | (9,500,817) |
| Total Net Position | <u>\$ 14,552,821</u> | <u>\$ 10,312,656</u> |

CITY OF FORT THOMAS, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024

A portion of the City's net position, \$839,394, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of (\$9,644,948) may be used to meet the government's ongoing obligations to citizens and creditors. This unrestricted fund balance is in a negative position due, in part, to the large balance of net pension and OPEB liabilities the City carries on its employees.

The following is a comparison of the change in net position for 2024 and 2023:

Changes in Net Position

| | Governmental Activities | |
|-----------------------------|--------------------------------|----------------------------|
| | 2024 | (Restated) 2023 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 2,177,680 | \$ 1,899,137 |
| Operating grants | 745,880 | 590,937 |
| Capital grants | 701,500 | 340,621 |
| General revenues: | | |
| Property and other taxes | 7,854,575 | 7,020,584 |
| Licenses and permits | 9,100,742 | 8,334,895 |
| Fines and forfeitures | 79,447 | 67,210 |
| Investment income | 517,209 | 145,254 |
| Other | 692,674 | 1,968,473 |
| Total revenues | <u>21,869,707</u> | <u>20,367,111</u> |
| Expenses: | | |
| General government | 2,162,312 | 2,525,464 |
| Police | 5,019,924 | 5,219,806 |
| Fire | 5,327,510 | 4,429,202 |
| Public works | 4,192,654 | 4,489,966 |
| Parks and recreation | 898,164 | 1,041,499 |
| Interest expense | 301,131 | 314,094 |
| Unallocated depreciation | 1,776,148 | - |
| Unallocated pension expense | (2,048,301) | - |
| Total expenses | <u>17,629,542</u> | <u>18,020,031</u> |
| Change in net position | 4,240,165 | 2,347,080 |
| Net position-Beginning | 10,312,656 | 9,778,221 |
| Adjustments - Note M | - | (1,812,645) |
| Net position-End of year | <u>\$ 14,552,821</u> | <u>\$ 10,312,656</u> |

The City's net position increased by \$4,240,165 during the current fiscal year; this increase includes both \$1,776,148 in non-cash depreciation expense and \$2,048,301 in non-cash actuarial pension income. These expenses were partially offset by \$700,000 in capital ARPA grants recognized during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

CITY OF FORT THOMAS, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024

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 \$13,413,673. This is available for spending for our citizens.

The City has \$839,394 in funds restricted for KDOT/Municipal Road Aid use. The City also has \$392,918 in assigned funds designated for City's debt service and the City's waste fees. The City's Central Business District Fund is normally committed for development projects in the Central Business District; however, this fund balance is negative in fiscal year 2024, and the balance is therefore unassigned per the rules of governmental financial statement disclosure.

GENERAL FUND BUDGET HIGHLIGHTS

City Council passed the original budget for 2023-2024 and made one amendment to the budget. Actual General Fund revenues were \$1,398,690 less than the amended budgeted revenues, mainly due to \$4,501,219 of interfund transfers that were budgeted, but not made. Licenses and permits were \$2,168,72 more than budgeted due to increased payroll tax growth in the City. Intergovernmental revenue was \$667,772 more than budgeted due to the recognition of \$700,000 in ARPA revenues.

Actual expenditures were \$1,070,096 more than budgeted expenditures and \$2,586,433 more than revenues received. The most significant variances were for capital expenditures (\$984,150 over budget), interfund transfers (\$323,360 over budget), and Police (\$50,937 over budget).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental activities as of June 30, 2024, amounts to \$32,099,465. The following table details the capital assets owned by the City in 2024 and 2023 and the corresponding change in capital assets in 2024:

| | Governmental Activities | |
|--------------------------|--------------------------------|----------------------|
| | 2024 | 2023 |
| Land | \$ 1,327,654 | \$ 1,327,654 |
| Construction in progress | 3,571,487 | 10,418,113 |
| Buildings | 10,369,370 | 3,952,347 |
| Infrastructure | 35,701,006 | 30,220,019 |
| Equipment | 3,920,750 | 3,730,287 |
| Vehicles | 3,893,485 | 3,682,727 |
| Subtotals | 58,783,752 | 53,331,147 |
| Accumulated depreciation | (26,684,287) | (25,065,284) |
| Net Capital Assets | <u>\$ 32,099,465</u> | <u>\$ 28,265,863</u> |

This year's major additions and deletions included:

| | |
|---------------------------------------|---------------------|
| Buidling improvements | \$ 6,417,023 |
| Infrastructure additions | 5,480,987 |
| Vehicle additions, net of deletions | 190,463 |
| Equipment additions, net of deletions | 210,758 |
| Net change in CIP | (6,846,626) |
| Net depreciation added | (1,619,003) |
| Net change in Net Capital Assets | <u>\$ 3,833,602</u> |

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

CITY OF FORT THOMAS, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024

Debt – The City’s total long-term debt for governmental activities decreased by \$10,520,669 during the fiscal year. At the end of the fiscal year ended June 30, 2024, the City had \$30,284,757 in total debt. The following table details the balances of debt for fiscal year 2024 and 2023:

| | Governmental Activities | |
|-----------------------|------------------------------------|----------------------|
| | 2024 | 2023 |
| Lease payable - 2020F | \$ 8,846,250 | \$ 9,242,500 |
| Compensated absences | 296,721 | 286,017 |
| Net pension liability | 20,418,495 | 24,470,083 |
| Net OPEB liability | 723,291 | 6,796,122 |
| | \$ 30,284,757 | \$ 40,794,722 |

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

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

GASB No. 68 - Accounting and Financial Reporting for Pensions - requires the City to record its proportionate share of the County Employees’ Retirement System (CERS) net pension liability. The City has recorded a net pension liability of \$20,418,495 as well as related deferred outflows and inflows of resources as a result of this standard.

GASB No. 75 - Accounting and Financial Reporting for Other Post-Employment Health Insurance Benefits (OPEB) - requires the City to record its proportionate share of the County Employees’ Retirement System (CERS) net OPEB liability. The City has recorded a net OPEB liability of \$723,291 as well as related deferred outflows and inflows of resources as a result of this standard.

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

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

During the budget planning for FY 2025, revenue projections remained conservative. The budgeted expenditures continue to build on the progress the City has set in advancing economic growth, public safety, community parks and the delivery of city services that enhance our residents’ quality of life. In addition to maintaining the City’s financial stability for FY 2025, the City continues to focused on two primary objectives: Employee recruitment/retention and continuing to rebuild and improve public infrastructure.

Significant projects budgeted for fiscal year 2025 include the following:

- The final construction phase of the upgrades for Tower Park including construction of pickleball courts, upgrades to the tennis courts, and upgrades to the soccer complex;
- Over \$1,600,000 for improving city streets and infrastructure;
- Over \$1,800,000 in fire department vehicles, including a new aerial truck and a new ambulance;
- Over \$270,000 in police vehicles and equipment, including three new cruisers;
- Over \$350,000 in general services/streets for capital vehicle upgrades.

CITY OF FORT THOMAS, KENTUCKY
MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)
For the Year Ended June 30, 2024

The City's unassigned General Fund balance has grown to a very healthy balance of \$13,436,429. The City has developed a team-oriented management approach which has allowed for close control and effective use of our taxpayers' dollars.

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

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

The City's elected officials and management team remain confident in the City's high level of service delivery to our citizens and believe our business community will continue to grow through fiscal year 2025 and for many years beyond.

