

CITY OF ERLANGER, KENTUCKY

*Comprehensive Annual Financial Report
Year Ending June 30, 2020*



Atlas Air Worldwide Holdings Inc.

CITY OF ERLANGER, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Year Ended June 30, 2020

Prepared by:

Finance Department
City of Erlanger

CITY OF ERLANGER, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

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INTRODUCTORY SECTION



December 28, 2020

Members of the City Council
And Citizens of Erlanger, Kentucky

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Erlanger for the fiscal year ended June 30, 2020.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Erlanger has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Erlanger's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Erlanger's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Erlanger's basic financial statements have been audited by Van Gorder, Walker & Co, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Erlanger for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountant concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Erlanger's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent accountant's report is presented as the first component of the financial section of this report.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should

be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent accountant.

PROFILE OF THE GOVERNMENT

Erlanger was incorporated in 1897 and is located in the northern part of the state. This region ranks as one of the top growth areas in Kentucky. The City currently encompasses approximately 8.48 square miles and has a population, as of the 2010 census, of 18,082. Erlanger is the third largest city in Kenton County and fourth largest in the three county Northern Kentucky region.

Geographically, Erlanger is located at the juncture of I-71/75 and I-275 and only minutes from the Cincinnati-Northern Kentucky International Airport. The City is bisected by Dixie Highway, US 25/42. Rail service is provided by the Norfolk-Southern Railroad, which has been a significant factor throughout Erlanger's history. Thus, Erlanger is at the center point of a complex of surface, rail and air transportation systems that connect the City to the region, the nation and the world.

Erlanger operates under a mayor-council form of government. Policy making and legislative authority are vested in the Mayor and a 12-member City Council. The Mayor and Council are responsible for, among other things, passing ordinances and resolutions, adopting the budget, appointing committees and hiring all City employees. The City Administrator is responsible for carrying out the policies and ordinances of the Mayor and Council, and for overseeing the daily operations of the City. The Mayor and Council are elected on a non-partisan basis. The Mayor is elected to a four-year term, while the City Council is elected to a two-year term. All of the City's officials are elected at large.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund and special revenue funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived; (2) the valuation of costs and benefits requires estimates and judgments by management.

FACTORS AFFECTING FINANCIAL CONDITION

The calendar year 2020 has been dominated by the coronavirus disease (COVID-19). At the beginning of the pandemic, numerous statewide groups like the Kentucky League of Cities and Kentucky City/County Management Association, the Government Finance

Officers Association as well as state officials were painting a grizzly economic forecast with as much as a 15% to 20% drop in revenue. Fortunately, that has not happened in Erlanger to date. The City has established industry diversity with businesses such as: ABB Optical, Atlas Air, Perfetti Van Melle, Coca-Cola Bottling Co., Novolex, St. Elizabeth Healthcare and Sun Behavioral Health.

The Business Park located on Dolwick continues to grow. Disabled American Veterans (DAV), a nonprofit charity that annually serves more than 1 million veterans throughout the country, is the newest tenant. The Tewes Business Park is located on the south west corner of Interstate 75 and Erlanger/Crescent Springs Road. This development has tremendous visibility from the interstate highway system and is home to Signature Hardware, Inc., a large supplier of specialty plumbing fixtures, McD Concrete, and Griffin Elite Sports & Wellness, a training facility for world class athletes.

Al. Neyer and Hillwood developed the Erlanger Commerce Center located at the site formally known as the Showcase Cinema site. Three buildings have a total of 1.7 million square feet of industrial packaging and distribution space. There have been three phases to this project. Phase I of the project features a 779,720 SF one-story industrial building with 36' clearance height and 159 trailer storage spaces with a cross-dock configuration. This building is split between Perfetti Van Melle and Novolex (Duro Bag). Phase II features a 301,050 SF building fully leased by Coca-Cola Consolidated. Phase III, the final phase is home to Amazon. Amazon's sort center welcomed new associates inside the 575,000 SF building. The sort center opened in September 2020.

The residential real estate market has shown fairly robust growth within the last few years. The Enclave at South Ridge, a high-quality subdivision located off Turkeyfoot Road, is expanding and building additional homes. Phase I is complete and building is currently in progress for Phase II. Sherbourne subdivision is another community that continues to expand. Sherbourne offers a variety of open spacious one and two-story new home plans. Furthermore, Southwick subdivision located off Narrows Road is a new residential development that includes: townhomes, patio homes and two-story homes. The Drees Company is the primary developer of these communities.

Our business base is diversified, the number and type of housing options available to our residents continues to increase, and the quality of services provided to our residents and businesses remains high.

LONG-TERM FINANCIAL PLANNING

During the City's budget process for fiscal year 2021, the Mayor, City Administrator, and Finance Director met with all departments. Each budget line was discussed to ensure city operations were maintained or improved within the new budget year. Items scheduled for purchase include five new police cruisers, computer workstation replacements and park equipment. In addition, the City budgeted \$2.2 million to make street repairs and replacements.

The City also made a \$521,500 budget amendment for emergency repairs to address the safety issues for the Public Works Building. Phase I is the design work of \$220,500 and \$301,000 for the building structure mitigation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Erlanger for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR). This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the General Government Department. We would like to express our appreciation to all members of the Department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Erlanger finances.

Respectfully submitted,

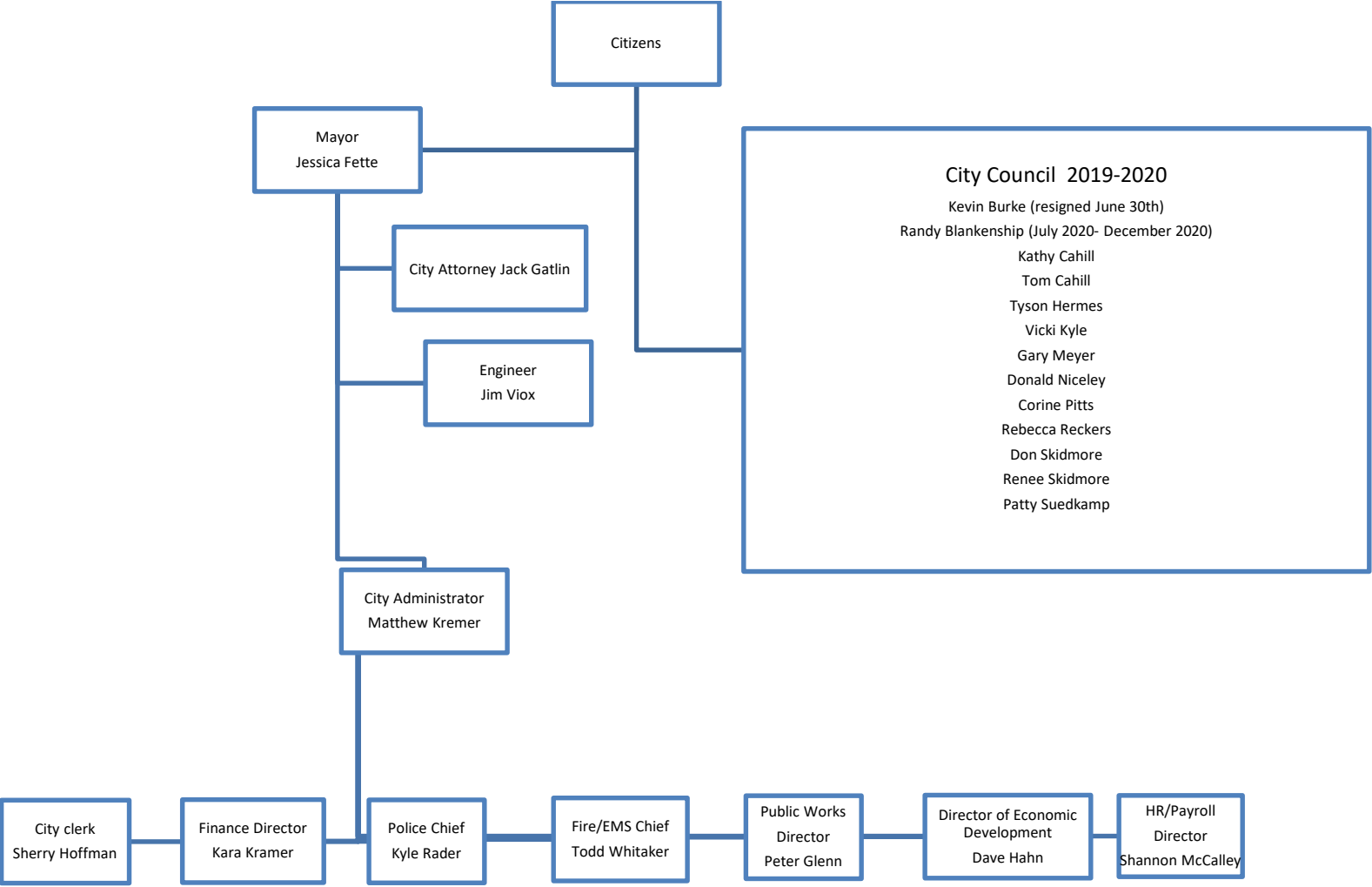
Matthew Kremer

Matthew Kremer
Chief Administrative Officer

Kara Kramer

Kara Kramer
Finance Director

City of Erlanger, Kentucky
Organizational Chart
June 30, 2020



CITY OF ERLANGER, KENTUCKY
LIST OF PRINCIPAL OFFICIALS

MAYOR

Jessica Fette

MEMBERS OF CITY COUNCIL

Kevin Burke
Kathy Cahill
Tom Cahill
Tyson Hermes
Vicki Kyle
Gary Meyer
Don Niceley
Corine Pitts
Rebecca Reckers
Don Skidmore
Renee Skidmore
Patricia Suedkamp

