

CITY OF ELSMERE, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2021

CITY OF ELSMERE, KENTUCKY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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CITY OF ELSMERE, KENTUCKY

CITY OFFICIALS

For the Year Ended June 30, 2021

Mayor

Marty Lenhof

Council

Nancy Bowman

Joanne Barnett-Smith

Malcolm Daniels

Aaron Moore

Gloria Grubbs

Lisa Mitchell

City Administrator

Matt Dowling

Legal Counsel

Greg D. Voss

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Elsmere, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

-Management's Responsibility for the Financial Statements

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

-Auditor's Responsibility

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

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

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Elsmere, Kentucky as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-10, and the major fund budgetary comparison, pension, and OPEB disclosure schedules on pages 40-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

-Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021 on our consideration of the City of Elsmere, 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 Elsmere, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Elsmere, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
November 30, 2021

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Our discussion and analysis of City of Elsmere, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's basic financial statements.

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. 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 financially significant funds.

Financial Highlights

Key financial highlights for the fiscal year 2021 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,521,693 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of \$9,453,256, a decrease of \$1,112,321 from the prior year.
- As of June 30, 2021, unassigned fund balance for the General Fund was \$6,067,587.
- The City's cash and cash equivalents decreased by \$1,000,991 from \$10,108,043 at June 30, 2020 to \$9,107,052 at June 30, 2021.
- The City's accounts receivable decreased by \$323,328 from \$1,277,165 at June 30, 2020 to \$953,837 at June 30, 2021.
- The City's total debt decreased by \$122,966 including compensated absences but excluding net pension liability and net other postemployment benefit liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expense are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)**

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public works and streets, general services, planning and inspection, waste collection, and recreation. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City are governmental funds with the exception of the FSA/HRA Fund, which is a fiduciary fund.

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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Street Tax Fund, City Building Bond Fund, Municipal Road Aid Fund, Citywide Rehabilitation Fund, Turkeyfoot Acres Fund and Capital Outlay Fund. Fiduciary activities of the City are not included in these statements.

The basic government fund financial statements can be found on pages 13-16 of this report.

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

The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-39 of this report.

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)**

GOVERNMENT WIDE FINANCIAL ANALYSIS

For the years ended June 30, 2021 and 2020, net position for all governmental activities changed as follows:

	Governmental Activities	
	2021	2020
Current Assets	\$ 10,060,889	\$ 11,410,634
Capital Assets, Net	13,608,708	11,551,766
Total Assets	23,669,597	22,962,400
Deferred Outflow of Resources	2,101,603	1,757,104
Total Assets and Deferred Outflows	25,771,200	24,719,504
Current Liabilities	543,876	259,136
Noncurrent Liabilities	12,392,577	11,015,308
Total Liabilities	12,936,453	11,274,444
Deferred Inflow of Resources	313,054	630,439
Total Liabilities and Deferred Inflows	13,249,507	11,904,883
Net Investment in Capital Assets	8,728,708	11,222,910
Restricted for		
Road and Building Projects	3,101,446	661,217
Unrestricted	691,539	930,494
Total Net Position	\$ 12,521,693	\$ 12,814,621

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$12.5 million as of June 30, 2021.

A large portion of the City's net position (approximately \$8.7 million) reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (approximately \$3.1 million) represents resources that are subject to restrictions on how they may be used. Restricted assets are composed of funds held for the Street Tax Fund, City Building Bond Fund, and Municipal Road Aid Fund.

The City's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following points explain the major changes impacting net position as shown on the previous page.

- Cash and cash equivalents decreased \$1 million due to expenditure toward construction of new city administration building.
- Accounts receivable decreased \$323,328 due to receiving \$322,391 for Coronavirus Relief Funding that was recorded as a receivable at June 30, 2020.

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)**

- Net capital assets increased \$2 million. \$1.7 million of this is costs related to the construction of the new city administration building. Additionally, the city purchased an excavator and trailer for approximately \$125 thousand, vehicles for approximately \$63 thousand, and had costs for infrastructure projects for approximately \$640 thousand. Total depreciation expense in the current year was approximately \$528 thousand.
- Deferred outflows of resources increased by \$344,499 largely due to an increase in changes in proportion and difference between employer contributions and proportionate share contributions for the net pension and net OPEB liabilities.
- Noncurrent liabilities increased \$1,377,269 from the previous year. There was a \$120,000 decrease due to a payment on the general obligation bonds issued in the prior year. Changes in the proportionate share of the net pension and net OPEB liabilities resulted in an increase of \$1,558,101.
- The city has \$691,539 of unrestricted net position as of June 30, 2021.

The following reflects the change in revenues for fiscal years 2021 and 2020.

	Governmental Activities	
	June 30, 2021	June 30, 2020
Revenues		
General Revenues		
Property Taxes	\$ 929,359	\$ 1,368,918
Payroll Taxes	1,685,221	1,593,319
Insurance Premium Taxes	1,155,666	1,104,717
Other Taxes	153,224	89,673
Penalties and Interest on Taxes	75,213	31,594
Rehabilitation Loan Interest Payments	306	564
Earnings on Deposits	16,533	91,395
Other Revenue	102,517	14,988
Total General Revenues	<u>4,118,039</u>	<u>4,295,168</u>
Program Revenues		
Charges for Services	21,778	87,682
Operating Grants and Contributions	905,785	448,973
Capital Grants and Contributions	164,258	168,220
Total Program Revenues	<u>1,091,821</u>	<u>704,875</u>
 Total Revenues	 <u>\$ 5,209,860</u>	 <u>\$ 5,000,043</u>

The following reflects the change in expenditures and net position for fiscal year 2021 and 2020.