REQUESTS FOR INFORMATION

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

CITY OF FORT THOMAS, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2024

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|---|---|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 16,558,018 |
| Investments | 647,609 |
| Receivables: | |
| Taxes | 2,247,675 |
| Intergovernmental | 21,631 |
| Accounts | 116,529 |
| Notes receivable | 850,000 |
| Prepaid expenses | 112,134 |
| Total Current Assets | <u>20,553,596</u> |
| Capital Assets, Net of Depreciation | <u>32,099,465</u> |
| Total Assets | <u>52,653,061</u> |
| Deferred Outflows of Resources | |
| Deferred charges on debt issuance | 105,160 |
| Deferred outflows related to net pension and OPEB liabilities | 4,258,651 |
| Total Deferred Outflows of Resources | <u>4,363,811</u> |
| Total Assets and Deferred Outflows of Resources | <u>57,016,872</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | 1,633,691 |
| Payroll related liabilities | 673,152 |
| Current portion of bonds payable | 409,167 |
| Current portion of compensated absences | 98,907 |
| Total Current Liabilities | <u>2,814,917</u> |
| Long Term Liabilities | |
| Compensated absences | 197,814 |
| Bonds payable | 8,437,083 |
| Net pension liability | 20,418,495 |
| Net OPEB liability | 723,291 |
| Total Long Term Liabilities | <u>29,776,683</u> |
| Total Liabilities | <u>32,591,600</u> |
| Deferred Inflows of Resources | |
| Deferred inflows related to net pension and OPEB liabilities | <u>9,872,451</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>42,464,051</u> |
| Net Position | |
| Invested in capital assets, net of related debt | 23,358,375 |
| Restricted | 839,394 |
| Unrestricted | <u>(9,644,948)</u> |
| Total Net Position | <u>\$ 14,552,821</u> |

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

CITY OF FORT THOMAS, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

| 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 | \$ 2,162,312 | \$ 386,860 | \$ - | \$ - | \$ | (1,775,452) |
| Public safety - police | 5,019,924 | - | 156,987 | - | | (4,862,937) |
| Public safety - fire / EMS | 5,327,510 | 413,080 | 121,785 | - | | (4,792,645) |
| Public works | 4,192,654 | 1,286,244 | 467,108 | 701,500 | | (1,737,802) |
| Parks and recreation | 898,164 | 91,496 | - | - | | (806,668) |
| Interest expense | 301,131 | - | - | - | | (301,131) |
| Unallocated depreciation | 1,776,148 | - | - | - | | (1,776,148) |
| Unallocated pension | (2,048,301) | - | - | - | | 2,048,301 |
| Total Primary Government | \$ 17,629,542 | \$ 2,177,680 | \$ 745,880 | \$ 701,500 | | (14,004,482) |
| | | | General Revenues: | | | |
| | | | Property and other taxes | | | 7,854,575 |
| | | | Licenses and permits | | | 9,100,742 |
| | | | Fines and forfeitures | | | 79,447 |
| | | | Other | | | 517,209 |
| | | | Investment income | | | 692,674 |
| | | | Total General Revenues | | | 18,244,647 |
| | | | Change in Net Position | | | 4,240,165 |
| | | | Net Position - Beginning | | | 12,125,301 |
| | | | <i>Prior Period Adjustment - See Note N</i> | | | (1,812,645) |
| | | | Net Position - Ending | | \$ | 14,552,821 |

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

| |
|---|
| CITY OF FORT THOMAS, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2024 |
|---|

| | General Fund | Central Business District Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|---|------------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 15,408,349 | \$ 6,801 | \$ 1,142,868 | \$ 16,558,018 |
| Investments | 647,609 | - | - | 647,609 |
| Receivables: | | | | |
| Taxes | 2,247,675 | - | - | 2,247,675 |
| Intergovernmental | 21,631 | - | - | 21,631 |
| Accounts | 14,557 | - | 101,972 | 116,529 |
| Promissory note | 850,000 | - | - | 850,000 |
| Due from other funds | - | - | 45,057 | 45,057 |
| Prepaid expenses | 112,134 | - | - | 112,134 |
| Total Assets | \$ 19,301,955 | \$ 6,801 | \$ 1,289,897 | \$ 20,598,653 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 1,623,717 | \$ - | \$ 9,974 | \$ 1,633,691 |
| Payroll liabilities | 673,152 | - | - | 673,152 |
| Due to other funds | 15,500 | 29,557 | - | 45,057 |
| Deferred revenue | 3,441,023 | - | 47,611 | 3,488,634 |
| Total Liabilities | 5,753,392 | 29,557 | 57,585 | 5,840,534 |
| Fund Balances | | | | |
| Nonspendable | 112,134 | - | - | 112,134 |
| Restricted | - | - | 839,394 | 839,394 |
| Committed | - | - | - | - |
| Assigned | - | - | 392,918 | 392,918 |
| Unassigned | 13,436,429 | (22,756) | - | 13,413,673 |
| Total Fund Balances | 13,548,563 | (22,756) | 1,232,312 | 14,758,119 |
| Total Liabilities and Fund Balances | \$ 19,301,955 | \$ 6,801 | \$ 1,289,897 | \$ 20,598,653 |

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

| |
|--|
| <p>CITY OF FORT THOMAS, KENTUCKY RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2024</p> |
|--|

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

| | |
|---|----------------------|
| Total fund balance per balance sheet | \$ 14,758,119 |
| Capital assets of \$58,783,752, less accumulated depreciation of (\$26,684,287), used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 32,099,465 |
| Costs of issuance of debt, including discounts and premiums, are expensed in the funds, but are a deferred expense paid over the life of the bond in the statement of net positions | 105,160 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds: | |
| Deferred outflows related to pension | 3,232,371 |
| Deferred outflows related to post-employment health insurance (OPEB) | 1,026,280 |
| Deferred inflows related to pension | (3,426,302) |
| Deferred inflows related to post-employment health insurance (OPEB) | (6,446,149) |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds | 3,488,634 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. | |
| Bonds payable | (8,846,250) |
| Net pension liability | (20,418,495) |
| Net post-employment health insurance (OPEB) liability | (723,291) |
| Accrued compensated absences payable | (296,721) |
| Net position of governmental activities | <u>\$ 14,552,821</u> |

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

CITY OF FORT THOMAS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2024

| | General Fund | Central Business District Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------------|------------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 7,194,575 | \$ 660,000 | \$ - | \$ 7,854,575 |
| Licenses and permits | 9,100,742 | - | - | 9,100,742 |
| Intergovernmental | 980,272 | - | 467,108 | 1,447,380 |
| Charges for services | 761,583 | 66,300 | 1,216,869 | 2,044,752 |
| Fines and forfeitures | 79,447 | - | - | 79,447 |
| Uses of money and property | 402,811 | 68,669 | 221,194 | 692,674 |
| Other revenue | 277,743 | - | 247,874 | 525,617 |
| Total Revenues | <u>18,797,173</u> | <u>794,969</u> | <u>2,153,045</u> | <u>21,745,187</u> |
| Expenditures | | | | |
| General government | 1,701,524 | 446,373 | - | 2,147,897 |
| Public safety - police | 5,019,924 | - | - | 5,019,924 |
| Public safety - fire / EMS | 3,909,402 | - | 1,418,108 | 5,327,510 |
| Public works | 3,338,672 | - | 853,982 | 4,192,654 |
| Parks and recreation | 898,164 | - | - | 898,164 |
| Debt service | - | - | 697,381 | 697,381 |
| Capital outlay | 4,666,341 | 422,701 | 520,708 | 5,609,750 |
| Total Expenditures | <u>19,534,027</u> | <u>869,074</u> | <u>3,490,179</u> | <u>23,893,280</u> |
| Excess (Deficit) of Revenues Over (Under) Expenditures | <u>(736,854)</u> | <u>(74,105)</u> | <u>(1,337,134)</u> | <u>(2,148,093)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 68,781 | 698,360 | 1,220,000 | 1,987,141 |
| Transfers out | (1,918,360) | - | (68,781) | (1,987,141) |
| Total Other Financing Sources (Uses) | <u>(1,849,579)</u> | <u>698,360</u> | <u>1,151,219</u> | <u>-</u> |
| Change in Fund Balances | <u>(2,586,433)</u> | <u>624,255</u> | <u>(185,915)</u> | <u>(2,148,093)</u> |
| Fund Balances - Beginning | 17,287,641 | 12,989 | 1,418,227 | 18,718,857 |
| Prior Period Adjustment - See Note N | <u>(1,152,645)</u> | <u>(660,000)</u> | <u>-</u> | <u>(1,812,645)</u> |
| Fund Balances - Ending | <u>\$ 13,548,563</u> | <u>\$ (22,756)</u> | <u>\$ 1,232,312</u> | <u>\$ 14,758,119</u> |

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

| |
|---|
| <p>CITY OF FORT THOMAS, 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, 2024</p> |
|---|

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

Net change in fund balance - total governmental funds **\$ (2,148,093)**

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 | \$ 5,609,750 | |
| Depreciation expense | <u>(1,776,148)</u> | 3,833,602 |

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. (8,408)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds (3,711)