CITY STAFF

Matthew Kremer
City Administrator

Kara Kramer
Finance Director

Sherry Hoffman
City Clerk

Shannon McCalley
Human Resources Director

David Hahn
Economic Development Director

Kyle Rader
Chief of Police

Todd Whitaker
Fire/EMS Chief

Peter Glenn
Public Works Director

Jack Gatlin
City Attorney

James H. Viox, III
City Engineer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Erlanger
Kentucky**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

-Management's Responsibility for the Financial Statements

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

-Auditor's Responsibility

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

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

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

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-Opinion

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

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 15-22, and the major fund budgetary comparison, pension, and OPEB disclosure schedules on pages 55-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

-Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Erlanger, Kentucky's basic financial statements. The budgetary schedules for the minor funds on pages 61-62 are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 83 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021 on our consideration of the City of Erlanger, 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 Erlanger, 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 Erlanger, Kentucky's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky

January 5, 2021

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CITY OF ERLANGER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

As management of the City of Erlanger, Kentucky, we offer readers of the City's financial statements this narrative overview as an analysis of the financial activities of the City of Erlanger, Kentucky, for the year ended June 30, 2020. We encourage readers to consider the information in conjunction with the letter of transmittal, which can be found on pages 1-4 of this report.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 23 and 24) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 25. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

Reporting the City as a Whole

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$16,256,588 (net position). The deferred outflows related to pensions totaled \$5,271,805. The deferred outflows related to OPEB totaled \$2,505,722. This is a decrease of \$1,449,495 from the prior year. The deferred inflows related to pensions totaled \$1,699,783. The deferred inflows related to OPEB totaled \$2,262,659 for an increase of \$1,034,855 compared to FY 2019.
- The City's total net position of governmental activities decreased (\$1,355,046) this year.
- As of June 30, 2020, the City's governmental funds reported a combined ending fund balance of \$16,900,816, an increase of \$1,154,558 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$14,963,804, an increase of \$1,678,818 from fiscal year 2019.
- The City's total debt decreased by (\$49,188) due to the payment of principal on outstanding debt and net changes in compensated absences.

The Statement of Net Assets and the Statement of Activities

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

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets, what the taxpayers own, and liabilities, what the taxpayers owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, franchise fee base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire & emergency medical services, public works, information technology and general administration. Payroll license fees, insurance license fees, property taxes, and gross receipts license fees finance most of these activities.
- Business-type activities: The City has no business type activities. The City's dental and vision insurance fund is maintained as an internal service fund, but the assets and liabilities of that fund are incorporated into governmental activities on the Statement of Net Position and the Statement of Activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analyses of the City's major funds begin on page 25 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to help it control and manage money for particular purposes. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation beside the fund financial statements.

The City maintains three individual governmental funds. Information is presented separately in the Governmental Balance Sheet and in the Statement of Revenues, Expenditures and Changes in Fund Balance for the funds, all of which are considered major funds. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental financial statements can be found on pages 25 – 26 of this report.

Proprietary Fund: Internal service funds are an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its dental and vision insurance costs.

The basic internal service fund financial statements can be found on pages 28 – 30 of this report.

Notes to the financial statements: The notes 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 31 – 54 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information. The budgetary comparison and pension schedules can be found on pages 55 – 59 of this report.

THE CITY AS A WHOLE

The statement of net position presents information on all of the City of Erlanger's assets and liabilities, with the differences between the two reported as net position. For the year ended June 30, 2020, net position was stated as follows:

Net Position

	Governmental Activities	
	2020	2019
Current assets	\$ 18,796,308	\$ 17,145,697
Capital assets	27,337,442	26,943,263
Total assets	46,133,750	44,088,960
Deferred outflows of resources	7,785,826	9,248,827
Total assets and deferred outflows of resources	53,919,576	53,337,787
Long-term liabilities	31,898,265	31,349,799
Other liabilities	1,802,282	1,448,767
Total liabilities	33,700,547	32,798,566
Deferred inflows of resources	3,962,442	2,927,587
Total liabilities and deferred inflows of resources	37,662,989	35,726,153
Net investment in capital assets	27,120,741	26,670,068
Restricted-Police	193,418	178,078
Unrestricted	(11,057,571)	(9,236,512)
Total net assets	\$ 16,256,588	\$ 17,611,634

The City's total net position of governmental activities decreased (\$1,355,046). However, that number included a \$3,044,984 non-cash, actuarial expense for the pension and other post-employment health insurance benefits unfunded liability, and a \$1,831,447 non-cash depreciation expense.

Governmental Activities

Governmental activities of the City of Erlanger during FY2020 as summarized on the following chart:

Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 3,190,822	\$ 2,499,539
Operating grants	1,957,155	705,254
Capital grants	92,339	271,346
General revenues:		
Property taxes	4,407,787	4,455,890
Payroll license fees	5,852,483	5,543,567
Occupational license	1,091,868	1,389,263
Insurance premium tax	3,702,162	3,619,783
Francise fees	340,762	359,026
Other licenses, fees	894,985	880,449
Other	245,360	283,138
Total revenues	21,775,723	20,007,255
Expenses:		
General government	2,751,126	2,971,672
Information systems	683,716	691,315
Police	8,352,348	7,303,168
Fire	6,896,743	6,723,618
Public works	4,424,563	3,583,816
Interest on debt	22,275	44,198
Total expenses	23,130,771	21,317,787
Increase in net position before transfers	(1,355,048)	(1,310,532)
Transfers	-	-
Increase in net position	(1,355,048)	(1,310,532)
Net position-Beginning	17,611,634	18,922,166
GASB 75 OPEB Adj.	-	-
Net position-End of year	\$ 16,256,586	\$ 17,611,634

- The City began recognizes by functional area, both the expense (\$2,085,694) in governmental activities and the revenue (\$2,204,563) in charges for services of the internal service fund. In prior years, the City had recorded these as a net amount in charges for services. This has significantly increased the amounts reported for expense and charges for services for each functional area.
- Revenues for the City's governmental activities totaled \$21,775,723 compared to \$20,007,255 last year.
- Payroll license fees totaled \$5,852,483 or 26.9% of the total revenues. This was a decrease of .8% from last year.

- The second largest category of governmental revenues was property taxes, which accounted for \$4,407,787 or 20.2% of total revenues. This was a decrease of \$48,103 over last year or a decrease of 2.0%.
- Insurance premiums license fees were \$3,702,162 which was \$82,379 more than fiscal year 2019 for a 2.2% increase.
- Charges for services totaled \$3,190,822 and accounted for 14.7% of total revenues. This amount represents an increase of 691,283 from the fiscal year 2019.
- This year's total expenses for the City's governmental activities were \$23,130,771 compared to \$21,317,787 last year, an increase of 8.5%.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

The focus of the City's governmental funds is to provide information on revenues, expenditures, and net spendable resources.

As of June 30, 2020, the City's governmental funds reported combined ending fund balance of \$16,900,816 an increase of \$1,154,558 from the prior year. The General Fund increased \$1,678,818 during FY2020, while the Capital Improvement Fund had a net decrease of \$539,599 causing the overall net increase in the governmental fund balance. Of this \$16,900,816 total fund balance, the unassigned balance is \$14,593,879.

The General Fund is the main operating fund of the City. At the end of the fiscal year, the total fund balance in the General Fund was \$14,963,804, which represents an increase of 1,678,818 from the prior year. The increase in fund balance is due primarily to the increase in revenue including the CARES Federal Grant for the Coronavirus pandemic.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the General Fund budget one time. The budget amendment was to increase/decrease revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year.