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)**

	Governmental Activities	
	June 30, 2021	June 30, 2020
Total Revenues	\$ 5,209,860	\$ 5,000,043
Program Expenses		
General Government	860,850	\$ 685,158
Public Safety	1,863,418	1,517,111
Public Works and Street	1,173,555	753,152
Planning and Inspection	38,913	35,378
Waste Collection	69	13
Recreation	26,829	35,734
Miscellaneous	-	506
Interest Expense	117,980	236,382
Pension and OPEB Expense	896,217	1,100,623
Depreciation	527,922	501,591
Compensated Absences	(2,965)	-
Total Expenses	5,502,788	4,865,648
Change in Net Position	\$ (292,928)	\$ 134,395

Governmental activities decreased the City's net position by \$292,928. Key elements of this decrease are as follows:

- Operating grants and contributions increased by \$456,812 primarily due to the City receiving reimbursements for expenses from the Coronavirus Relief Fund.
- General government expenses increased \$175,692 due to an increase in personnel costs and an increase in contractual services.
- Public safety expense increased \$346,307 due to increases in personnel and benefits costs.
- Interest expense decreased \$118,402 due to bond issuance costs of approximately \$165,000 being included in the total interest expense in the prior year.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$9,453,256, a decrease of \$1,112,321 compared to the prior year. This total consists of: General Fund, \$6,067,587; Street Tax Fund, \$121,379; City Building Bond Fund, \$2,713,273; Municipal Road Aid Fund, \$266,794; and all other non-major funds, \$284,223.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unassigned fund balance of the General Fund was \$6,067,587. The total fund balance increased \$1,056,958.

The Street Tax Fund balance decreased by \$87,631. This decrease is the result of an increase in capital street projects during the year.

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)**

The City Building Bond Fund balance decreased \$1,971,387. This decrease was due an increase in capital expenses for the new city administration building during the year.

The Municipal Road Aid Fund balance decreased \$88,341. This decrease is due to an increase in street projects during the year.

All other funds balances decreased \$21,920. This decrease is primarily due to an increase in expenditure in the Capital Outlay Fund.

Fiduciary Funds

The City has one fiduciary fund, the FSA/HRA Fund. This fund had an increase in net position of \$1,047 as result of contributions exceeding benefits paid.

CAPITAL ASSETS

The capital assets were reported for the fiscal years ended as follows:

	Governmental Activities	
	2021	2020
Land	\$ 1,732,685	\$ 1,732,685
Construction in Progress	2,564,521	806,092
Buildings	602,207	629,176
Infrastructure	8,113,041	7,737,731
Equipment	251,471	214,313
Vehicles	344,783	431,769
Totals	\$ 13,608,708	\$ 11,551,766

LONG-TERM DEBT

At June 30, 2021, the City had a total of \$4,880,000 in outstanding bonds. The proceeds from these bonds are being used to finance the construction of the city administration building. Additionally, the City had an obligation of approximately \$74,000 in unused vacation time for employees. The following is a summary of the City's debt transactions during 2021:

	June 30, 2020	Additions	Repayments	June 30, 2021
Bonds Payable	\$ 5,000,000	\$ -	\$ 120,000	\$ 4,880,000
Compensate Absences	76,598	-	2,966	73,632
Totals	\$ 5,076,598	\$ -	\$ 122,966	\$ 4,953,632

**CITY OF ELSMERE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected officials consider many factors when setting the fiscal year 2022 budget. Some of the factors are the local economy, expected grant monies and anticipated tax revenues.

This year the Council voted to reduce the tax rate which is set at \$0.201 per hundred assessed on real property for the fiscal year ended June 30, 2022. The City budgeted revenues of \$5,219,719 for the year ending June 30, 2022, which is an increase of approximately \$433,155 from the June 30, 2021 actual revenue. The City budgeted expenses of \$4,271,304, which is an increase of approximately \$780,000 from June 30, 2021.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances. If you have questions about this report or need additional financial information, contact the City Administrator, Matt Dowling, at (859) 342-7911 or at the city building at 318 Garvey Avenue, Elsmere, KY 41018.

CITY OF ELSMERE, KENTUCKY STATEMENT OF NET POSITION June 30, 2021
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Assets	Governmental Activities
Current Assets	
Cash and cash equivalents	\$ 9,107,052
Receivables	
Taxes	794,513
Waste collection	33,351
Other	125,973
Total Current Assets	<u>10,060,889</u>
Noncurrent Assets	
Capital Assets	
Land and construction in progress	4,297,206
Infrastructure	10,858,242
Buildings	1,337,302
Equipment	647,082
Vehicles	1,213,892
Furniture and fixtures	22,490
Less: accumulated depreciation	<u>(4,767,506)</u>
Net Capital Assets	<u>13,608,708</u>
Total Assets	23,669,597
Deferred Outflows of Resources	
Deferred outflows related to pension and post employment health insurance	<u>2,101,603</u>
Total Assets and Deferred Outflows of Resources	<u>25,771,200</u>
Liabilities	
Current Liabilities	
Accounts payable	275,844
Accrued liabilities	64,652
Accrued interest payable	9,748
Compensated absences	73,632
Current portion of leases payable	120,000
Total Current Liabilities	<u>543,876</u>
Noncurrent Liabilities	
Leases payable	4,760,000
Net pension and post employment health insurance liability	<u>7,632,577</u>
Total Noncurrent Liabilities	<u>12,392,577</u>
Total Liabilities	12,936,453
Deferred Inflow of Resources	
Deferred inflows related to pension and post employment health insurance	<u>313,054</u>
Total Liabilities and Deferred Inflow of Resources	<u>13,249,507</u>
Net Position	
Net investment in capital assets	8,728,708
Restricted for:	
Road and building projects	3,157,639
Unrestricted	635,346
Total Net Position	<u>\$ 12,521,693</u>