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 | 1,280,615 |
| Costs of post-employment health insurance benefits (OPEB) earned | 767,686 |

An internal service fund is used by the City to charge the costs of certain health and dental insurance to individual departments. The net revenues (expenses) of the internal service fund are reported within governmental activities. 132,928

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

| | |
|----------------------|----------------|
| Compensated absences | (10,704) |
| Long-term debt | <u>396,250</u> |

Change in net position of governmental activities **\$ 4,240,165**

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

CITY OF FORT THOMAS, KENTUCKY
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
June 30, 2024

| | <u>Governmental Activities</u> |
|---------------------------|--|
| | <u>Internal Service Fund - Health and Dental</u> |
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,045,276 |
| Receivables | - |
| Total Assets | <u>1,045,276</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 307,242 |
| Total Liabilities | <u>307,242</u> |
| Net Position | |
| Unrestricted | 738,034 |
| Total Net Position | <u><u>\$ 738,034</u></u> |

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

CITY OF FORT THOMAS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Year Ended June 30, 2024

| | Governmental Activities |
|---|--|
| | Internal Service Fund - Health and Dental |
| | <hr/> |
| Operating Revenues | |
| Charges for services: | |
| Health insurance premium fees | \$ 83,195 |
| Stop loss reimbursement | 184,656 |
| Refunds and credits | 44,436 |
| Interest income | - |
| Total Operating Revenues | <hr/> 312,287 <hr/> |
| Operating Expenses | |
| Medical claims | 1,128,811 |
| Prescription claims | 162,796 |
| Stop loss premiums | 228,794 |
| Administrative costs | 48,515 |
| Total Operating Expenses | <hr/> 1,568,916 <hr/> |
| Net Operating Income (Loss) | (1,256,629) |
| Transfer in | 1,389,557 |
| Transfer out | - |
| Net Income | <hr/> 132,928 <hr/> |
| Net Position - Beginning Of Year | <hr/> 605,106 <hr/> |
| Net Position - End Of Year | <hr/> \$ 738,034 <hr/> |

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

CITY OF FORT THOMAS, KENTUCKY
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended June 30, 2024

| | <u>Governmental Activities</u> |
|--|--|
| | <u>Internal Service Fund - Health and Dental</u> |
| Cash flows from operating activities | |
| Cash received from interfund services provided | \$ 1,701,844 |
| Cash paid to suppliers | (1,568,916) |
| Net change in cash from operating activities | <u>132,928</u> |
| | |
| Net change in cash | 132,928 |
| | |
| Cash and Cash equivalents- beginning of year | <u>912,348</u> |
| | |
| Cash and Cash equivalents- end of year | <u>\$ 1,045,276</u> |
| | |
| Reconciliation of operating income to net change in cash from operating activities: | |
| Operating income | \$ 132,928 |
| Adjustments to reconcile operating income to net change in cash from operating activities: | |
| Changes in assets and liabilities: | |
| Receivables | - |
| Accounts payable | - |
| Net change in cash from operating activities | <u>\$ 132,928</u> |

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

CITY OF FORT THOMAS, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2024

| | <u>Police & Firemen's Pension Plan</u> |
|------------------------------------|--|
| Assets | |
| Cash and cash equivalents | \$ 4,760 |
| Investments | 4,837 |
| Total Assets | <u>9,597</u> |
| Net Position | |
| Held in trust for pension benefits | <u>9,597</u> |
| Total Net Position | <u><u>\$ 9,597</u></u> |

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

DRAFT

CITY OF FORT THOMAS, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2024

| | Police & Firemen's Pension Plan |
|---|--|
| Additions | |
| Investment gains (loss) | \$ 3,273 |
| Contribution from General Fund | 11,025 |
| Total Additions | <u>14,298</u> |
| Deductions | |
| Benefits distributed | 7,630 |
| Administrative expenses | 1,435 |
| Total Deductions | <u>9,065</u> |
| Change in Net Position | 5,233 |
| Net Position - Beginning of Year | <u>4,364</u> |
| Net Position - End of Year | <u>\$ 9,597</u> |

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

DRAFT

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

BASIS OF PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for services. The City has no business-type activities.

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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

Modified Accrual – The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. Property taxes, license fees, interest, and other revenues associated with current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government. No allowance for doubtful accounts is required for any receivables as of June 30, 2024.

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

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

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

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

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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

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

PROPERTY TAXES AND TAX CALENDAR – Property taxes are levied as of July 1 on property values assessed as of January 1. The taxes are billed on approximately October 1 and are due and payable on October 31. The due date is set each year by council, by ordinance. On November 1, the bill becomes delinquent, and penalties and interest may be assessed by the City. A lien may be placed on the property on November 1. Property tax rates for the year ended June 30, 2024 (2023 tax year) were \$0.348 per \$100 valuation for real estate and \$0.348 personal property. The taxable assessed value of property on which 2023 was based was \$1,791,176.

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

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

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

SHORT-TERM INTER-FUND RECEIVABLE/PAYABLES – During the course of operation, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from/to other funds” on the balance sheet. Short-term inter-fund loans are classified as “inter-fund receivables/payables”.

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

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statements. Generally, capitalizable items with a cost of \$5,000 or more and two years of useful life are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2000, governmental funds infrastructure assets had not previously been capitalized. Infrastructure assets (starting July 1, 1980) have been valued at estimated historical cost.

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

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

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

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

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

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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

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

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

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

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

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

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

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

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. The City Council has no General Fund minimum fund balance target as of June 30, 2024. No other fund balance policies exist.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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, 2024.

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

NOTE C – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits – The City's cash deposits at June 30, 2024, 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, 2024 was \$16,558,018. Of the total bank balance, \$250,000 was insured by the Federal Depository Insurance Corporation. The remainder is collateralized with securities held by the financial institution and pledged to collateralize the City's deposits.

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

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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, 2024, the City had the following recurring fair value measurements:

| | June 30, 2024 | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Observable Inputs Level 3 |
|------------------------|----------------------|--|---|--|
| Cash and equivalents | \$ 16,558,018 | \$ 16,558,018 | \$ - | \$ - |
| Government obligations | 647,609 | 5,488 | 642,121 | - |
| Total fair value | <u>\$ 17,205,627</u> | <u>\$ 16,563,506</u> | <u>\$ 642,121</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, 2024, the City's investment in government obligations and municipal bonds were rated AA by Standard & Poor's.

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

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

NOTE D – NOTE RECEIVABLE

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

NOTE E – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for governmental activities for the year ended June 30, 2024 is as follows:

| | June 30, 2023 | Additions | Retirements | June 30, 2024 |
|---|-----------------------------|-----------------------------|------------------------------|-----------------------------|
| Governmental activities: | | | | |
| Assets not being depreciated | | | | |
| Land | \$ 1,327,654 | \$ - | \$ - | \$ 1,327,654 |
| Construction in progress | 10,418,113 | 3,128,064 | (9,974,690) | 3,571,487 |
| | <u>11,745,767</u> | <u>3,128,064</u> | <u>(9,974,690)</u> | <u>4,899,141</u> |
| Other capital assets | | | | |
| Buildings | 3,952,347 | 6,417,023 | - | 10,369,370 |
| Infrastructure | 30,220,019 | 5,480,987 | - | 35,701,006 |
| Vehicles | 3,730,287 | 337,689 | (147,226) | 3,920,750 |
| Equipment | 3,682,727 | 220,677 | (9,919) | 3,893,485 |
| Subtotal | <u>41,585,380</u> | <u>12,456,376</u> | <u>(157,145)</u> | <u>53,884,611</u> |
| Accumulated depreciation | | | | |
| Buildings | (2,533,792) | (139,421) | - | (2,673,213) |
| Infrastructure | (16,550,486) | (1,177,154) | - | (17,727,640) |
| Vehicles | (2,951,807) | (258,637) | 147,226 | (3,063,218) |
| Equipment | (3,029,199) | (200,936) | 9,919 | (3,220,216) |
| Subtotal | <u>(25,065,284)</u> | <u>(1,776,148)</u> | <u>157,145</u> | <u>(26,684,287)</u> |
| Other capital assets, less depreciation | <u>16,520,096</u> | <u>10,680,228</u> | <u>-</u> | <u>27,200,324</u> |
| Capital assets, net | <u><u>\$ 28,265,863</u></u> | <u><u>\$ 13,808,292</u></u> | <u><u>\$ (9,974,690)</u></u> | <u><u>\$ 32,099,465</u></u> |