The amended General Fund revenue budget was \$931,548 more than the original budget amount. The most significant changes were as follows:

- \$148,455 increase in intergovernmental revenue and \$381,040. This adjustment was necessary because amounts received from governmental grants and insurance license fees can vary from year to year and it is extremely difficult to predict how much the City will receive for budgetary purposes.
- \$281,297 increase in property taxes. This adjustment was necessary because the budget is set using the prior year tax assessments. amounts received from charges for services can vary from year to year and it is extremely difficult to predict how much the City will receive for budgetary purposes

The revised General Fund expense budget was \$209,243 lower than the original appropriation. There were several significant changes in the General Fund expense budget.

General government expenses were \$90,897 below budgeted amounts. The original budget called for a merit increase of an additional 2%, which was applied to a line item in the general government department as one lump sum to temporarily house the money which was later allocated appropriately across each department, relieving the general government of the lump sum of money. The Police Department budget increased by \$407,295. Only \$29,694 of holiday pay was previously budgeted with a total of \$67,772 to be paid out for FY 2020. Additionally, the City paid out \$17,000 for the former Police Chief's accrued vacation as well as \$10,032 for a Lieutenant's accrued vacation payout. Additionally, there were several new officers that were hired to replace officers that left the City. The budget amendment added additional money to cover those salaries and fringe benefits.

The Fire Department budget increased by \$106,185. Only a portion of holiday pay was previously budgeted, \$7,292 with a total of \$41,207 to be paid out for FY 2020. Additionally, the Fire Department has had several employees leave the City. The City paid out approximately \$17,719 in accrued vacation payout, which was not previously budgeted. Due to COVID-19, the Fire Department increased the overtime line item by \$25,000. This is a placeholder, in case any of the firefighters/EMTs would be unable to work due to the virus.

The Public Works budget decreased by \$163,579. The Public Works Department was able to help reduce the total City budget increase by reducing several of their department's line items.

Actual General Fund revenues (excluding transfers) were \$439,113 higher than the amended budget numbers. Intergovernmental revenues had the largest variance due to the CARES Federal Grant for the Coronavirus pandemic

The actual expenses for the General Fund (excluding transfers) were \$265,181 lower than the amended budget. The Public Works Department realized the greatest amount of savings compared to the budget. They ended the year \$140,571 lower than the amended budget. Due to the mild winter less salt was purchased which, in turn, caused less damage to roads and not as much need to spend money for street maintenance and road repairs. The Fire Department's actual expenditures were \$21,938 higher than budgeted; the Police Department expenditures were \$97,728 under budget; General Government Department came in \$39,533 under budget; and the IT department expenditures were \$9,288 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020 the City had \$27,120,741 invested in governmental net capital assets including, police and fire equipment, buildings, park facilities, roads and sidewalks. This represents a net increase of \$394,180 from 2019.

	Governmental Activities	
	2020	2019
Land & construction in progress	\$ 4,982,393	\$ 5,376,350
Buildings	9,619,637	9,619,637
Improvements/infrastructure	21,290,272	19,091,019
Equipment	3,712,276	3,617,779
Vehicles	5,048,634	5,361,236
Subtotals	44,653,212	43,066,021
Accumulated depreciation	(17,315,769)	(16,122,758)
Net Assets	<u>\$ 27,337,443</u>	<u>\$ 26,943,263</u>

This year's major additions and deletions included:

Purchases of land and construction in progress	\$ 24,014
Improvements to buildings	-
Purchases of vehicles and equipment	462,864
Infrastructure projects for streets	2,199,253
Net depreciation added	(1,193,009)
Disposal of vehicles, equipment, and infrastructure	(680,970)
Completed construction in progress	(417,972)
Net change in Net Assets	<u>\$ 394,180</u>

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

Debt

The City's total long-term debt for governmental activities decreased by (\$49,188) during the fiscal year. At year-end, the City had \$667,381 in total outstanding notes, capital leases, compensated absences and bonds compared to \$716,569 in 2019.

That is a decrease of 6.9% as shown in the following table.

	Governmental Activities	
	2020	2019
Compensated absences PTO	\$ 442,381	\$ 421,569
GO Public Project Bonds - 2008	225,000	295,000
	<u>\$ 667,381</u>	<u>\$ 716,569</u>

For additional information concerning the City's debt please refer to Note F to the financial statements, as well as Note J for information regarding the unfunded pension obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The overall economic outlook for the City continues to be positive. Despite the global pandemic of the coronavirus (COVID-19), the City has established industry diversity with businesses such as Perfetti Van Melle, Coca-Cola Bottling Co., Novolex, St. Elizabeth Healthcare and Sun Behavioral Health. During the past several years the City's unassigned General Fund balance has grown to a very healthy balance. While revenue is up for the first 5 months of FY 2021, there

still remains much uncertainty. The City plans to continue to be conservative with spending. At any given time, things could change as we are in the midst of a pandemic.

Disabled American Veterans (DAV), a nonprofit charity that annually serves more than 1 million veterans throughout the country, is the newest economic project for Erlanger. Atlas Air Worldwide Holdings Inc. moved its operations center from Florence to Erlanger with a \$34.1 million investment in FY 2021. The company aims to create 500 new full time jobs in future years.

Another significant contributor to the City's payroll tax revenue is the Erlanger Commerce Center. All three companies, Coca-Cola Bottling Co., Perfetti Van Melle, and Novelex (Duro Bag) began operations last year. Amazon fulfillment center is the newest business to join the Erlanger Commerce Center.

City administration expects operating costs to rise as a result of general inflation and increases in medical insurance and state mandated pension costs. Additionally there are plans to continue the street resurfacing program along with the needed repairs and replacement of concrete streets and sidewalks.

The General Fund budget has limited flexibility to address unanticipated expenditures, but there are General Fund reserves equal to the unassigned fund balance of \$14,593,879. Finding more economical ways of delivering and paying for services to the citizens is an ongoing process. The city has developed a team-oriented management approach which has allowed for close control and effective use of our taxpayer's dollars.

The City's elected officials and management team remain confident the City's high level of service delivery to our citizens and our business community will continue through fiscal year 2021 and for many years beyond.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at 505 Commonwealth Avenue, Erlanger, Kentucky.

BASIC FINANCIAL STATEMENTS

CITY OF ERLANGER, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,813,852
Investments	4,307,113
Receivables:	
Property taxes	674,907
Accounts	3,630,512
Prepaid items	369,925
Capital assets:	
Capital assets not being depreciated	4,982,393
Other capital assets, net	22,355,049
Total Assets	46,133,751
Deferred Outflows of Resources	
Deferred charges - refunding loss	8,299
Deferred outflows related to pensions and OPEB	7,777,527
Total Deferred Outflows of Resources	7,785,826
Total Assets and Deferred Outflows of Resources	53,919,577
Liabilities	
Accounts payable	1,257,024
Accrued liabilities	391,740
Accrued interest payable	1,331
Noncurrent liabilities:	
Due within one year	152,187
Due in more than one year	539,829
Net pension and OPEB liability	31,358,436
Total Liabilities	33,700,547
Deferred Inflows of Resources	
Deferred inflow related to pensions and OPEB	3,962,442
Total Liabilities and Deferred Inflows of Resources	37,662,989
Net Position	
Net investment in capital assets	27,120,741
Restricted for police equipment	193,418
Unrestricted	(11,057,571)
Total Net Position	\$ 16,256,588

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

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

Program Revenues					Net (Expense) Revenue and Changes in Net Position
					Primary Government
					Governmental Activities
Primary government:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,751,126	\$ 663,083	\$ 1,223,884	\$ -	\$ (864,159)
Information systems	683,716	42,831	-	-	(640,885)
Police	8,352,347	1,001,813	234,240	-	(7,116,294)
Fire/EMS	6,896,743	1,227,193	147,051	-	(5,522,499)
Public works	4,424,563	255,903	351,980	92,339	(3,724,341)
Interest on long-term debt	22,275	-	-	-	(22,275)
Total governmental activities	23,130,770	3,190,823	1,957,155	92,339	(17,890,453)
Total primary government	\$ 23,130,770	\$ 3,190,823	\$ 1,957,155	\$ 92,339	(17,890,453)
General revenues:	Taxes:	Property taxes for general purposes			4,407,787
		Public service taxes			340,762
	Licenses:	Occupational			1,091,868
		Payroll			5,852,483
		Insurance premium			3,702,162
		Other licenses, fees & permits			894,985
	Investment earnings				172,036
	Miscellaneous				73,324
Total general revenues and transfers					16,535,407
Change in net position					(1,355,046)
Net position - beginning of year					17,611,634
Net position - ending of year					\$ 16,256,588