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

CITY OF ELSMERE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government					
Governmental Activities					
General government	\$ 860,850	\$ 12,989	\$ 15,959	\$ -	\$ (831,902)
Public safety	1,863,418	6,461	889,826	-	(967,131)
Public works and street	1,173,555	-	-	164,258	(1,009,297)
Planning and inspection	38,913	-	-	-	(38,913)
Waste collection	69	2,328	-	-	2,259
Recreation	26,829	-	-	-	(26,829)
Interest expense	117,980	-	-	-	(117,980)
Pension and OPEB expense	896,217	-	-	-	(896,217)
Depreciation	527,922	-	-	-	(527,922)
Compensated absences	(2,965)	-	-	-	2,965
Total Governmental Activities	\$ 5,502,788	\$ 21,778	\$ 905,785	\$ 164,258	(4,410,967)

General Revenues: Taxes

Property taxes	929,359
Payroll tax	1,685,221
Insurance premium taxes	1,155,666
Other taxes	147,442
Licenses and permits	5,782
Fines and forfeitures	75,213
Interest income	16,839
Miscellaneous	102,517
Total general revenues	4,118,039
Change in net position	(292,928)
Net position, beginning	12,814,621
Net position, ending	\$ 12,521,693

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

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

	General Fund	Street Tax Fund	City Building Bond Fund	Municipal Road Aid Fund	Other Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 5,450,417	\$ 120,770	\$ 2,983,780	\$ 267,862	\$ 284,223	\$ 9,107,052
Receivables						
Taxes	751,575	42,938	-	-	-	794,513
Waste collection	33,351	-	-	-	-	33,351
Other	79,874	-	-	-	46,099	125,973
Due from other funds	-	609	-	-	-	609
Total Assets	<u>\$ 6,315,217</u>	<u>\$ 164,317</u>	<u>\$ 2,983,780</u>	<u>\$ 267,862</u>	<u>\$ 330,322</u>	<u>\$ 10,061,498</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 4,269	\$ -	\$ 270,507	\$ 1,068	\$ -	\$ 275,844
Accrued liabilities	64,652	-	-	-	-	64,652
Deferred revenue	178,100	42,938	-	-	46,099	267,137
Due to other funds	609	-	-	-	-	609
Total Liabilities	<u>247,630</u>	<u>42,938</u>	<u>270,507</u>	<u>1,068</u>	<u>46,099</u>	<u>608,242</u>
Fund Balances						
Restricted	-	121,379	2,713,273	266,794	56,193	3,157,639
Committed	-	-	-	-	106,089	106,089
Assigned	-	-	-	-	121,941	121,941
Unassigned	6,067,587	-	-	-	-	6,067,587
Total Fund Balances	<u>6,067,587</u>	<u>121,379</u>	<u>2,713,273</u>	<u>266,794</u>	<u>284,223</u>	<u>9,453,256</u>
Total Liabilities and Fund Balances	<u>\$ 6,315,217</u>	<u>\$ 164,317</u>	<u>\$ 2,983,780</u>	<u>\$ 267,862</u>	<u>\$ 330,322</u>	<u>\$ 10,061,498</u>

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

<p>CITY OF ELSMERE, KENTUCKY RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2021</p>

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

Total fund balance per balance sheet	\$ 9,453,256
Capital assets of \$18,376,214, less accumulated depreciation of (\$4,767,506), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,608,708
Long-term revenue deferrals are not available to pay for current period expenditures and therefore, are deferred in the governmental funds	267,137
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:	
Deferred outflow of resources	2,101,603
Deferred inflow of resources	(313,054)
Long-term liabilities, including leases payable and compensated absences, may not be due and payable in the current period in the funds and therefore are not reported as liabilities in the governmental funds.	
Bonds payable	(4,880,000)
Accrued interest payable on long-term debt	(9,748)
Net pension liability	(7,632,577)
Compensated absences	(73,632)
Net position of governmental activities	<u>\$ 12,521,693</u>

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

CITY OF ELSMERE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Street Tax Fund	City Building Bond Fund	Municipal Road Aid Fund	Other Funds	Total Governmental Funds
Revenues						
Property tax	\$ 842,566	\$ 551,292	\$ -	\$ -	\$ -	\$ 1,393,858
Payroll tax	1,685,221	-	-	-	-	1,685,221
Insurance premium tax	1,005,666	-	-	-	150,000	1,155,666
Other taxes	147,442	-	-	-	-	147,442
Licenses and permits	5,782	-	-	-	-	5,782
Fines, forfeitures, penalties	75,213	-	-	-	-	75,213
Charges for services	2,328	-	-	-	-	2,328
Intergovernmental	912,245	-	-	164,258	-	1,076,503
Rehabilitation loan payments	-	-	-	-	12,989	12,989
Interest income	7,584	259	7,761	606	629	16,839
Miscellaneous	102,517	-	-	-	-	102,517
Total Revenues	<u>4,786,564</u>	<u>551,551</u>	<u>7,761</u>	<u>164,864</u>	<u>163,618</u>	<u>5,674,358</u>
Expenditures						
Current Expenditures						
General government	793,441	-	-	-	-	793,441
Public safety	1,863,418	-	-	-	-	1,863,418
Public works and streets	768,755	66	220,507	151,413	32,814	1,173,555
Planning and inspection	38,913	-	-	-	-	38,913
Waste collection	69	-	-	-	-	69
Recreation	26,829	-	-	-	-	26,829
Miscellaneous	-	-	213	-	67,196	67,409
Capital outlay	-	639,116	1,758,428	101,792	85,528	2,584,864
Debt service	-	-	238,181	-	-	238,181
Total Expenditures	<u>3,491,425</u>	<u>639,182</u>	<u>2,217,329</u>	<u>253,205</u>	<u>185,538</u>	<u>6,786,679</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,295,139	(87,631)	(2,209,568)	(88,341)	(21,920)	(1,112,321)
Other Financing Sources (Uses)						
Operating transfers in (out)	(238,181)	-	238,181	-	-	-
Total Other Financing Sources (Uses)	<u>(238,181)</u>	<u>-</u>	<u>238,181</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,056,958	(87,631)	(1,971,387)	(88,341)	(21,920)	(1,112,321)
Fund Balance, beginning	5,010,629	209,010	4,684,660	355,135	306,143	10,565,577
Fund Balance, ending	<u>\$ 6,067,587</u>	<u>\$ 121,379</u>	<u>\$ 2,713,273</u>	<u>\$ 266,794</u>	<u>\$ 284,223</u>	<u>\$ 9,453,256</u>