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

NOTE F – LONG-TERM DEBT

Capital Lease Obligations

The capital lease obligations are payable from the revenues of the City. Long-term debt outstanding at June 30, 2024 consisted of the following:

Capital Lease Payable – 2020F

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

The annual debt service requirements are as follows:

| Year Ending June 30, | Principal | Interest | Total Debt Service |
|-------------------------|---------------------|---------------------|-----------------------|
| 2025 | \$ 409,167 | \$ 288,253 | \$ 697,420 |
| 2026 | 419,167 | 274,955 | 694,122 |
| 2027 | 433,333 | 261,332 | 694,665 |
| 2028 | 449,167 | 247,249 | 696,416 |
| 2029 | 463,333 | 232,651 | 695,984 |
| 2030-2034 | 2,556,250 | 926,682 | 3,482,932 |
| 2035-2039 | 1,546,250 | 541,652 | 2,087,902 |
| 2040-2044 | 1,104,583 | 352,015 | 1,456,598 |
| 2045-2049 | 1,301,667 | 159,574 | 1,461,241 |
| 2050 | 163,333 | 5,746 | 169,079 |
| Total | <u>\$ 8,846,250</u> | <u>\$ 3,290,109</u> | <u>\$ 12,136,359</u> |

Changes in Long-Term Liability

Long-term liability activity for the year ended June 30, 2024 was as follows:

| Governmental Activities: | June 30, 2023 | Additions | Retirements | June 30, 2024 | Current Portion |
|--------------------------|----------------------|------------------|------------------------|----------------------|--------------------|
| Lease Payable - 2020F | \$ 9,242,500 | \$ - | \$ (396,250) | \$ 8,846,250 | \$ 409,167 |
| Compensated Absences | 286,017 | 10,704 | - | 296,721 | 98,907 |
| Net Pension Liability | 24,470,083 | - | (4,051,588) | 20,418,495 | - |
| Net OPEB Liability | 6,796,122 | - | (6,072,831) | 723,291 | - |
| Total | <u>\$ 40,794,722</u> | <u>\$ 10,704</u> | <u>\$ (10,520,669)</u> | <u>\$ 30,284,757</u> | <u>\$ 508,074</u> |

NOTE G – INTERFUND TRANSFERS

The following interfund transfers occurred for the year ended June 30, 2024:

| | Transfers In | Transfers Out |
|----------------------------|---------------------|---------------------|
| General Fund | \$ 68,781 | \$ 1,918,360 |
| Central Bus. District Fund | 698,360 | - |
| KDOT/MRA Fund | 500,000 | - |
| Debt Service Fund | 700,000 | 68,781 |
| Waste Fee Fund | 20,000 | - |
| | <u>\$ 1,987,141</u> | <u>\$ 1,987,141</u> |

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

NOTE H – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balances as of June 30, 2024, consist of the following:

| | General Fund | Central Business District Fund | Minor Funds | Total |
|---------------------------|----------------------|-----------------------------------|---------------------|----------------------|
| Nonspendable | \$ 112,134 | \$ - | \$ - | \$ 112,134 |
| Restricted | - | - | 839,394 | 839,394 |
| Committed | - | - | - | - |
| Assigned | - | - | 392,918 | 392,918 |
| Unassigned | 13,436,429 | (22,756) | - | 13,413,673 |
| Total Fund Balance | \$ 13,548,563 | \$ (22,756) | \$ 1,232,312 | \$ 14,758,119 |

NOTE I – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

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

The Plan is divided into both a **Pension Plan and Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each Plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The City has both *Non-Hazardous* and *Hazardous Duty* employees. Membership in CERS consisted of the following at June 30, 2024:

| | Non-Hazardous | | Hazardous | |
|-----------------------------------|----------------|----------------|---------------|---------------|
| | Pension | OPEB | Pension | OPEB |
| Active Plan Members | 77,849 | 76,946 | 9,184 | 9,109 |
| Inactive Plan Members | 105,707 | 28,719 | 4,100 | 883 |
| Retired Members | 68,889 | 37,584 | 11,231 | 7,655 |
| | <u>252,445</u> | <u>143,249</u> | <u>24,515</u> | <u>17,647</u> |
| Number of participating employers | | <u>1,141</u> | | <u>260</u> |

PENSION PLAN

Non-Hazardous Pension Plan Description

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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

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

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

| | Required Contribution |
|--------|-----------------------|
| Tier 1 | 5% |
| Tier 2 | 5% |
| Tier 3 | 5% |

Hazardous Pension Plan Description

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

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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

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

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

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

Contributions

For non-hazardous duty employees, the City contributed 23.34% of covered-employee's compensation, of which 23.34% was for the pension fund and 0.00% was for the health insurance fund.

For hazardous duty employees, the City contributed 43.69% of covered-employee's compensation, of which 41.11% was for the pension fund and 2.58% was for the health insurance fund.

The City made all required contributions for the non-hazardous plan pension obligation for the fiscal year in the amount of \$492,622, of which \$492,622 was for the pension fund and \$0 was for the health insurance fund.

The City made all required contributions for the hazardous plan pension obligation for the fiscal year in the amount of \$1,854,678, of which \$1,745,155 was for the pension fund and \$109,523 was for the health insurance fund.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

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

At June 30, 2024, the City reported a liability of \$20,418,495 (\$4,325,689 for the non-hazardous plan and \$16,092,806 for the hazardous plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023 measurement year, the City's non-hazardous employer allocation proportion was 0.0674% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.5969% of the total CERS hazardous duty employees. For the year ended June 30, 2024, the City recognized pension benefit of \$1,280,615 in addition to its \$2,237,777 pension contribution.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Non-Hazardous | | Hazardous | | Total | |
|---|-------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Deferred Outflow | Deferred Inflow | Deferred Outflow | Deferred Inflow | Deferred Outflow | Deferred Inflow |
| Differences between expected and actual experience | \$ 223,933 | \$ (11,754) | \$ 735,697 | \$ - | \$ 959,630 | \$ (11,754) |
| Net difference between projected actual earnings on plan investments | - | (59,005) | - | (161,441) | - | (220,446) |
| Changes of assump. | - | (396,452) | - | (1,256,802) | - | (1,653,254) |
| Changes in proportion, differences between contributions and proportionate share of contributions | 34,963 | (171,684) | - | (1,369,164) | 34,963 | (1,540,848) |
| Contributions subsequent to the measurement date | 492,622 | - | 1,745,155 | - | 2,237,777 | - |
| | <u>\$ 751,518</u> | <u>\$ (638,895)</u> | <u>\$ 2,480,852</u> | <u>\$ (2,787,407)</u> | <u>\$ 3,232,370</u> | <u>\$ (3,426,302)</u> |

The City's contributions subsequent to the measurement date of \$2,237,777 will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

| Measurement Year Ending June 30, | Net Deferral |
|-------------------------------------|-----------------------|
| 2024 | \$ (903,794) |
| 2025 | (1,091,290) |
| 2026 | (151,106) |
| 2027 | (285,517) |
| 2028 | - |
| Thereafter | - |
| | <u>\$ (2,431,707)</u> |

Actuarial Methods and Assumptions for Determining the Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using generally accepted actuarial principles.

Changes of Assumptions

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022." The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member's monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the non-hazardous plans is determined using these updated benefits provisions.