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

CITY OF ERLANGER, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Capital Assets Fund	Police Forfeiture & TIF Fund (Non-Major Funds)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,316,614	\$ 2,220,552	\$ 193,418	\$ 9,730,584
Investments	4,307,113	-	-	4,307,113
Receivables:				
Taxes	174,720	500,187	-	674,907
Accounts	3,619,018	-	-	3,619,018
Prepays	369,925	-	-	369,925
Total Assets	\$ 15,787,390	\$ 2,720,739	\$ 193,418	\$ 18,701,547
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 267,801	\$ 977,144	\$ -	\$ 1,244,945
Accrued liabilities	391,740	-	-	391,740
Deferred revenue - property taxes	164,045	-	-	164,045
Total Liabilities	823,586	977,144	-	1,800,730
Fund Balances:				
Nonspendable	369,925	-	-	369,925
Restricted	-	-	193,418	193,418
Committed	-	1,743,595	-	1,743,595
Unassigned	14,593,879	-	-	14,593,879
Total Fund Balances	14,963,804	1,743,595	193,418	16,900,817
Total Liabilities and Fund Balances	\$ 15,787,390	\$ 2,720,739	\$ 193,418	\$ 18,701,547

Total governmental fund balances \$ 16,900,817

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

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds, net of accumulated depreciation of (\$17,302,637) 27,337,442

Other liabilities, consisting of property taxes that are not available to be recognized in
current-period revenues, are therefore deferred in the funds 164,045

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 7,777,527

 Deferred inflow of resources (3,962,442)

Costs of issuance of debt (prepaid insurance) and bond refunding losses are expensed for
governmental funds, but are carried as deferred charges in the statement of net position 8,299

An internal service fund is used by management to charge certain activities, such as
self-insurance, to individual funds. The assets and liabilities of the internal service
fund must be added to the statement of net position 82,683

Accrued interest payable on long-term debt (1,331)

Long-term liabilities, including bonds payable, capital leases, compensated absences, and
net pension liability are not due in current period and therefore are not reported in the funds (32,050,452)

Net position of governmental activities **\$ 16,256,588**

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

CITY OF ERLANGER, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Capital Assets Fund	Police Forfeiture & TIF Fund (Non-Major Fund)	Total Governmental Funds
Revenues				
Taxes	\$ 4,608,850	\$ -	\$ 13	\$ 4,608,863
Licenses and permits	9,504,748	2,021,936	14,814	11,541,498
Intergovernmental	2,066,938	-	-	2,066,938
Charges for services	630,911	-	-	630,911
Fines and forfeitures	27,796	-	32,444	60,240
Interest	172,036	-	-	172,036
Uses of property	64,164	213,500	-	277,664
Miscellaneous	85,877	-	-	85,877
Total Revenues	17,161,320	2,235,436	47,271	19,444,027
Expenditures				
Current:				
General government	2,226,350	-	-	2,226,350
Information systems	603,135	-	-	603,135
Police	5,662,998	-	31,931	5,694,929
Fire/EMS	4,489,353	-	-	4,489,353
Public works	2,550,279	536,875	-	3,087,154
Capital outlay		2,238,160	-	2,238,160
Debt service:				
Principal	70,000	-	-	70,000
Interest	9,160	-	-	9,160
Total Expenditures	15,611,275	2,775,035	31,931	18,418,241
Excess (deficiency) of revenues over (under) expenditures	1,550,045	(539,599)	15,340	1,025,786
Other Financing Sources (Uses)				
Transfers in	128,773	-	-	128,773
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	128,773	-	-	128,773
Net Change in Fund Balances	1,678,818	(539,599)	15,340	1,154,559
Fund Balances - Beginning	13,284,986	2,283,194	178,078	15,746,258
Fund Balances - Ending	\$ 14,963,804	\$ 1,743,595	\$ 193,418	\$ 16,900,817

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

<p>CITY OF ERLANGER, KENTUCKY RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020</p>
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Net change in fund balances - total governmental funds	\$ 1,154,559
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Amounts reported for governmental activities in the statement of activities are different because:

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:

Capital asset additions	2,238,160
Loss on disposal of assets	(12,553)
Depreciation expense	(1,831,447)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds.	139,686
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Repayment of bond and lease principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	70,000
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Government funds report the effect of prepaid insurance and bond refunding loss when the debt is issued, these amounts are deferred and amortized in statement of activities.	(13,506)
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Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of the pension benefits earned, net of employer contributions, is reported as pension expense:	
Costs of benefits earned - pensions	(2,736,083)
Costs of benefits earned - OPEB	(308,900)

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.	391
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An internal service fund is used by management to charge the costs of certain activities, such as health and dental insurance to individual funds. The net revenues (expenses) of the internal service fund are reported with governmental activities.	(9,905)
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Some expenses reported in the statement of activities do not require the use of current financial and therefore are not reported as expenditures in governmental funds, such as compensated absences.	(45,448)
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Change in net position of governmental activities	\$ (1,355,046)
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The accompanying notes are an integral part of these financial statements.

CITY OF ERLANGER, KENTUCKY
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
June 30, 2020

	Governmental Activities
	Internal
	Service Fund - Health and Dental
Assets	
Current assets:	
Cash and cash equivalents	\$ 83,268
Receivables	11,494
Total Assets	94,762
Liabilities	
Current liabilities:	
Accounts payable	12,079
Total Liabilities	12,079
Net Position	
Unrestricted	82,683
Total Net Position	\$ 82,683

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

CITY OF ERLANGER, KENTUCKY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUND For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Fund - Health and Dental
Operating Revenues	
Charges for services:	
Health insurance premium fees	\$ 1,831,355
Other income	373,207
Total Operating Revenues	<u>2,204,563</u>
Operating Expenses	
Claims paid	2,085,694
Health insurance	-
Total Operating Expenses	<u>2,085,694</u>
Net Operating Income (Loss)	118,868
Transfer in	-
Transfer out	<u>(128,773)</u>
Net Income	(9,905)
Net Position - Beginning Of Year	<u>92,588</u>
Net Position - End Of Year	<u><u>\$ 82,683</u></u>

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

CITY OF ERLANGER, KENTUCKY
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Fund - Health and Dental
Cash flows from operating activities	
Cash received from interfund services provided	\$ 2,195,574
Cash paid to suppliers	(2,073,615)
Cash transferred out to the General Fund	(128,773)
Net change in cash from operating activities	(6,814)
Net change in cash	(6,814)
Cash and Cash equivalents- beginning of year	90,083
Cash and Cash equivalents- end of year	\$ 83,268
Reconciliation of operating income to net change in cash from operating activities:	
Operating income	\$ 118,868
Adjustments to reconcile operating income to net change in cash from operating activities:	
Cash transferred out to the general fund	(128,773)
Changes in assets and liabilities:	
Receivables	(8,988)
Accounts payable	12,079
Net change in cash from operating activities	\$ (6,814)

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

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

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

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

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

BASIS OF PRESENTATION***Government-Wide Financial Statements***

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

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

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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Fund Financial Statements

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

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

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

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

Police Forfeiture Fund (Special Revenue Fund) – The Police Forfeiture Fund, by Kentucky state law, is derived from drug forfeitures that must be expended for police equipment and supplies. By definition, the Police Forfeiture Fund is a Special Revenue Fund as it is used to account for and report the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects.

Tax Increment Financing Fund (TIF) (Special Revenue Fund) – The TIF Fund, The City established a "development area" to be known as Erlanger Road Commerce Center. This Special Fund was set up to encourage reinvestment and development within the area and to pledge a portion of the "incremental revenues" generated from the development and to provide redevelopment assistance and provide for the payment of project costs; including infrastructure and site development costs.

Capital Assets Fund (Capital Project Fund) – The Capital Assets Fund, via enabling legislation is to be used to account for and report financial resources that are internally committed to expenditure for capital outlays, including collecting and providing funding for new or replacement capital assets and/or infrastructure employed by the City.

Proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The government reports the following proprietary funds:

Internal Service Fund – Health and Dental – The City's Internal Service Fund accounts for the activities of the government's self-insurance function for dental and vision insurance. The net assets of this fund are included in the Statement of Net Position and the net income of the fund is accounted for, by functional area in proportion to salary expense, in the Statement of Activities.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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BASIS OF ACCOUNTING - The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, license fees and interest are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenues 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 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, 2020.

Proprietary fund – internal service fund – is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accrual basis of accounting is utilized by the proprietary fund types. Under this method, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred.