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

<p>CITY OF ELSMERE, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2021</p>

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

Net change in fund balance - total governmental funds	\$ (1,112,321)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense</p>	
Capital asset purchases capitalized	\$ 2,584,864
Depreciation expense	(527,922)
<p>Compensated absences not expected to be paid within this next fiscal year are not reported as liabilities in the fund, but are reported as liabilities in the statement of net position. This is the net changes in compensated absences for the year.</p>	
	2,965
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds</p>	
	(464,498)
<p>Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in interest accrued through year end</p>	
	201
<p>Governmental funds report City pension and post employment health benefit contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employer contributions is reported as an expense</p>	
Costs of pension benefits earned	(706,614)
Costs of post employment health insurance benefits earned	(189,603)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position</p>	
	120,000
Change in net position of governmental activities	\$ (292,928)

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

CITY OF ELSMERE, KENTUCKY STATEMENT OF FIDUCIARY NET POSITION June 30, 2021
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Assets	FSA/HRA Fund
Current Assets	
Cash and cash equivalents	<u>\$ 8,941</u>
Total Assets	<u><u>\$ 8,941</u></u>
Net Position	
Restricted for other employee benefits	<u>8941</u>
Total Net Position	<u><u>\$ 8,941</u></u>

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

CITY OF ELSMERE, KENTUCKY STATEMENT OF CHANGES IN FIDUCIARY NET POSITION June 30, 2021

	FSA/HRA Fund
Additions	
Employer Contributions	\$ 21,548
Employee Contributions	13,740
Interest income	11
Total Additions	<u>35,299</u>
Deductions	
Benefits paid	<u>34,252</u>
Change in Net Position	1,047
Net position, beginning	<u>7,894</u>
Net position, ending	<u><u>\$ 8,941</u></u>

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

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. Fiduciary activities of the City are not included in these statements. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has not business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function, or program, of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

Fund Financial Statements

Fund financial statements report detailed information about the City. 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. Non major funds are aggregated and presented in a single column.

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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Governmental Funds

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in the current assets.

Fiduciary Funds

Fiduciary fund financial statements include a statement of net position and a statements of changes in net position. The City’s fiduciary funds include the FSA/HRA fund. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. The fiduciary funds are accounted for on a spending or economic resources measurement focus.

The City reports on the following funds:

Governmental Fund Types

General Fund - The general fund is the City’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.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Street Tax fund and Municipal Road Aid fund are major special revenue funds of the City. The Citywide Rehabilitation fund and Turkeyfoot Acres fund are non-major special revenue funds.

Capital Project Funds – The capital project funds are used to account for capital outlays financed with general obligation debt and capital outlays for general capital assets purchased from financial resources that are restricted, committed, or assigned by the City. The City Building Bond fund is a major capital project fund and Capital Outlay Fund is a non-major capital project fund.

Fiduciary Fund Types

Fiduciary Funds – The fiduciary fund types consist of the FSA/HRA fund which is used to account for financial resources related to the Flexible Spending and Health Reimbursement Accounts for employee tax exempt benefits purposes. The FSA/HRA fund is an other employee benefit trust fund.

Basis of Accounting

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2021

liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, license fees, interest, and other revenues associated with current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. No allowance for doubtful accounts is required for any receivables as of June 30, 2021.

Assets, Liabilities and Equity

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City. The City is authorized by state statute to invest in:

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

Receivables

No allowance for doubtful accounts is required.

Property Taxes Receivable

Property taxes are levied as of November 1 on property values assessed on January 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Short-Term Inter-fund Receivables/Payables

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

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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Capital Assets

General capital assets are those assets not specifically related to activities reported in the propriety 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 (recorded and accounted for) in the Capital Outlay fund. 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.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the respective balance sheet.

The range of lives used for depreciation purposes for each fixed asset class is as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	50 Years
Buildings improvements	Remaining life of building
Public domain infrastructure	40 Years
Light vehicles	5 Years
Furniture and fixtures	7 Years
Equipment	5 - 7 Years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay specified amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest reported as expenditures.

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2021

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 balances consist of amounts that are not in spendable form or amounts that are legally or contractually required to be maintained intact.

Restricted fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Aid Road Fund, Street Tax Fund, Turkeyfoot Acres Fund and the City Building Bond Fund.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. These include residual balances from the Citywide Rehabilitation Fund.

Assigned fund balances consist of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision-making authority or a body or official that has been given the authority to assign funds. These include residual balances from the Capital Outlay Fund.

Unassigned fund balances consist of all residual funds not included in other spendable classifications.

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.

Revenues, Expenditures and Expenses – Inter-fund Transactions

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

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 (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits – Health Insurance Plan

For purposes of measuring the net liability for other post-employment benefits – health insurance plan (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System and additions to/deductions from fiduciary net position have been determined on the same basis as they are

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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reported by the OPEB. For this purpose, benefit payments are recognized when due and payable. In accordance with the benefit terms. Investments are reported at fair value

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Pervasiveness of Estimates

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 expenditures during the reporting period. Actual results could differ from those estimates.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

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

1. In accordance with City ordinance, prior to June 1, 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.
2. A public meeting is conducted to obtain taxpayer comment.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
5. Appropriations continue in effect until a new budget is adopted.
6. The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the departmental level. Any revisions to the budget that would change revenues and expenditures of any fund must be approved by the City Council.

NOTE C – DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents – The carrying amount of the City’s cash equivalents (bank deposits, money market accounts and certificates of deposit with less than 90 days maturity) with financial institutions was \$9,107,052 at June 30, 2021.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. Deposits in financial institutions, reported as a component of cash and certificates of deposit are insured by depository insurance or secured with collateral held by the financial institutions in the City’s name.