There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022. It is GRS's opinion that these procedures for determining the information

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|---|
| <p>CITY OF FT. THOMAS, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p> |
|---|

contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions are:

| | |
|---------------------------|--|
| Inflation | 2.50% |
| Payroll Growth Rate | 2.0% for CERS Non-hazardous and Hazardous |
| Salary Increases | 3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous |
| Investment Rate of Return | 6.50% for CERS Non-hazardous and Hazardous |

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS non-hazardous and hazardous systems assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 28 years (closed) amortization period of the unfunded actuarial accrued liability.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2023:

| | |
|-------------------------------|--|
| Valuation Date | June 30, 2021 |
| Experience Study | July 1, 2018 to June 30, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent of Pay |
| Remaining Amortization Period | 30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases |
| Payroll Growth Rate | 2.0% |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Inflation | 2.30% |

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

| | |
|---------------------------|--|
| Salary Increases | 3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05%, varies by service for Hazardous |
| Investment Rate of Return | 6.25% |
| Phase-in Provision | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018. |

The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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:

| <u>Asset Class</u> | <u>CERS Pensions Non-Hazardous and Hazardous Target Allocation</u> | <u>Long Term Expected Nominal Return</u> |
|---------------------------------------|--|--|
| Public equity | 50.00% | 5.90% |
| Private equity | 10.00% | 11.73% |
| Core bonds | 10.00% | 2.45% |
| Specialty credit / high yield | 10.00% | 3.65% |
| Cash | 0.00% | 1.39% |
| Real estate | 7.00% | 4.99% |
| Real return | 13.00% | 5.15% |
| Expected Real Return | <u>100.00%</u> | <u>5.75%</u> |
| Long-Term Inflation Assumption | | <u>2.50%</u> |
| Expected Nominal Return for Portfolio | | <u>8.25%</u> |

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

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

| | <u>Proportionate Share of Net Pension Liability</u> | | |
|---------------|---|----------------------|----------------------|
| | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
| | <u>5.50%</u> | <u>6.50%</u> | <u>7.50%</u> |
| Non-hazardous | \$ 5,461,444 | \$ 4,325,689 | \$ 3,381,834 |
| Hazardous | 20,321,009 | 16,092,806 | 12,639,324 |
| Total | <u>\$ 25,782,453</u> | <u>\$ 20,418,495</u> | <u>\$ 16,021,158</u> |

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

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

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

| | <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.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

| | | |
|--------|---|--|
| 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 KPPA Trustees.

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

For hazardous duty employees, the City contributed 2.58% of covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous plan OPEB obligation for the fiscal year in the amount of \$0.

The City made all required contributions for the hazardous plan OPEB obligation for the fiscal year in the amount of \$109,523.

These contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

accrued liability. For the year ended June 30, 2024, the City recognized OPEB benefit of \$767,686 in addition to its \$109,523 OPEB contribution.

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

At June 30, 2024, the City reported a liability of \$723,291 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB Plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2023 measurement year, the City's non-hazardous employer allocation proportion was 0.0674% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.5967% of the total CERS hazardous duty employees.

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

| | Non-Hazardous | | Hazardous | | Total | |
|---|-------------------|-----------------------|-------------------|-----------------------|---------------------|-----------------------|
| | Deferred Outflow | Deferred Inflow | Deferred Outflow | Deferred Inflow | Deferred Outflow | Deferred Inflow |
| Differences between expected and actual experience | \$ 64,885 | \$ (1,321,531) | \$ 73,838 | \$ (3,365,619) | \$ 138,723 | \$ (4,687,150) |
| Net difference between projected actual earnings on plan investments | - | (21,600) | - | (112,429) | - | (134,029) |
| Changes of assump. | 183,159 | (127,644) | 557,416 | (851,019) | 740,575 | (978,663) |
| Changes in proportion, differences between contributions and proportionate share of contributions | 37,458 | (80,234) | - | (556,073) | 37,458 | (636,307) |
| Contributions subsequent to the measurement date | - | - | 109,523 | - | 109,523 | - |
| | <u>\$ 285,502</u> | <u>\$ (1,551,009)</u> | <u>\$ 740,777</u> | <u>\$ (4,885,140)</u> | <u>\$ 1,026,279</u> | <u>\$ (6,436,149)</u> |

The City's contributions subsequent to the measurement date of \$109,523 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

| Measurement Year Ending June 30, | Net Deferral |
|-------------------------------------|-----------------------|
| 2024 | \$ (1,203,792) |
| 2025 | (1,369,435) |
| 2026 | (1,048,834) |
| 2027 | (1,277,727) |
| 2028 | (629,605) |
| Thereafter | - |
| | <u>\$ (5,529,393)</u> |

Actuarial Methods and Assumptions to Determine the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2022) to the plan's fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

| | |
|-------------------------------|--|
| Inflation | 2.50% |
| Payroll Growth Rate | 2.0% for CERS Non-hazardous and Hazardous |
| Salary Increase | 3.30% to 10.30%, varies by service for CERS Non-hazardous 3.55% to 19.05%, varies by service for CERS Hazardous |
| Investment Rate of Return | 6.50% |
| Health Care Trend Rates | |
| Pre-65 | Initial trend starting at 6.80% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Post-65 | Initial trend starting at 8.50% in 2025, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Mortality | |
| Pre-retirement | PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. |
| Post-retirement (nondisabled) | System-specific mortality table based on mortality experience from 2013-2022 projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. |
| Post-retirement (disabled) | PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010. |

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability within each plan

| |
|---|
| <p>CITY OF FT. THOMAS, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p> |
|---|

changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. GRS believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the non-hazardous plan. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a non-hazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability as of June 30, 2023, for the non-hazardous plan is determined using these updated benefit provisions.

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2022. It is GRS's opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for Fiscal Year 2023

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for the fiscal year ending June 30, 2023:

| | |
|-------------------------------|--|
| Valuation Date | June 30, 2021 |
| Experience Study | July 1, 2018 to June 30, 2022 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent of Pay |
| Remaining Amortization Period | 30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases |
| Payroll Growth Rate | 2.0% |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Inflation | 2.30% |
| Salary Increases | 3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05%, varies by service for Hazardous |

| |
|---|
| <p>CITY OF FT. THOMAS, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2024</p> |
|---|

Investment Rate of Return 6.25%

Healthcare Trend Rates

Pre - 65

Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.

Post - 65

Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were included into the liability measurement.

Mortality

Pre-retirement

PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

Post-retirement (non- disabled)

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

Post-retirement (disabled)

PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2023, is determined using these updated benefit provisions. There were no other material plan provision changes.

Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.70% to 5.93%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

Discount Rate

Single discount rates of 5.93% for CERS non-hazardous and 5.97% for CERS hazardous were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Plan Target Allocation

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

| Asset Class | CERS Pensions Non-Hazardous and Hazardous Target Allocation | Long Term Expected Nominal Return |
|---------------------------------------|---|---|
| Public equity | 50.00% | 5.90% |
| Private equity | 10.00% | 11.73% |
| Core bonds | 10.00% | 2.45% |
| Specialty credit /high yield | 10.00% | 3.65% |
| Cash | 0.00% | 1.39% |
| Real estate | 7.00% | 4.99% |
| Real return | 13.00% | 5.15% |
| Expected Real Return | 100.00% | 5.75% |
| Long-Term Inflation Assumption | | 2.50% |
| Expected Nominal Return for Portfolio | | 8.25% |

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.93% for the Non-hazardous plan and the 5.97% for the hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

| | Proportionate Share of Net OPEB Liability | | |
|------------------------------|---|--------------|----------------|
| | 1.00% Decrease | Current Rate | 1.00% Increase |
| Discount Rate, Non-Hazardous | 4.93% | 5.93% | 6.93% |
| Net OPEB liability, Non-Haz | \$ 174,661 | \$ (93,072) | \$ (317,266) |
| Discount Rate, Hazardous | 4.97% | 5.97% | 6.97% |
| Net OPEB liability, Haz | \$ 2,064,594 | \$ 816,363 | \$ (223,747) |
| Total | \$ 2,239,255 | \$ 723,291 | \$ (541,013) |

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

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

| Healthcare cost trend rate | Proportionate Share of Net OPEB Liability | | |
|-----------------------------------|---|--------------|----------------|
| | 1.00% Decrease | Current Rate | 1.00% Increase |
| Net OPEB liability, Non-hazardous | \$ (298,312) | \$ (93,072) | \$ 159,046 |
| Net OPEB liability, Hazardous | 9,301 | 816,363 | 1,791,055 |
| Total | \$ (289,011) | \$ 723,291 | \$ 1,950,101 |

Plan Fiduciary Net Position

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

NOTE J – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All general liability risk management activities are accounts for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonable estimated.

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

The claims liability of \$307,242 reported as of June 20, 2024, is based upon requirements of *GASB Statement No. 30, Risk Financing Omnibus*, an amendment of *GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

Changes in the claims liability amount during the years ended June 30, 2023 through 2024 are as follows:

| Year ended June 30,: | Beginning Liability | Current Year Claims & Changes in Estimates | Claims Payments | Ending Liability |
|----------------------|------------------------|--|--------------------|---------------------|
| 2024 | \$ 307,242 | \$ 1,291,607 | \$ 1,291,607 | \$ 307,242 |
| 2023 | 59,366 | 1,862,145 | 1,614,269 | 307,242 |

The General Fund contains no provision for estimated legal claims. No claim has exceeded insurance coverage amounts in the past three fiscal years. On the Government-wide Statement of Activities, the City recognizes both the expense (\$1,568,916) and the revenue (\$1,701,844) of the internal service fund in charges for services.