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

The City is authorized by state statute to invest in:

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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PROPERTY TAXES AND TAX CALENDAR - Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. Property tax rates for the year ended June 30, 2020, were \$.317 per \$100 valuation for real property and \$.554 per \$100 valuation for personal property. The assessed value of property on which the 2019 tax levy was based was \$1,246,017,850 for real property and \$58,435,064 for personal property.

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

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

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statements. Generally, capitalizable items with a cost of \$5,000 or more and two years of useful life are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2001, governmental funds infrastructure assets had not previously been capitalized. The City has opted to not retroactively report its major general infrastructure assets. Infrastructure assets (starting July 1, 2001) have been valued at cost.

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

Buildings	40	years
Building Improvements/public domain infrastructure	10-25	years
Equipment	3-7	years
Furniture and fixtures	3-7	years
Vehicles	5	years

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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COMPENSTATED ABSENCES – The City reports compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate compensated absences as they become due and payable.

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

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

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

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

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

NET POSITION – Net position represents the difference between assets and deferred outflows less liabilities and deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

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

Committed fund balance - These amounts can only be used for specific purposes to constraints imposed by formal ordinances of the City Council (the government's highest level of decision-making authority). Those committed amounts cannot be used for any other purposes unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. The City Council has set a General Fund minimum fund balance target at 30% of expenditures and recurring transfers. No other fund balance policies exist.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed. The City has no outstanding encumbrances as of June 30 ,2020.

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by May 15th, the City Administrative Officer submits to the Mayor and Council, a proposed operating budget on the modified accrual basis of accounting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. A public meeting is conducted to obtain citizen comment.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- D. The City Administrative Officer is required by Kentucky Revised Statutes to present a quarterly report to the Mayor and Council explaining any variance from the approved budget.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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E. Appropriations continue in effect until a new budget is adopted.

F. The Council authorizes supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Council; however, with proper approval by the Council, budgetary transfers between departments can be made. The Council adopted two supplementary appropriation ordinances. All appropriations lapse at fiscal year-end. Annual budgets are adopted on a basis consistent with GAAP.

Deficit net position – No funds of the City ended the fiscal year in a deficit net position.

NOTE C – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits – For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. As allowed by law, the depository bank must pledge securities in addition to FDIC insurance at least equal to the amount on deposit at all times. The City's deposit policy maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The City's bank balances are entirely insured or collateralized with securities held by the financial institution in the City's behalf, as required by state legal requirements.

The City held the following investments as of June 30 ,2020:

	Fair Value	Weighted Average to Maturity (years)
Cash	\$ 9,813,852	-
Certificates of deposit	231,433	0.02
Government bonds	4,307,114	3.67
	<u>\$ 14,352,399</u>	
Portfolio weighted average maturity		3.69

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

NOTE D – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances as of June 30 ,2020. Interfund transfers for the year ended June 30 ,2020, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 128,773	\$ -
Capital Assets Fund	-	-
	<u>\$ 128,773</u>	<u>\$ -</u>

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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fund from which it was originally provided once a project is completed. The Internal Service Fund transferred \$128,773 to the General Fund as a return of unused premiums.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

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

	June 30, 2019	Additions	Retirements/ Reclassifications	June 30, 2020
Governmental activities:				
Assets not being depreciated				
Land	\$ 4,909,569	\$ -	\$ -	\$ 4,909,569
Construction in progress	466,781	24,014	(417,972)	72,823
	<u>5,376,350</u>	<u>24,014</u>	<u>(417,972)</u>	<u>4,982,392</u>
Other capital assets				
Buildings	9,619,637	-	-	9,619,637
Improvements/infrastructure	19,091,019	2,199,253	-	21,290,272
Equipment	3,381,223	104,872	(10,375)	3,475,720
Furniture and fixtures	236,556	-	-	236,556
Vehicles	5,361,236	357,992	(670,595)	5,048,633
Subtotal	<u>37,689,671</u>	<u>2,662,117</u>	<u>(680,970)</u>	<u>39,670,818</u>
Accumulated depreciation				
Buildings	(4,958,978)	(292,203)	-	(5,251,181)
Improvements/infrastructure	(4,394,826)	(784,534)	-	(5,179,360)
Equipment	(2,881,150)	(128,438)	10,375	(2,999,213)
Furniture and fixtures	(236,556)	-	-	(236,556)
Vehicles	(3,651,248)	(626,272)	628,062	(3,649,458)
Subtotal	<u>(16,122,758)</u>	<u>(1,831,447)</u>	<u>638,437</u>	<u>(17,315,768)</u>
Other capital assets, less depreciatio	<u>21,566,914</u>	<u>830,670</u>	<u>(42,533)</u>	<u>22,355,050</u>
Capital assets, net	<u>\$ 26,943,264</u>	<u>\$ 854,684</u>	<u>\$ (460,505)</u>	<u>\$ 27,337,442</u>

Depreciation was charged to the following governmental activities:

Activity	Depreciation
General government	\$ 129,361
Information systems	22,388
Police	295,394
Fire & EMS	384,716
Public safety	999,588
Current year governmental activity depreciation expense	<u>\$ 1,831,447</u>

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE F – LONG-TERM OBLIGATIONS

General Obligation Public Project Bonds – Series 2007

On January 8, 2008, the City issued General Obligation Bonds, Series 2007 in the amount of \$2,150,000. The proceeds were used for general public projects in the City. Coupon rates vary from 3.00% to 3.55%. The issue calls for semi-annual interest payments on May 1 and November 1 and principal payments on November 1.

The following is a schedule of future debt service requirements to maturity as of June 30 ,2020:

Year Ended June 30,	General Obligation Public Project Bonds - 2007		
	Principal	Interest	Total Debt Service
2021	\$ 70,000	\$ 6,745	\$ 76,745
2022	75,000	4,171	79,171
2023	80,000	1,420	81,420
Total	<u>\$ 225,000</u>	<u>\$ 12,336</u>	<u>\$ 237,336</u>

Special Assessment Bonds

On February 1, 2002, the City issued Improvement Assessment Public Project General Obligation Refunding Bonds, Series 2002 in the amount of \$4,015,000. The proceeds were used to refund bonds that had been used to pay for infrastructure improvements at the Circleport Office Park. The debt service is primarily to be paid out of special assessments, although the City remains obligated for the full amount of the debt. As of June 30 ,2020, there is no delinquent special assessments receivable. Coupon rates vary from 3.00% to 4.625%. The issue calls for semi-annual interest payments on February 1 and August 1 and annual principal payments on August 1. This bond was paid in full in the fiscal year ending June 30 ,2020. A summary of the changes in the long-term debt obligations is as follows:

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019	Current Portion
Governmental activities -					
Compenstated absences	\$ 400,448	\$ 423,434	\$ (402,313)	\$ 421,569	\$ 94,553
General obligation pubic project bonds - Series 2008	365,000	-	(70,000)	295,000	70,000
General obligation refunding bonds - Series 2010	420,000	-	(420,000)	-	-
Special assessment bonds	175,000	-	(175,000)	-	-
Total governmental activities	<u>\$ 1,360,448</u>	<u>\$ 423,434</u>	<u>\$ (1,067,313)</u>	<u>\$ 716,569</u>	<u>\$ 164,553</u>

NOTE G – DEFEASED DEBT

On February 11, 2010, the City issued General Obligation Refunding Bonds to advance refund the 1998 General Obligation Bonds. The net equity contribution was used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 1998 General Obligation Bonds are called. The refunding met the requirements of an in-substance debt defeasance and the various purpose bonds were removed from the City's government-

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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wide financial statements. The amount outstanding on the defeased 1998 General Obligation Bonds is \$0 at June 30 ,2020.

NOTE H – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

	General Fund	Police Forfeiture & TIF Funds	Capital Assets	Total
Nonspendable -				
Prepaid expenses	\$ 369,925	\$ -	\$ -	\$ 369,925
Restricted		193,418		193,418
Committed -				
Capital projects	-	-	1,743,595	1,743,595
Unassigned	14,593,879	-	-	14,593,879
Total Fund Balance	<u>\$ 14,963,804</u>	<u>\$ 193,418</u>	<u>\$ 1,743,595</u>	<u>\$ 16,900,817</u>

NOTE I – OPERATING LEASES

The City is obligated under certain leases accounted for as operating leases. Minor lease expenses in fiscal year 2019, in the aggregate, totaled \$17,374.

NOTE J – COUNTY EMPLOYEES' RETIREMENT SYSTEM

The City's eligible employees are covered by the County Employees Retirement System (Plan).

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

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

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

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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 or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

Hazardous Pension Plan Description

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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For retirement purposes, employees are grouped into three tiers, based on hire date:

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

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

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

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

Contributions.