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 City had no custodial credit risk at June 30, 2021.

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2021

NOTE D – 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. All general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2021 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims.

NOTE E – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 is as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Governmental Activities				
Capital Assets not Depreciated				
Land	\$ 1,732,685	\$ 50,000	\$ -	\$ 1,782,685
Construction in progress	806,092	1,708,429	-	2,514,521
Total Capital Assets Not Being Depreciated	<u>2,538,777</u>	<u>1,758,429</u>	<u>-</u>	<u>4,297,206</u>
Depreciable Capital Assets				
Infrastructure	10,219,127	639,115	-	10,858,242
Buildings	1,337,302	-	-	1,337,302
Vehicles	1,150,106	63,786	-	1,213,892
Equipment	523,548	123,534	-	647,082
Furniture and fixtures	22,490	-	-	22,490
Total Depreciable Capital Assets	<u>13,252,573</u>	<u>826,435</u>	<u>-</u>	<u>14,079,008</u>
Total Capital Assets at Historical Cost	<u>15,791,350</u>	<u>2,584,864</u>	<u>-</u>	<u>18,376,214</u>
Less Accumulated Depreciation				
Infrastructure	(2,481,396)	(263,807)	-	(2,745,203)
Buildings	(708,126)	(26,970)	-	(735,096)
Vehicles	(718,337)	(150,772)	-	(869,109)
Equipment	(309,235)	(86,373)	-	(395,608)
Furniture and fixtures	(22,490)	-	-	(22,490)
Total Accumulated Depreciation	<u>(4,239,584)</u>	<u>(527,922)</u>	<u>-</u>	<u>(4,767,506)</u>
Depreciable Capital Assets, Net	<u>9,012,989</u>	<u>298,513</u>	<u>-</u>	<u>9,311,502</u>
Total Capital Assets, Net	<u>\$ 11,551,766</u>	<u>\$ 2,056,942</u>	<u>\$ -</u>	<u>\$ 13,608,708</u>

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2021

Depreciation was charged to functions as follows:

<u>Governmental Activities</u>	<u>Amount</u>
General government	\$ 109,740
Public safety	94,989
Public works	57,694
Public Works-Infrastructure	263,807
Recreation	1,692
Total Depreciation	<u>\$ 527,922</u>

NOTE F – LONG-TERM DEBT

General Obligation Bonds, Series 2019

In January 2020, the City issued \$5,000,000 of general obligation bonds, Series 2019 at coupon interest rates ranging from 2.00% to 2.75%. Principal is due December 1 each year and the issue's final maturity is December 1, 2049. The bonds pay interest semi-annually on June 1 and December 1. The bonds were issued to finance all or a portion of costs of the acquisition, construction, installation and equipping of a city administration building. Principal and interest requirements to maturity are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2022	\$ 120,000	\$ 115,781	\$ 235,781
2023	125,000	113,331	238,331
2024	125,000	110,831	235,831
2025	130,000	108,281	238,281
2026	130,000	105,681	235,681
2027-2031	700,000	487,505	1,187,505
2032-2036	775,000	411,815	1,186,815
2037-2041	875,000	316,619	1,191,619
2042-2046	1,000,000	193,757	1,193,757
2047-2050	900,000	50,463	950,463
Total	<u>\$ 4,880,000</u>	<u>\$ 2,014,064</u>	<u>\$ 6,894,064</u>

The bonds are general obligations of the City and the full faith, credit, and taxing power of the City is irrevocably pledged to the payment of principal and interest on the bonds when due. The basic security for the general obligation bond debt of the City, is the City's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the bonds as and when they become due and payable.

Summary of Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2021:

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Retirements/ Repayments</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due Within 1 Year</u>
Bonds payable	\$ 5,000,000	\$ -	\$ (120,000)	\$ 4,880,000	\$ 120,000
Total	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ (120,000)</u>	<u>\$ 4,880,000</u>	<u>\$ 120,000</u>

CITY OF ELSMERE, KENTUCKY

Notes to Financial Statements

June 30, 2021

NOTE G – COMPENSATED ABSENCE LIABILITY

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. There is a liability for unpaid accumulated vacation leave since the City does have a policy to pay specified amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The following is a summary of the liability the City has to its current employees:

June 20, 2020	Additons/ Subtractions	June 30, 2021	Amounts Due Within 1 Year
\$ 76,597	\$ (2,965)	\$ 73,632	\$ 14,726

NOTE H – COUNTY EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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PENSION PLAN

Non-Hazardous Pension Plan Description

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

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

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

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

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

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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Hazardous Pension Plan Description

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

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

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

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

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

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

Contributions

For non-hazardous duty employees, the City contributed 24.06%, of which 19.3% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2021. For hazardous duty employees, the City contributed 39.58%, of which 30.06% was for the pension fund and 9.52% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2021.

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$134,533, of which \$107,917 was for the pension fund and \$26,616 was for the health insurance fund. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$318,408, of which \$241,823 was for the pension fund and \$76,585 was for the health insurance fund.

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

At June 30, 2021, the City reported a liability of \$5,832,152 (\$1,611,987 – non-hazardous and \$4,220,165 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's non-hazardous employer allocation proportion was 0.02102% of the total CERS non-hazardous duty employees and 0.139971% of the total CERS hazardous duty employees. For the year ended June 30, 2021, the City recognized pension expense of \$706,614 in addition to its \$349,740 pension contribution.