NOTE K – CONTIGENT LIABILITIES

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

NOTE L – STATE AND LOCAL FISCAL RECOVERY FUNDS

In response to the COVID-19 Global Pandemic, the City has qualified and was approved for \$4,278,762 in funding from the American Rescue Plan Act. This funding has been designated to help city governments respond to the pandemic and its negative economic impacts. The City has received these funds and has recognized \$2,110,751 as income; with \$700,000 recognized as income during the year ended June 30, 2024. The remaining \$2,168,011 is being held as unearned revenue at June 30, 2024.

NOTE M – OPIOID SETTLEMENT FUNDS

The City has begun receiving National Opioid Settlements funds from opioid manufacturers, distributors, and retailers. The use of these funds is restricted by the settlement to specific purposes to fight the opioid epidemic. The total amount of settlement to the City is not known as of the date of these financial statements, however \$390,899 has been received to date. The City will recognize these funds when appropriate uses, per the settlement agreement, have been established. The \$390,899 balance is being held as unearned revenue at June 30, 2024.

NOTE N – CONDUIT DEBT

On July 30, 2020, the City entered into an agreement with a developer to issue City of Fort Thomas 2020B Industrial Revenue Bonds, with a maturity date of September 1, 2050, in the amount of \$3,925,000 to provide financial assistance to a private-sector developer for the acquisition, construction, and related infrastructure costs of a commercial and residential condominium project within the City. The bonds are 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, 2024, the 2020B Industrial Building Revenue Bond had an outstanding principal amount totaling \$3,295,000.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2024

NOTE O – PRIOR PERIOD ADJUSTMENTS

In the fiscal year ended June 30, 2024 the City made material adjustments of \$1,152,645 to decrease the General Fund's fund balance and \$660,000 to decrease the Central Business District Fund's fund balance. The adjustments were required to recognize previously unrecorded accounting entries in each fund.

NOTE P – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 99 – *Omnibus 2020*, Para. 4-10 – This standard has no significant impact on the City.

Statement No. 100 – *Accounting Changes and Error Corrections* – This standard has no significant impact on the City.

Statement No. 101 – *Compensated Absences* – This standard has no significant impact on the City.

NOTE Q – FUTURE ACCOUNTING STANDARDS

Statement No. 102 – *Certain Risk Disclosures* – Implementation in FY 2025

Statement No. 103 – *Financial Reporting Model Improvements* – Implementation in FY 2026

NOTE R – SUBSEQUENT EVENTS

Management has evaluated events through August 25, 2025, the date on which the financial statements were available for issue. The City had no events, subsequent to June 30, 2024 through August 25, 2025, that require disclosure.

CITY OF FORT THOMAS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2024

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------------|----------------------|----------------------|--|
| Budgetary fund balance, July 1 | \$ 17,717,598 | \$ 19,346,105 | \$ 17,287,641 | \$ (2,058,464) |
| Resources (inflows): | | | | |
| Taxes | 7,192,024 | 7,203,144 | 7,194,575 | (8,569) |
| Licenses and permits | 6,604,000 | 6,932,000 | 9,100,742 | 2,168,742 |
| Intergovernmental | 312,500 | 312,500 | 980,272 | 667,772 |
| Fines and forfeitures | 62,000 | 62,000 | 79,447 | 17,447 |
| Uses of money and property | 293,000 | 378,000 | 402,811 | 24,811 |
| Charges for services | 610,750 | 649,100 | 761,583 | 112,483 |
| Other revenues | 55,000 | 157,900 | 277,743 | 119,843 |
| Interfund transfers | 4,570,000 | 4,570,000 | 68,781 | (4,501,219) |
| Amounts Available for Appropriation | <u>37,416,872</u> | <u>39,610,749</u> | <u>36,153,595</u> | <u>(3,457,154)</u> |
| Charges to Appropriations (outflows): | | | | |
| Administration | 1,628,750 | 1,807,040 | 1,701,524 | 105,516 |
| Police | 4,687,630 | 4,697,015 | 4,747,952 | (50,937) |
| Fire/EMS | 3,963,851 | 4,065,201 | 3,909,402 | 155,799 |
| General services | 2,877,380 | 3,074,435 | 3,069,985 | 4,450 |
| Parks and recreation | 834,257 | 920,750 | 898,164 | 22,586 |
| Capital expenditures | 3,979,194 | 4,222,850 | 5,207,000 | (984,150) |
| Interfund transfers | 1,595,000 | 1,595,000 | 1,918,360 | (323,360) |
| Total Charges to Appropriations: | <u>19,566,062</u> | <u>20,382,291</u> | <u>21,452,387</u> | <u>(1,070,096)</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 17,850,810</u> | <u>\$ 19,228,458</u> | <u>\$ 14,701,208</u> | <u>\$ (4,527,250)</u> |

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

| | |
|------------------------|----------------------|
| Budgetary Fund Balance | \$ 14,701,208 |
| Adjustments | (1,152,645) |
| | <u>\$ 13,548,563</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 THOMAS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CENTRAL BUSINESS DISTRICT FUND
For the Year Ended June 30, 2024

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|-------------------|--|
| Budgetary fund balance, July 1 | \$ (592,788) | \$ (817,753) | \$ 12,989 | \$ 830,742 |
| Resources (inflows): | | | | |
| Taxes | 660,000 | 660,000 | 660,000 | - |
| Charges for services | 50,205 | 50,205 | 66,300 | 16,095 |
| Uses of money and property | - | - | 68,669 | 68,669 |
| Interfund transfers | - | 1,308,500 | 698,360 | (610,140) |
| Amounts Available for Appropriation | <u>117,417</u> | <u>1,200,952</u> | <u>1,506,318</u> | <u>305,366</u> |
| Charges to Appropriations (outflows): | | | | |
| Capital projects | - | 459,500 | 422,701 | 36,799 |
| General government | 280,775 | 330,145 | 446,373 | (116,228) |
| Interfund transfers | 660,000 | 660,000 | - | 660,000 |
| Total Charges to Appropriations: | <u>940,775</u> | <u>1,449,645</u> | <u>869,074</u> | <u>580,571</u> |
| Budgetary Fund Balance, June 30 | <u>\$ (823,358)</u> | <u>\$ (248,693)</u> | <u>\$ 637,244</u> | <u>\$ 885,937</u> |

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

| | |
|------------------------|--------------------|
| Budgetary Fund Balance | \$ 637,244 |
| Adjustments | (660,000) |
| | <u>\$ (22,756)</u> |

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

CITY OF FORT THOMAS, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREMEN'S PENSION PLAN
For the Year Ended June 30, 2024

| <i>Schedule of City Contributions</i> | 2024 |
|--|--------------------|
| Actuarially determined contribution | \$ 11,020 |
| Contributions in relation to the actuarially determined contribution | 11,025 |
| Contribution deficiency (excess) | <u>\$ (5)</u> |
| | |
| Covered-employee payroll <i>(No active employees)</i> | \$ - |
| Actual contributions as a percentage of covered-employee payroll <i>(No active employees)</i> | 0% |
| | |
| <i>Schedule of Changes in the Net Position Liability and Related Ratios</i> | |
| Total Pension Liability | |
| Difference between expected and actual experience | \$ (37,823) |
| Benefit payments | <u>(7,630)</u> |
| Net change in total pension liability | <u>\$ (45,453)</u> |
| | |
| Total pension liability - June 30, 2023 | \$ 82,490 |
| Total pension liability - June 30, 2024 | <u>\$ 37,037</u> |
| | |
| Contributions - employer, less plan costs | \$ 9,590 |
| Benefit payments | (7,630) |
| | |
| Plan fiduciary net position - June 30, 2023 | \$ 4,364 |
| Plan fiduciary net position - June 30, 2024 | <u>\$ 9,597</u> |
| | |
| Net pension liability | <u>\$ 27,440</u> |
| | |
| Plan fiduciary net position as a percentage of total pension liability | 25.9% |
| | |
| Covered-employee payroll <i>(No active employees)</i> | \$ - |
| Actual contributions as a percentage of covered-employee payroll <i>(No active employees)</i> | 0% |

CITY OF FORT THOMAS, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POLICE AND FIREMEN'S PENSION PLAN
June 30, 2024

Note 1 - Valuation Date

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

Note 2 - Benefit Changes

No changes

Note 3 - Changes in Assumptions Used to Determine Contribution Rates

In 2024, amounts reported as change in assumptions under the Employees' Pension Plan resulted primarily from updating the mortality table.