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

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

The City made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$504,102, of which \$404,371 was for the pension fund and \$99,731 was for the health insurance fund.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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The City made all required contributions for the hazardous Plan obligation for the fiscal year in the amount of \$1,849,734, of which \$1,404,826 was for the pension fund and \$444,908 was for the health insurance fund

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

At June 30, 2020, the City reported a liability of \$24,843,082 as its proportionate share of the net pension liability (\$5,181,174 for the non-hazardous plan and \$19,661,908 for the hazardous duty plan) The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's non-hazardous employer allocation proportion was 0.07367% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.7118% of the total CERS hazardous duty employees. For the year ended June 30, 2020, the City recognized pension expense of \$2,736,084 in addition to its \$1,809,197 pension contribution.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 132,291	\$ (21,892)	\$ 835,389	\$ -	\$ 967,680	\$ (21,892)
Net difference between projected actual earnings on plan investments	-	(83,523)	-	(278,267)	-	(361,790)
Changes of assumptions	524,394	-	1,908,565	-	2,432,959	-
Changes in proportion and differences between contributions and proportionate share of contributions	46,752	(710,330)	15,217	(605,771)	61,969	(1,316,101)
Contributions subsequent to the measurement date	404,371	-	1,404,826	-	1,809,197	-
	<u>\$ 1,107,808</u>	<u>\$ (815,745)</u>	<u>\$ 4,163,997</u>	<u>\$ (884,038)</u>	<u>\$ 5,271,805</u>	<u>\$ (1,699,783)</u>

The City's contributions subsequent to the measurement date of \$1,809,197 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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
2020	\$ 1,526,432
2021	170,807
2022	41,938
2023	23,648
2024	-
Thereafter	-
	<u>\$ 1,762,825</u>

Actuarial Assumptions

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

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

The mortality table used for active members is Pub-2010 General Mortality table for the Non-Hazardous System and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

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

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

Discount Rate

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability 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 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	\$ 6,480,179	\$ 5,181,174	\$ 4,098,466
Hazardous	24,581,797	19,661,908	15,628,309
Total	<u>\$ 31,061,976</u>	<u>\$ 24,843,082</u>	<u>\$ 19,726,775</u>

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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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	< 4 years service - 0%
	premium paid by the plan	4-9 years service - 25%
		10-14 years service - 50%
		15-19 years service - 75%
		20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.

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

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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Hazardous OPEB Plan Description

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

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

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

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

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% for hazardous duty employees; actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$99,731 for non-hazardous duty employees and \$444,908 for hazardous duty employees for the year ended June 30, 2020.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the City reported a liability of \$6,515,354 as its proportionate share of the net OPEB liability (\$1,952,888 for the non-hazardous plan and \$5,269,984 for the hazardous duty plan). The net pension liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's non-hazardous employer allocation proportion was 0.07404% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.712295% of the total CERS hazardous duty employees. For the year ended June 30, 2020, the City recognized OPEB expense of \$308,9000 in addition to its \$544,639 OPEB contribution.

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

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow 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	\$ -	\$ (375,757)	\$ -	\$ (980,389)	\$ -	\$ (1,356,146)
Net difference between projected actual earnings on plan investments	-	(55,314)	-	(302,989)	-	(358,303)
Changes of assumptions	368,517	(2,464)	1,592,566	(9,978)	1,961,083	(12,442)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(286,257)	-	(249,511)	-	(535,768)
Contributions subsequent to the measurement date	99,731	-	444,908	-	544,639	-
	<u>\$ 468,248</u>	<u>\$ (719,792)</u>	<u>\$ 2,037,474</u>	<u>\$ (1,542,867)</u>	<u>\$ 2,505,722</u>	<u>\$ (2,262,659)</u>

The City's contributions subsequent to the measurement date, \$544,639 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2020	\$ 196,226
2021	(84,062)
2022	(225,710)
2023	(94,120)
2024	(76,081)
Thereafter	(17,829)
	<u>\$ (301,576)</u>

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

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

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

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Changes of Assumptions

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

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

In 2019 the following changes were made to the discount rates:

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

Discount Rate

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

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.68% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.68%	5.68%	6.68%
Net OPEB liability, Non-Haz	\$ 1,668,283	\$ 1,245,370	\$ 896,917
Discount Rate, Hazardous	4.69%	5.69%	6.69%
Net OPEB liability, Haz	\$ 7,352,690	\$ 5,269,984	\$ 3,579,432
Total	\$ 9,020,973	\$ 6,515,354	\$ 4,476,349

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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 926,188	\$ 1,245,370	\$ 1,632,416
Net OPEB liability, hazardous	3,666,935	5,269,984	7,225,618
Total	\$ 4,593,123	\$ 6,515,354	\$ 8,858,034

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 K – 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. To obtain insurance for workers' compensation and general liability coverage, the City participates in the Kentucky Employers Mutual Insurance (KEMI). This public City operates as a common risk management and insurance program for municipalities. The City pays an annual premium to Kentucky League of Cities Insurance Services (KLCIS) for its general insurance and liability coverage. KLCIS is self-sustaining through member premiums and will reinsure through a commercial company for claims in excess of \$10 million for each insured event. The City has effectively managed risk through various employee education and prevention programs.

The City continues to carry commercial insurance for all other risks or loss including accidental insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2020, will not materially affect the financial condition of the City. Therefore, the General Fund reports no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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The City established a Health and Dental Self-Insurance Fund. Until June 1, 2010, employees could elect to participate in this program or certain other medical insurance programs offered by the City for their health, dental and vision coverage. Under this program, the first \$40,000 of a participant's medical, dental or vision claims were payable by the self-insurance fund. The City purchased insurance for claims in excess of coverage provided by the fund. All departments of the City participated in the program and made payments to the medical self-insurance fund based on historical estimates of the amounts needed to pay prior and current year claims. As of June 1, 2010, The City elected to close the medical self-insurance plan and to fully insure employee health insurance through the State of Kentucky plan. However, dental and vision coverage were still included in the self-insurance fund. During FY 2016, the City elected to close the remaining portion on the self-insurance internal service fund and transfer all assets and liabilities of the fund to the General Fund. In July 2017, this fund was reactivated to include health, vision, and dental coverage.

The claims liability of \$211,456 reported as of June 30, 2019, is based upon requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. Changes in the claims liability amount during the years ended June 30, 2014 through 2020 are as follows:

Year ended June 30,:	Beginning of Year	Premiums and Income	Claims Payments	End of Year
2020	\$ 92,588	\$ 2,204,562	\$ 2,085,694	\$ 211,456
2019	1,253	1,744,795	1,653,460	92,588
2018	34,432	1,405,346	1,438,525	1,253
2017	-	505,240	470,808	34,432
2016	3,655	817	4,472	-
2015	2,973	165,415	166,097	3,655
2014	4,810	121,724	119,887	2,973

The General Fund contains no provision for estimated legal claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

On the Government-wide Statement of Activities, the City recognizes, by functional area, both the expense (\$2,085,694) in governmental activities and the revenue (\$2,204,562) in charges for services of the internal service fund.

NOTE L – CONDUIT DEBT OBLIGATION

In October 2019, the City entered into an agreement with a developer to issue 2017A City of Erlanger Industrial Revenue Bonds in amount of \$35,000,000 and 2018A City of Erlanger Industrial Revenue Bonds in the amount of \$18,000,000 to provide financial assistance to a private-sector developer for the construction of the Erlanger Commerce Center Project within the City. The bonds are secured by the properties financed and are payable solely from the developer. Neither the City nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2020, the 2017A and 2018A Industrial Building Revenue Bond had an outstanding principal amount totaling \$53,000,000.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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NOTE M – TAX ABATEMENTS

In accordance with GASB 77, the City had the following tax abatements for the fiscal year ended June 30, 2020:

Tax Payer	Tax Approved for Abatement	Authority	Commitment	Amount Abated this Fiscal Year	Date Abatement Ends
		Erlanger Development Growth & Employment Program			
Toyota Boshoku	Occupational License Fee		10 Years	\$ 136,970	December 2027
Archer Daniels Midland (ADM)	Occupational License Fee	Kentucky Business Investment Program	10 Years	\$ 3	November 2024
		Erlanger Development Growth & Employment Program			
Beacon Orthopaedic	Occupational License Fee		10 Years	\$ 4,993	September 2023
		Erlanger Development Growth & Employment Program			
Dynamic Catholic Inst.	Occupational License Fee		10 Years	\$ -	December 2025
		Erlanger Development Growth & Employment Program			
Furlong Building Enterprises	Occupational License Fee		10 Years	\$ -	December 2027
		Erlanger Development Growth & Employment Program			
St. Elizabeth Healthcare	Occupational License Fee		10 Years	\$ -	December 2028
Total Abatement for the Year Ended June 30, 2019				\$ 141,966	

NOTE N – COMMITMENTS AND CONTINGENCIES

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

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE O – COVID-19 GLOBAL PANDEMIC

The primary effects on the City from the COVID-19 Global Pandemic has been a reduction in payroll and occupational license tax revenue received and an increase in unbudgeted expenses for personal protective equipment. City management is unsure of a timeline for when, or if, these revenues and

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2020
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expenses will return to pre-pandemic levels. The 2020-21 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

NOTE P – CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$1,362,339 in Federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic. The City has recognized these \$1,223,797 of these funds as other financial resources and as an accounts receivable at June 30, 2020.