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

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 40,198	\$ -	\$ 130,884	\$ -	\$ 171,082	\$ -
Net difference between projected actual earnings on plan investments	40,338	-	95,071	-	135,409	-
Changes of assumptions	62,945	-	160,052	-	222,997	-
Changes in proportion and differences between contributions and proportionate share of contributions	154,769	(22,535)	310,021	(28,142)	464,790	(50,677)
Contributions subsequent to the measurement date	107,917	-	241,823	-	349,740	-
	<u>\$ 406,167</u>	<u>\$ (22,535)</u>	<u>\$ 937,851</u>	<u>\$ (28,142)</u>	<u>\$ 1,344,018</u>	<u>\$ (50,677)</u>

The City's contributions subsequent to the measurement date of \$349,740 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 406,094
2022	301,318
2023	151,174
2024	85,016
2025	-
Thereafter	-
	<u>\$ 943,602</u>

Actuarial Assumptions

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

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

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

Changes of Assumptions

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

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2021

Discount Rate

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

Plan Target Allocation

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

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 1,987,930	\$ 1,611,987	\$ 1,300,691
Hazardous	5,215,523	4,220,165	3,407,690
Total	<u>\$ 7,203,453</u>	<u>\$ 5,832,152</u>	<u>\$ 4,708,381</u>

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.

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

	<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 ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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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	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.

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

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

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2020, was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% of covered-employee payroll for hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$26,616 for non-hazardous duty employees and \$76,585 for hazardous duty employees for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability for its proportionate share of \$1,800,425. (\$507,352 Non-Hazardous and \$1,293,073 Hazardous). The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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governmental entities, actuarially determined. At June 30, 2020, the City's proportion of the non-hazardous plan was .02101%, At June 30, 2020, the City's proportion of the hazardous plan was 0.139927%.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$189,603 in addition to its \$103,201 contribution. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 84,768	\$ (84,834)	\$ 44,373	\$ (129,128)	\$ 129,141	\$ (213,962)
Net difference between projected actual earnings on plan investments	16,863	-	57,399	-	74,262	-
Changes of assumptions	88,249	(537)	210,950	(1,191)	299,199	(1,728)
Changes in proportion and differences between contributions and proportionate share of contributions	48,856	(19,058)	102,924	(27,629)	151,780	(46,687)
Contributions subsequent to the measurement date	26,616	-	76,585	-	103,201	-
	<u>\$ 265,352</u>	<u>\$ (104,429)</u>	<u>\$ 492,231</u>	<u>\$ (157,948)</u>	<u>\$ 757,583</u>	<u>\$ (262,377)</u>

The City's contributions subsequent to the measurement date, \$26,616 for non-hazardous duty employees and \$76,585 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 100,687
2022	81,424
2023	98,606
2024	84,373
2025	26,917
Thereafter	-
	<u>\$ 392,007</u>

Actuarial Assumptions

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

CITY OF ELSMERE, KENTUCKY Notes to Financial Statements June 30, 2021
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periods included in the measurement:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percentage of payroll
Amortization period	25 years, closed
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-11.55%, varies by service
Mortality	RP-2000 Combined Mortality Table projected to 2013 with Scale BB (set-back 1 year for females)
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set-back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Changes of Assumptions

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

Discount Rate

The discount rate used to measure the total OPEB liability was 5.34% for the non-hazardous plan and 5.30% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2021

expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Plan Target Allocation

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

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

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.34% for the non-hazardous plan and 5.30% for the hazardous plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.34%	5.34%	6.34%
Net OPEB liability, Non-Haz	\$ 651,798	\$ 507,352	\$ 388,713
Discount Rate, Hazardous	4.30%	5.30%	6.30%
Net OPEB liability, Haz	\$ 1,755,313	\$ 1,293,073	\$ 920,602
Total	\$ 2,407,111	\$ 1,800,425	\$ 1,309,315

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

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

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2021

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 392,817	\$ 507,352	\$ 646,342
Net OPEB liability, hazardous	4,068	1,293,073	1,746,733
Total	\$ 396,885	\$ 1,800,425	\$ 2,393,075

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE I – CLAIMS AND JUDGMENTS

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

NOTE J – CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and was approved for \$492,535 in Federal Cares Act funding passed through the Commonwealth of Kentucky's Department for Local Government. 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 recognized them as income during the year ended June 30, 2021.

NOTE K – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

NOTE L – FUTURE ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

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

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

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

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

CITY OF ELSMERE, KENTUCKY
Notes to Financial Statements
June 30, 2021

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

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

NOTE M – SUBSEQUENT EVENTS

Management has evaluated events through November 30, 2021 the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2021 through November 30, 2021 to disclose.

The City received its first portion of the Federally funded American Recovery Plan Act (ARPA) grant in the amount of \$1,112,876 in July 2021. These funds are designated for specific uses, and any amount unused by December 31, 2024, will need to be returned.

CITY OF ELSMERE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL (WITH VARIANCES) - GENERAL FUND
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Budgetary fund balance, July 1	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 5,010,629	\$ 1,010,629
Resources (inflows):					
Taxes	3,652,900	-	3,652,900	3,680,895	27,995
Licenses and permits	5,900	-	5,900	5,782	(118)
Intergovernmental	116,997	-	116,997	127,319	10,322
Fines, forfeitures, penalties	42,000	-	42,000	75,213	33,213
Charges for services	2,000	-	2,000	2,328	328
Interest income	30,000	-	30,000	7,584	(22,416)
Miscellaneous	111,500	-	111,500	102,517	(8,983)
Designated CARES Act funds	-	-	-	784,926	784,926
Amounts available for appropriation	<u>7,961,297</u>	<u>-</u>	<u>7,961,297</u>	<u>9,797,193</u>	<u>1,835,896</u>
Charges to appropriations (outflows):					
General government	891,860	(64,864)	826,996	793,441	33,555
Public safety	2,156,948	(90,448)	2,066,500	1,863,418	203,082
Public works	994,600	(171,100)	823,500	768,755	54,745
Intergovernmental expense	-	-	-	-	-
Planning and inspection	66,100	(15,000)	51,100	38,913	12,187
Waste collection	500	-	500	69	431
Recreation	40,000	-	40,000	26,829	13,171
Capital projects	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total charges to appropriations	<u>4,150,008</u>	<u>(341,412)</u>	<u>3,808,596</u>	<u>3,491,425</u>	<u>317,171</u>
Transfer in (out)					
Transfers	-	(240,000)	(240,000)	(238,181)	1,819
Total General Fund Expenses	<u>4,150,008</u>	<u>(101,412)</u>	<u>4,048,596</u>	<u>3,729,606</u>	<u>318,990</u>
Budgetary fund balance, June 30	<u>\$ 3,811,289</u>	<u>\$ 101,412</u>	<u>\$ 3,912,701</u>	<u>\$ 6,067,587</u>	<u>\$ 2,154,886</u>