Note 4 - Methods and Assumptions Used to Determine Contribution Rates

*Police and Firemen's
Pension Plan*

| | |
|---------------------------|---|
| Actuarial cost method | Unit Credit |
| Asset valuation method | Market Value |
| Investment rate of return | 5.0%, compounded annually net of investment expenses, including inflation |
| Mortality | IRS 2024 Static Mortality Tables: Annuant Male/Female |

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

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|------|
| Proportion of net pension liability | 0.0674% | 0.0710% | 0.0698% | 0.0679% | 0.0722% | 0.0675% | 0.0698% | 0.0633% | 0.0636% | |
| Proportionate share of the net pension liability (asset) | \$4,325,689 | \$5,130,069 | \$ 4,447,747 | \$ 5,211,555 | \$ 5,077,225 | \$4,112,844 | \$4,087,482 | \$3,480,085 | \$2,733,591 | |
| Covered payroll in year of measurement | \$1,949,430 | \$1,971,683 | \$ 1,783,578 | \$ 1,740,834 | \$ 1,820,955 | \$1,669,303 | \$1,696,971 | \$1,544,748 | \$1,500,000 | |
| Share of the net pension liability (asset) as a percentage of its covered payroll | 221.90% | 260.19% | 249.37% | 299.37% | 278.82% | 246.38% | 240.87% | 225.28% | 182.24% | |
| Plan fiduciary net position as a percentage of total pension liability | 57.48% | 52.42% | 57.33% | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% | |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------|-------------|--------------|-----------------------|--------------|-------------|-------------|-------------|-------------|------|
| Contractually required contribution | \$ 492,622 | \$ 456,218 | \$ 417,405 | \$ 344,266 | \$ 335,981 | \$ 295,351 | \$ 241,730 | \$ 236,694 | \$ 191,840 | |
| Actual contribution | 492,622 | 456,218 | 417,405 | 344,266 | 335,981 | 295,351 | 241,730 | 236,694 | 191,840 | |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | |
| Covered payroll | \$2,110,633 | \$1,949,430 | \$ 1,971,683 | \$ 1,783,578 | \$ 1,740,834 | \$1,820,955 | \$1,669,303 | \$1,696,971 | \$1,544,748 | |
| Contributions as a percentage of employee payroll | 23.34% | 23.40% | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | |

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

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

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|------|
| Proportion of net pension liability | 0.5969% | 0.6338% | 0.6629% | 0.6695% | 0.7049% | 0.6798% | 0.6640% | 0.5992% | 0.6150% | |
| Proportionate share of the net pension liability (asset) | \$ 16,092,806 | \$ 19,340,014 | \$ 17,647,028 | \$ 20,186,218 | \$ 19,475,783 | \$ 16,439,485 | \$ 14,856,559 | \$ 12,228,122 | \$ 9,233,553 | |
| Covered payroll in year of measurement | \$ 4,290,336 | \$ 4,135,157 | \$ 3,963,754 | \$ 4,012,129 | \$ 4,015,413 | \$ 3,786,575 | \$ 3,645,239 | \$ 3,422,510 | \$ 3,300,000 | |
| Share of the net pension liability (asset) as a percentage of its covered payroll | 375.09% | 467.70% | 445.21% | 503.13% | 485.03% | 434.15% | 407.56% | 357.29% | 279.80% | |
| Plan fiduciary net position as a percentage of total pension liability | 52.96% | 47.11% | 52.26% | 44.11% | 46.63% | 49.26% | 49.80% | 57.52% | 57.52% | |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|
| Contractually required contribution | \$ 1,745,155 | \$ 1,836,823 | \$ 1,400,164 | \$ 1,191,504 | \$ 1,206,046 | \$ 998,341 | \$ 840,566 | \$ 791,211 | \$ 785,317 | |
| Actual contribution | 1,745,155 | 1,836,823 | 1,400,164 | 1,191,504 | 1,206,046 | 998,341 | 840,566 | 791,211 | 785,317 | |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | |
| Covered payroll | \$ 4,245,086 | \$ 4,290,336 | \$ 4,135,157 | \$ 3,963,754 | \$ 4,012,129 | \$ 4,015,413 | \$ 3,786,575 | \$ 3,645,239 | \$ 3,422,510 | |
| Contributions as a percentage of covered payroll | 41.11% | 42.81% | 33.86% | 30.06% | 30.06% | 24.86% | 22.20% | 21.71% | 22.95% | |

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

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

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|------|
| Proportion of net OPEB liability | 0.0674% | 0.0710% | 0.0679% | 0.0679% | 0.0722% | 0.0675% | 0.0698% | | | |
| Proportionate share of the net OPEB liability (asset) | \$ (93,072) | \$ 1,400,247 | \$ 1,335,214 | \$ 1,640,255 | \$ 1,213,901 | \$ 1,198,982 | \$ 1,403,862 | | | |
| Covered payroll in year of measurement | \$ 1,949,430 | \$ 1,971,683 | \$ 1,783,578 | \$ 1,740,834 | \$ 1,820,955 | \$ 1,669,303 | \$ 1,696,971 | | | |
| Share of the net OPEB liability (asset) as a percentage of its covered payroll | -4.77% | 71.02% | 74.86% | 94.22% | 66.66% | 71.83% | 82.73% | | | |
| Plan fiduciary net position as a percentage of total OPEB liability | 104.23% | 60.95% | 62.91% | 51.67% | 60.44% | 57.62% | 52.40% | | | |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|
| Contractually required contribution | \$ - | \$ 66,029 | \$ 113,963 | \$ 84,898 | \$ 82,864 | \$ 95,790 | \$ 78,444 | \$ 80,263 | | |
| Actual contribution | - | 81,829 | 113,963 | 84,898 | 82,864 | 95,790 | 78,444 | 80,263 | | |
| Contribution deficiency (excess) | - | (15,800) | - | - | - | - | - | - | | |
| Covered payroll | \$ 2,110,633 | \$ 1,949,430 | \$ 1,971,683 | \$ 1,783,578 | \$ 1,740,834 | \$ 1,820,955 | \$ 1,669,303 | \$ 1,696,971 | | |
| Contributions as a percentage of covered payroll | 0.00% | 3.39% | 5.78% | 4.76% | 4.76% | 5.26% | 4.70% | 4.73% | | |

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net OPEB liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

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

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|------|
| Proportion of net OPEB liability | 0.5967% | 0.6335% | 0.6629% | 0.6693% | 0.7049% | 0.6798% | 0.6640% | | | |
| Proportionate share of the net OPEB liability (asset) | \$ 816,363 | \$ 5,395,875 | \$ 5,359,794 | \$ 6,185,122 | \$ 5,215,412 | \$ 4,846,627 | \$ 5,489,480 | | | |
| Covered payroll in year of measurement | \$ 4,290,336 | \$ 4,135,157 | \$ 3,963,754 | \$ 4,012,129 | \$ 4,015,413 | \$ 3,786,576 | \$ 3,645,239 | | | |
| Share of the net OPEB liability (asset) as a percentage of its covered payroll | 19.03% | 130.49% | 135.22% | 154.16% | 129.88% | 127.99% | 150.59% | | | |
| Plan fiduciary net position as a percentage of total liability | 92.72% | 64.13% | 66.81% | 58.84% | 64.44% | 64.24% | 59.00% | | | |