NOTE Q – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

NOTE R – FUTURE ACCOUNTING STANDARDS

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

Statement No. 87 – *Leases* – FY 2022

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

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

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

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

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

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

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

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

NOTE S – SUBSEQUENT EVENTS

Management has evaluated events through January 5, 2021, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2020 through January 5, 2021 to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Actual	Variance
	Original	Amendments	Final	Amounts	Positive (Negative)
Budgetary fund balance, July 1	\$ 12,288,761	\$ -	\$ 12,288,761	\$ 13,284,986	\$ 996,225
Resources (inflows):					
Property taxes	4,531,810	281,297	4,813,107	4,608,850	(204,257)
Licenses and permits:	9,562,960	381,040	9,944,000	9,504,748	(439,252)
Intergovernmental	887,120	148,455	1,035,575	2,066,938	1,031,363
Charges for services	641,770	72,857	714,627	630,911	(83,716)
Fines and forfeitures	23,250	6,073	29,323	27,796	(1,527)
Interest, net of changes in investments	99,000	-	99,000	172,036	73,036
Uses of property	39,750	(416)	39,334	64,164	24,830
Miscellaneous	5,000	42,242	47,242	85,877	38,635
Transfers in	-	-	-	128,773	128,773
Amounts available for appropriation	28,079,421	931,548	29,010,969	30,575,079	1,564,110
Charges to appropriations (outflows):					
General government	2,356,780	(90,897)	2,265,883	2,226,350	39,533
Information systems	580,670	31,753	612,423	603,135	9,288
Police	5,353,430	407,296	5,760,726	5,662,998	97,728
Fire/EMS	4,361,230	106,185	4,467,415	4,489,353	(21,938)
Public works	2,854,430	(163,580)	2,690,850	2,550,279	140,571
Debt service and other bond costs	79,160	-	79,160	79,160	-
Transfers out	500,000	(500,000)	-	-	-
Total charges to appropriation	16,085,700	(209,243)	15,876,457	15,611,275	265,182
 Budgetary fund balance, June 30	 \$ 11,993,721	 \$ 1,140,791	 \$ 13,134,512	 \$ 14,963,804	 \$ 1,829,292

The Budgetary Comparison Schedule is presented on a modified accrual budgetary basis.

CITY OF ERLANGER, 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.073670%	0.091640%	0.092930%	0.085230%	0.088550%	0.084474%					
Proportionate share of the net pension liability (asset)	\$5,181,174	\$5,581,338	\$5,439,362	\$4,196,465	\$3,807,249	\$2,740,650					
Covered payroll in year of measurement	1,952,888	2,454,079	2,378,000	2,309,017	2,304,677	2,116,991					
Share of the net pension liability (asset) as a percentage of its covered payroll	265.31%	227.43%	228.74%	181.74%	165.20%	129.46%					
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.30%	59.97%	59.97%	66.80%					

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 404,371	\$ 316,758	\$ 355,351	\$ 331,731	\$ 286,701	\$ 293,846	\$ 290,875				
Actual contribution	404,371	316,758	355,351	331,731	286,701	293,846	290,875				
Contribution deficiency (excess)	-	-	-	-	-	-	-				
Covered payroll	2,095,188	1,952,888	2,454,079	2,378,000	2,309,017	2,304,677	2,116,991				
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%				

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

The net pension liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE J in the Notes to the Financial Statements.

CITY OF ERLANGER, 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.711800%	0.753299%	0.756991%	0.750920%	0.766721%	0.745968%					
Proportionate share of the net pension liability (asset)	\$ 19,661,908	\$ 18,218,212	\$ 16,935,997	\$ 12,885,342	\$ 11,769,986	\$ 8,965,223					
Covered payroll in year of measurement	4,374,871	4,626,566	4,166,089	4,445,594	4,114,980	4,097,916					
Share of the net pension liability (asset) as a percentage of its covered payroll	449.43%	393.77%	406.52%	289.85%	286.03%	218.78%					
Plan fiduciary net position as a percentage of total pension liability	46.63%	49.26%	49.80%	57.52%	57.52%	63.46%					

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,404,826	\$ 1,087,593	\$ 1,027,098	\$ 904,458	\$ 900,878	\$ 944,535	\$ 892,116				
Actual contribution	1,404,826	1,087,593	1,027,098	904,458	900,878	944,535	892,116				
Contribution deficiency (excess)	-	-	-	-	-	-	-				
Covered payroll	4,673,406	4,374,871	4,626,566	4,166,089	4,445,594	4,114,980	4,097,916				
Contributions as a percentage of covered payroll	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%				

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

The net pension liability as of June 30, 2020 is based on the June 30, 2019, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE J in the Notes to the Financial Statements.

CITY OF ERLANGER, 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)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.07404%	0.09164%	0.09293%							
Proportionate share of the net OPEB liability (asset)	\$ 1,245,370	\$ 1,627,032	\$ 1,868,171							
Covered payroll in year of measurement	1,952,888	2,454,079	2,378,000							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	63.77%	66.30%	78.56%							
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%							

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 99,731	\$ 102,722	\$ 115,342	\$ 112,479						
Actual contribution	99,731	102,722	115,342	112,479						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	2,095,188	1,952,888	2,454,079	2,378,000						
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	4.73%						

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

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE J in the Notes to the Financial Statements.

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

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

	2019	2018	2017	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.712295%	0.753360%	0.756991%							
Proportionate share of the net OPEB liability (asset)	\$ 5,269,984	\$ 5,371,201	\$ 6,257,829							
Covered payroll in year of measurement	4,374,871	4,626,566	4,166,089							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	120.46%	116.09%	150.21%							
Plan fiduciary net position as a percentage of total OPEB liability	64.44%	64.24%	59.00%							

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

	2020	2019	2018	2017	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 444,908	\$ 458,049	\$ 432,584	\$ 389,529						
Actual contribution	444,908	458,049	432,584	389,529						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	4,673,406	4,374,871	4,626,566	4,166,089						
Contributions as a percentage of covered payroll	9.52%	10.47%	9.35%	9.35%						

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

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation.. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between City's contributions and proportionate share of contributions are detailed in NOTE J in the Notes to the Financial Statements.

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SUPPLEMENTARY INFORMATION

CITY OF ERLANGER, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL ASSETS FUND
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final	Amounts	Final Budget -
					Positive
					(Negative)
Budgetary fund balances, July 1	\$2,180,378	\$ -	\$2,180,378	\$2,283,194	\$ 102,816
Resources (inflows):					
License and permits	2,004,620	58,155	2,062,775	2,021,936	(40,839)
Sale of assets	20,000	-	20,000	213,500	193,500
Transfers in	500,000	(500,000)	-	-	-
Amounts available for appropriation	<u>4,704,998</u>	<u>(441,845)</u>	<u>4,263,153</u>	<u>4,518,630</u>	<u>255,477</u>
Charges to appropriations (outflows):					
Capital outlay	4,269,050	(943,583)	3,325,467	2,775,035	550,432
Total appropriations	<u>4,269,050</u>	<u>(943,583)</u>	<u>3,325,467</u>	<u>2,775,035</u>	<u>550,432</u>
Budgetary fund balances, June 30	<u>\$ 435,948</u>	<u>\$ 501,738</u>	<u>\$ 937,686</u>	<u>\$1,743,595</u>	<u>\$ 805,909</u>

Note - Other supplementary information: The basis of budgeting is the same as GAAP

CITY OF ERLANGER, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
POLICE FORFEITURE FUND
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final	Amounts	Final Budget -
					Positive
					(Negative)
Budgetary fund balances, July 1	\$ 181,190	\$ -	\$ 181,190	\$ 178,078	\$ (3,112)
Resources (inflows):					
Fines and forfeitures	-	-	-	32,444	32,444
Interest	-	-	-	-	-
Amounts available for appropriation	<u>181,190</u>	<u>-</u>	<u>181,190</u>	<u>210,522</u>	<u>29,332</u>
Charges to appropriations (outflows):					
Police equipment	<u>20,000</u>	<u>14,500</u>	<u>34,500</u>	<u>31,931</u>	<u>2,569</u>
Budgetary fund balances, June 30	<u>\$ 161,190</u>	<u>\$ (14,500)</u>	<u>\$ 146,690</u>	<u>\$ 178,591</u>	<u>\$ 31,901</u>

Note - Other supplementary information: The basis of budgeting is the same as GAAP

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

The Statistical Section of the City of Erlanger's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding the information in the financial statements, notes and supplementary information as it pertains to the overall financial health of the City.