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

CITY OF ELSMERE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (WITH VARIANCES) - STREET TAX FUND
For the Year Ended June 30, 2021

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Budgetary fund balance, July 1	<u>\$ 100,000</u>	<u>\$ 130,000</u>	<u>\$ 230,000</u>	<u>\$ 209,010</u>	<u>\$ (20,990)</u>
Resources (inflows):					
Steet tax	500,000	-	500,000	551,292	51,292
Interest	2,000	-	2,000	259	(1,741)
Total resources (inflows)	<u>502,000</u>	<u>-</u>	<u>502,000</u>	<u>551,551</u>	<u>49,551</u>
Amounts available for appropriation	<u>602,000</u>	<u>130,000</u>	<u>732,000</u>	<u>760,561</u>	<u>28,561</u>
Charges to appropriations (outflows):					
Street repair	-	13,047	13,047	66	12,981
Capital projects	355,500	284,500	640,000	639,116	884
Total expenses (outflows)	<u>355,500</u>	<u>297,547</u>	<u>653,047</u>	<u>639,182</u>	<u>13,865</u>
Budgetary fund balance, June 30	<u><u>\$ 246,500</u></u>	<u><u>\$ (167,547)</u></u>	<u><u>\$ 78,953</u></u>	<u><u>\$ 121,379</u></u>	<u><u>\$ 42,426</u></u>

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

CITY OF ELSMERE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (WITH VARIANCES) - CITY BUILDING BOND FUND
For the Year Ended June 30, 2021

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Prior year funds available for use	\$ -	\$ -	\$ -	\$ 4,684,660	\$ 4,684,660
Resources (inflows):					
Interest	-	-	-	7,761	7,761
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,692,421</u>	<u>4,692,421</u>
Charges to appropriations (outflows):					
Building expense	-	-	-	220,507	(220,507)
Debt service - principal	-	-	-	120,000	(120,000)
Debt service - interest	-	-	-	118,181	(118,181)
Capital outlay	-	-	-	1,758,428	(1,758,428)
Engineering and legal expense	-	-	-	213	(213)
Total Charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,217,329</u>	<u>(2,217,329)</u>
Other Financing Sources (Uses)					
Operating transfers in (out)	-	-	-	238,181	(238,181)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,181</u>	<u>(238,181)</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,713,273</u>	<u>\$ 2,713,273</u>

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

CITY OF ELSMERE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (WITH VARIANCES) - MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2021

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Prior year funds available for use	\$ 300,000	\$ -	\$ 300,000	\$ 355,135	\$ 55,135
Resources (inflows):					
Intergovernmental revenue	175,108	-	175,108	164,258	(10,850)
Interest	4,000	-	4,000	606	(3,394)
Amounts available for appropriation	<u>479,108</u>	<u>-</u>	<u>479,108</u>	<u>519,999</u>	<u>40,891</u>
Charges to appropriations (outflows):					
Road repair	181,000	103,000	284,000	151,413	132,587
Capital outlay	-	-	-	101,792	(101,792)
Total Charges to appropriations	<u>181,000</u>	<u>103,000</u>	<u>284,000</u>	<u>253,205</u>	<u>30,795</u>
Budgetary fund balance, June 30	<u>\$ 298,108</u>	<u>\$ (103,000)</u>	<u>\$ 195,108</u>	<u>\$ 266,794</u>	<u>\$ 71,686</u>

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

CITY OF ELSMERE, 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.021020%	0.017467%	0.018283%	0.019113%	0.018360%	0.017508%	0.016995%			
Proportionate share of the net pension liability (asset)	\$ 1,611,987	\$ 1,228,462	\$ 1,113,490	\$ 1,118,743	\$ 905,036	\$ 752,754	\$ 551,393			
Covered payroll in year of measurement	\$ 538,351	\$ 444,205	\$ 453,143	\$ 394,771	\$ 357,159	\$ 350,524	\$ 327,058			
Share of the net pension liability (asset) as a percentage of its covered payroll	299.43%	406.85%	356.55%	329.09%	283.49%	242.32%	199.07%			
Plan fiduciary net position as a percentage of total pension liability	47.18%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 107,917	\$ 103,902	\$ 72,050	\$ 65,615	\$ 55,087	\$ 44,359	\$ 44,692	\$ 44,939		
Actual contribution	\$ (107,917)	\$ (103,902)	\$ (72,050)	\$ (65,615)	\$ (55,087)	\$ (44,359)	\$ (44,692)	\$ (44,939)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
City's covered payroll	\$ 559,155	\$ 538,351	\$ 444,205	\$ 453,143	\$ 394,771	\$ 357,159	\$ 350,524	\$ 327,058		
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%		

Notes to Required Supplementary Information

The net pension liability as of June 30, 2021, is based on the June 30, 2020, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF ELSMERE, 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.139971%	0.129991%	0.116159%	0.129449%	0.132390%	0.127730%	0.132432%			
Proportionate share of the net pension liability (asset)	\$ 4,220,165	\$ 3,590,735	\$ 2,809,256	\$ 2,896,134	\$ 2,271,711	\$ 1,960,770	\$ 1,591,600			
Covered payroll in year of measurement	\$ 817,670	\$ 740,319	\$ 647,067	\$ 825,225	\$ 769,303	\$ 769,303	\$ 749,420			
Share of the net pension liability (asset) as a percentage of its covered payroll	516.12%	406.85%	356.55%	329.09%	283.49%	242.32%	199.07%			
Plan fiduciary net position as a percentage of total pension liability	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 241,823	\$ 245,791	\$ 184,095	\$ 143,649	\$ 166,825	\$ 154,674	\$ 176,555	\$ 163,149		
Actual contribution	\$ (241,823)	\$ (245,791)	\$ (184,095)	\$ (143,649)	\$ (166,825)	\$ (154,674)	\$ (176,555)	\$ (163,149)		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
City's covered payroll	\$ 804,467	\$ 817,670	\$ 740,319	\$ 647,067	\$ 825,225	\$ 763,445	\$ 769,303	\$ 749,420		
Contributions as a percentage of covered employee payroll	30.06%	30.06%	24.87%	22.20%	20.22%	20.26%	22.95%	21.77%		