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|
| Contractually required contribution | \$ 109,523 | \$ 291,039 | \$ 432,951 | \$ 377,349 | \$ 381,955 | \$ 420,606 | \$ 354,099 | \$ 340,796 | | |
| Actual contribution | 109,523 | 360,339 | 432,951 | 377,349 | 381,955 | 420,606 | 354,099 | 340,796 | | |
| Contribution deficiency (excess) | - | (69,300) | - | - | - | - | - | - | | |
| Covered payroll | \$ 4,245,086 | \$ 4,290,336 | \$ 4,135,157 | \$ 3,963,754 | \$ 4,012,129 | \$ 4,015,413 | \$ 3,786,576 | \$ 3,645,239 | | |
| Contributions as a percentage of covered payroll | 2.58% | 6.78% | 10.47% | 9.52% | 9.52% | 10.47% | 9.35% | 9.35% | | |

Notes to Required Supplementary Information
for the Year Ended June 30, 2024

The net OPEB liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE I in the Notes to the Financial Statements.

| |
|---|
| CITY OF FORT THOMAS, KENTUCKY COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS June 30, 2024 |
|---|

| | KDOT Municipal Road Aid Fund | Debt Service Fund | Waste Fee Fund | Total Non-Major Governmental Funds |
|--|---|----------------------------------|-------------------------------|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 751,765 | \$ 390,652 | \$ 451 | \$ 1,142,868 |
| Accounts receivable | 94,525 | - | 7,447 | 101,972 |
| Due from other funds | 45,057 | - | - | 45,057 |
| Total Assets | <u>\$ 891,347</u> | <u>\$ 390,652</u> | <u>\$ 7,898</u> | <u>\$ 1,289,897</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 9,974 | \$ - | \$ - | \$ 9,974 |
| Due to other funds | - | - | - | - |
| Deferred revenue | 41,979 | - | 5,632 | 47,611 |
| Total Liabilities | <u>51,953</u> | <u>-</u> | <u>5,632</u> | <u>57,585</u> |
| Fund Balances | | | | |
| Restricted | 839,394 | - | - | 839,394 |
| Assigned | - | 390,652 | 2,266 | 392,918 |
| Total Fund Balances | <u>839,394</u> | <u>390,652</u> | <u>2,266</u> | <u>1,232,312</u> |
| Total Liabilities and Fund Balances | <u>\$ 891,347</u> | <u>\$ 390,652</u> | <u>\$ 7,898</u> | <u>\$ 1,289,897</u> |

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

CITY OF FORT THOMAS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

| | KDOT Municipal Road Aid Fund | Debt Service Fund | Waste Fee Fund | Total Non-Major Governmental Funds |
|--|---------------------------------------|--------------------------|------------------------|---|
| Revenues | | | | |
| Charges for services | \$ 6,926 | \$ - | \$1,209,943 | \$ 1,216,869 |
| Uses of money and property | 202,315 | 18,879 | - | 221,194 |
| Intergovernmental grants | 467,108 | - | - | 467,108 |
| Other revenue | 247,625 | - | 249 | 247,874 |
| Total Revenues | <u>923,974</u> | <u>18,879</u> | <u>1,210,192</u> | <u>2,153,045</u> |
| Expenditures | | | | |
| Current | | | | |
| Parks and recreation | - | - | - | - |
| Public works | 1,374,690 | - | - | 1,374,690 |
| Debt service payments | - | 697,381 | - | 697,381 |
| Waste collection services | - | - | 1,418,108 | 1,418,108 |
| Total Expenditures | <u>1,374,690</u> | <u>697,381</u> | <u>1,418,108</u> | <u>3,490,179</u> |
| Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Sources | <u>(450,716)</u> | <u>(678,502)</u> | <u>(207,916)</u> | <u>(1,337,134)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 500,000 | 700,000 | 20,000 | 1,220,000 |
| Transfers out | - | (68,781) | - | (68,781) |
| Total Other Financing Sources (Uses) | <u>500,000</u> | <u>631,219</u> | <u>20,000</u> | <u>1,151,219</u> |
| Excess (Deficit) of Revenues Over (Under) Expenditures | 49,284 | (47,283) | (187,916) | (185,915) |
| Fund Balances, Beginning of Year | <u>790,110</u> | <u>437,935</u> | <u>190,182</u> | <u>1,418,227</u> |
| Fund Balances, End of Year | <u><u>\$ 839,394</u></u> | <u><u>\$ 390,652</u></u> | <u><u>\$ 2,266</u></u> | <u><u>\$ 1,232,312</u></u> |

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Fort Thomas, Kentucky as of June 30, 2024 and the related notes to the financial statements which collectively comprise the City of Fort Thomas, Kentucky's financial statements, and have issued our report thereon dated August 25, 2025.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below as **Finding No. 2024-01** that we consider to be a material weakness.

Finding # 2024-1 – Lack of Control Over Financial Reporting

Criteria: Kentucky Revised Statute 91A.020 paragraph (1)(b) states "Each city shall keep its accounting records and render financial reports in such a way as to: (b) Determine fairly and with full disclosure the financial operations of constituent funds and account groups of the city in conformity with generally accepted governmental accounting principles."

Condition: The City's financial reports were presented for audit with significant material errors and omissions which were not addressed beforehand by the City's financial management team.

The primary items of concern include the following:

- The general fund's primary cash accounts have not been appropriately reconciled.
- The general fund's cash bank accounts are not reported individually on the trial balance.
- The general fund's trial balance was \$11,932,702.96 out of balance.
- Cash was paid out for a development agreement with no accompanying note receivable entry into the accounting system.
- Fixed asset schedules were not available at the audit start date.
- The due to / due from accounts between funds are not current and have not changed for several years, some as old as 2010.
- ARPA and Opioid revenues were not appropriately recorded.
- The transfers between governmental funds do not balance.

Effect: The City's internal financial statements have been materially misstated. The City has been relying on its auditor to correct and adjust a significant and material portion of its audited financial statements. This reliance does not demonstrate appropriate internal control over financial reporting and is a violation of the auditor's requirement to be independent.

Recommendations: We recommend the following actions:

- We recommend a \$322,498 reduction to the cash balance as reported in the City's accounting software for fiscal year ending June 30, 2024. We cannot account for these funds.
- The City should ensure all cash accounts are presented individually on the trial balance.
- The City should ensure that all cash accounts are reconciled timely on a monthly basis.
- The City should review its financial closing policies and procedures to ensure that:
 - Fund balances roll forward to match prior year ending balances
 - Due to and due from accounts are accurate and current
 - Transfers net to zero
 - Fixed asset schedules are prepared and available

Management Comments: *The City's cash accounts have historically been difficult to reconcile based on their current presentation. The City has begun displaying each cash account on the trial balance individually and will ensure that each account is reconciled monthly. The City has recently switched to a more advanced accounting system, and there have been some implementation challenges which have contributed to the fund balance issue. The City has contacted the software vendor and has ensured that the fund balance is appropriately displayed. The City will also review its closing procedures to ensure that fund balances roll forward, transfers net to zero, and the fixed asset schedules are prepared.*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fort Thomas, Kentucky's financial statements are free of 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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Finding # 2024-02 – Expenditures in Excess of Budget – General Fund

Criteria – Kentucky Revised Statute 91A.030(1) states “Each city shall operate under an annual budget ordinance adopted and administered in accordance with the provisions of this section. Notwithstanding any other provision of law, no city shall expend any moneys from any governmental or proprietary fund, except in accordance with a budget ordinance adopted pursuant to this section.”

Condition – The City expended \$1,070,096 more than budgeted in the General Fund for the fiscal year ended June 30, 2024. The City did amend its fiscal year budget in June 2024 with an amended budget ordinance, however, the amended budget for appropriations was significantly less than the actual amounts expended.

Potential Effect – Expending more than budgeted appropriations is a violation of KRS 91A.030(1).

Recommendation – The City should re-evaluate its budget amendment process to ensure all actual expenditures are considered in the amended budget.

Management Comments – *The City will review its budget process to ensure compliance with Kentucky Revised Statutes. The City has reviewed this issue and have identified the causes and solutions moving forward. \$670,000 of the overage was from an internal transfer to clean up the CBD Fund which has had a negative balance for many years. The additional \$400,000 overage was caused by Police Department Overtime of \$50,000 and \$350,000 of capital improvements that were not accrued properly. The solutions moving forward include better accounting and estimating for the amended budget to include personnel and project management. The City Administrator and Department Heads will review their budgets monthly and hold quarterly budget reviews as a staff. Additionally, Springbrook is fully functioning now and will help budget management and projection moving forward. The City has created new Finance Department Policies and will continue to review its budget process to ensure compliance with Kentucky Revised Statutes.*

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
August 25, 2025