Notes to Required Supplementary Information

The net pension liability as of June 30, 2021, is based on the June 30, 2020, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF ELSMERE, 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)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.0210100%	0.0174630%	0.0182820%	0.0191130%						
Proportionate share of the net OPEB liability (asset)	\$ 507,352	\$ 293,720	\$ 324,593	\$ 384,237						
Covered payroll in year of measurement	\$ 538,351	\$ 444,205	\$ 453,143	\$ 394,771						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	94.24%	105.97%	104.78%	119.21%						
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	57.62%	52.39%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 26,616	\$ 25,625	\$ 23,365	\$ 21,298	\$ 18,678					
Actual contribution	\$ (26,616)	\$ (25,625)	\$ (23,365)	\$ (21,298)	\$ (18,678)					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -					
City's covered payroll	\$ 559,155	\$ 538,351	\$ 444,205	\$ 453,143	\$ 394,771					
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%					

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF ELSMERE, 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)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.139927%	0.129965%	0.116165%	0.129449%						
Proportionate share of the net OPEB liability (asset)	\$ 1,293,073	\$ 961,559	\$ 828,210	\$ 1,070,118						
Covered payroll in year of measurement	\$ 817,670	\$ 740,319	\$ 647,067	\$ 825,225						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	158.14%	105.97%	104.78%	119.21%						
Plan fiduciary net position as a percentage of total OPEB liability	58.84%	64.44%	64.24%	58.99%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 76,585	\$ 77,843	\$ 77,533	\$ 60,500	\$ 71,848					
Actual contribution	\$ (76,585)	\$ (77,843)	\$ (77,533)	\$ (60,500)	\$ (71,848)					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -					
City's covered payroll	\$ 804,467	\$ 817,670	\$ 740,319	\$ 647,067	\$ 825,225					
Contributions as a percentage of covered payroll	9.52%	9.52%	10.47%	9.35%	8.71%					

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

CITY OF ELSMERE, KENTUCKY COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS June 30, 2021

	<u>Citywide Rehabilitation Fund</u>	<u>Turkeyfoot Acres Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Non-Major Funds</u>
Assets				
Cash and cash equivalents	\$ 106,089	\$ 56,193	\$ 121,941	\$ 284,223
Accounts receivable	46,099	-	-	46,099
Note receivable	-	-	-	-
Total Assets	<u>\$ 152,188</u>	<u>\$ 56,193</u>	<u>\$ 121,941</u>	<u>\$ 330,322</u>
Liabilities and Fund Balances				
Liabilities				
Deferred revenue	\$ 46,099	\$ -	\$ -	\$ 46,099
Total Liabilities	<u>46,099</u>	<u>-</u>	<u>-</u>	<u>46,099</u>
Fund Balances				
Restricted	-	56,193	-	56,193
Committed	106,089	-	-	106,089
Assigned	-	-	121,941	121,941
Total Fund Balances	<u>106,089</u>	<u>56,193</u>	<u>121,941</u>	<u>284,223</u>
Total Liabilities and Fund Balances	<u>\$ 152,188</u>	<u>\$ 56,193</u>	<u>\$ 121,941</u>	<u>\$ 330,322</u>

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

CITY OF ELSMERE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	Citywide Rehabilitation Fund	Turkeyfoot Acres Fund	Capital Outlay Fund	Total Non-Major Funds
Revenues				
Loan repayments	\$ 12,989	\$ -	\$ -	\$ 12,989
FSA/HRA contributions	-	-	-	-
Insurance premium taxes	-	-	150,000	150,000
Interest	306	141	182	629
Total Revenues	<u>13,295</u>	<u>141</u>	<u>150,182</u>	<u>163,618</u>
Expenditures				
FSA/HRA reimbursements	-	-	-	-
Capital outlay	-	-	152,724	152,724
City wide loan program	32,814	-	-	32,814
Total Expenditures	<u>32,814</u>	<u>-</u>	<u>152,724</u>	<u>185,538</u>
Excess (Deficit) of Revenues Over Expenditures	(19,519)	141	(2,542)	(21,920)
Fund Balance, beginning	125,608	56,052	124,483	306,143
Fund Balance, ending	<u>\$ 106,089</u>	<u>\$ 56,193</u>	<u>\$ 121,941</u>	<u>\$ 284,223</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**

**Honorable Mayor and
Members of the City Council
City of Elsmere, 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, and the aggregate remaining fund information of the City of Elsmere, Kentucky as of and for the year ended June 30, 2021 and the related notes to the financial statements which collectively comprise the City of Elsmere, Kentucky's financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered City of Elsmere 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 Elsmere, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elsmere, 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 determination of the financial statement amounts. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Expenditure of Unbudgeted Funds in Violation of KRS 91A.030(1)

Criteria: Kentucky Revised Statute 91A.030, paragraph (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: During fiscal year 2020-21 and into fiscal year 2021-22, expenditures from the City Building Bond Fund, for the construction of the new City Building, have not been budgeted pursuant to KRS 91A.030(1).

Effect: The expenditure of unbudgeted funds is a violation of the Kentucky Revised Statutes.

Recommendation: We recommend that, at the next available opportunity, the City adopt a budget amendment for FY 2021-22 that includes the activities of the City Building Bond Fund.

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
November 30, 2021