Section 1: Financial Trend Data:

Pages 64-68

These tables contain trend information to help the reader understand how the City's financial status has changed in recent years.

Section 2: Revenue Capacity:

Pages 69-73

These tables contain information to help the reader assess the City's most significant local sources of revenue.

Section 3: Debt Capacity:

Pages 74-77

These tables include information to help the reader assess the affordability of the City's current outstanding debt and its ability to issue additional debt in the future.

Section 4: Demographic and Economic Information:

Pages 78-79

This table shows demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

Section 5: Operating Information:

Pages 80-82

These tables contain service and infrastructure data to help the reader understand how the information contained in this report relates to the City's services and activities.

CITY OF ERLANGER, KENTUCKY**NET POSITION BY COMPONENT**

Last Ten Fiscal Years

(accrual basis of accounting - amounts in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 8,891	\$ 16,351	\$ 18,140	\$ 15,675	\$ 17,008	\$ 18,730	\$ 21,157	\$ 24,155	\$ 26,670	\$ 27,121
Restricted for police equipment	136	122	162	151	151	189	184	216	178	193
Unrestricted	7,171	2,777	4,370	10,687	1,932	2,698	2,928	(5,449)	(9,237)	(11,058)
Total governmental activities net position	\$ 16,198	\$ 19,250	\$ 22,672	\$ 26,513	\$ 19,091	\$ 21,617	\$ 24,269	\$ 18,922	\$ 17,611	\$ 16,257
Business-type activities										
Net investment in capital assets	\$ 576	\$ 360	\$ 131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(1,036)	(862)	(278)	-	-	-	-	-	-	-
Total business-type activities net position	\$ (460)	\$ (502)	\$ (147)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Primary government										
Net investment in capital assets	\$ 9,467	\$ 16,711	\$ 18,271	\$ 15,675	\$ 17,008	\$ 18,730	\$ 21,157	\$ 21,455	\$ 26,670	\$ 27,121
Restricted	136	122	162	151	151	189	184	216	178	193
Unrestricted	6,135	1,915	4,092	10,687	1,932	2,698	2,928	(5,449)	(9,237)	(11,058)
Total primary government net position	\$ 15,738	\$ 18,748	\$ 22,525	\$ 26,513	\$ 19,091	\$ 21,617	\$ 24,269	\$ 16,222	\$ 17,611	\$ 16,257

CITY OF ERLANGER, KENTUCKY

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting - amounts in thousands)

Program Revenues	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Charges for services:										
General government	\$ 629	\$ 660	\$ 624	\$ 553	\$ 476	\$ 482	\$ 442	\$ 288	\$ 404	\$ 706
Police	889	916	1,000	1,270	1,428	1,505	1,508	1,546	754	1,001
Fire/EMS	450	453	441	600	673	621	681	557	1,123	1,227
Public works	5	18	13	39	15	13	26	5	219	256
Interest	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	345	249	255	753	725	639	690	677	705	1,974
Capital grants and contributions	608	740	1,153	582	24	-	113	97	271	76
Total governmental activities program revenues	2,926	3,036	3,486	3,797	3,341	3,260	3,460	3,170	3,476	5,240
Business-type activities:										
Charges for services:										
Advanced life support	300	295	171	-	-	-	-	-	-	-
Emergency dispatch	1,858	1,799	1,802	510	-	-	-	-	-	-
Operating grants and contributions	-	13	6	-	-	-	-	-	-	-
Total business-type activities program revenues	2,158	2,107	1,979	510	-	-	-	-	-	-
Total primary government program revenues	\$ 5,084	\$ 5,143	\$ 5,465	\$ 4,307	\$ 3,341	\$ 3,260	\$ 3,460	\$ 3,170	\$ 3,476	\$ 5,240
Expenses										
Governmental activities:										
General government	\$ 1,595	\$ 1,654	\$ 1,733	\$ 1,786	\$ 1,827	\$ 1,979	\$ 2,089	\$ 2,410	\$ 2,972	\$ 2,751
Police	4,372	5,095	5,150	5,622	5,779	6,127	6,239	7,580	7,303	8,352
Fire/EMS	3,112	3,556	3,870	3,912	3,986	4,110	4,323	5,250	6,724	6,897
Public works	2,085	1,875	1,894	2,061	2,388	2,607	2,893	3,139	3,584	4,425
Information systems	538	567	750	841	773	670	699	776	691	683
Interest on long-term debt	248	226	197	164	185	160	100	71	44	22
Total governmental activities expenses	11,950	12,973	13,594	14,386	14,939	15,653	16,343	19,226	21,318	23,130
Business-type activities:										
Advanced life support	365	319	172	-	-	-	-	-	-	-
Emergency dispatch	1,743	1,692	1,666	556	-	-	-	-	-	-
Total business-type activities expenses	2,108	2,011	1,838	556	-	-	-	-	-	-
Total primary government expenses	\$ 14,058	\$ 14,984	\$ 15,432	\$ 14,942	\$ 14,939	\$ 15,653	\$ 16,343	\$ 19,226	\$ 21,318	\$ 23,130
Net (Expense)/Revenue										
Governmental activities	\$ (9,024)	\$ (9,937)	\$ (10,108)	\$ (10,589)	\$ (11,598)	\$ (12,393)	\$ (12,883)	\$ (16,056)	\$ (17,842)	\$ (17,890)
Business-type activities	50	96	141	(46)	-	-	-	-	-	-
Total primary government net (expense)/revenue	\$ (8,974)	\$ (9,841)	\$ (9,967)	\$ (10,635)	\$ (11,598)	\$ (12,393)	\$ (12,883)	\$ (16,056)	\$ (17,842)	\$ (17,890)

continued

CITY OF ERLANGER, KENTUCKY
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting - amounts in thousands) (Continued from previous page)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes and licenses:										
Property taxes, levied for general purposes	\$ 3,480	\$ 3,637	\$ 3,901	\$ 4,143	\$ 4,268	\$ 4,214	\$ 4,158	\$ 4,141	\$ 4,456	\$ 4,408
Public service taxes	370	342	338	367	357	343	369	500	359	341
Payroll license	4,598	4,903	4,993	5,200	5,672	5,785	5,707	5,384	5,544	5,852
Occupational	768	920	1,144	1,034	1,100	1,160	1,259	1,182	1,389	1,092
Insurance premium	2,799	2,891	3,206	3,062	3,093	3,107	3,315	3,385	3,620	3,702
Other	-	-	-	593	734	664	718	771	880	895
Grants and contributions - non-program specific	38	78	68	174	145	53	8	-	-	-
Investment earnings	27	26	28	35	64	94	38	130	183	172
Miscellaneous	89	54	64	128	142	191	(37)	(32)	100	73
Advances	-	-	-	-	-	-	-	-	-	-
Transfers and other	144	138	(214)	(306)	-	-	-	-	-	-
Total governmental activities	12,313	12,989	13,528	14,430	15,574	15,610	15,535	15,461	16,531	16,535
Business-type activities:										
Advances	-	-	-	-	-	-	-	-	-	-
Transfers	(144)	(138)	214	193	-	-	-	-	-	-
Total business-type activities	(144)	(138)	214	193	-	-	-	-	-	-
Total primary government	\$ 12,169	\$ 12,851	\$ 13,742	\$ 14,623	\$ 15,574	\$ 15,610	\$ 15,535	\$ 15,461	\$ 16,531	\$ 16,535
Change in Net Position										
Governmental activities	\$ 3,289	\$ 3,052	\$ 3,420	\$ 3,841	\$ 3,976	\$ 3,217	\$ 2,652	\$ (595)	\$ (1,311)	\$ (1,355)
Business-type activities	(94)	(42)	355	147	-	-	-	-	-	-
Total change in net position	\$ 3,195	\$ 3,010	\$ 3,775	\$ 3,988	\$ 3,976	\$ 3,217	\$ 2,652	\$ (595)	\$ (1,311)	\$ (1,355)

CITY OF ERLANGER, KENTUCKY

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting - amounts in thous:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Nonspendable	\$ 997	\$ 825	\$ 413	\$ 125	\$ 103	\$ 104	\$ 96	\$ 91	\$ 112	\$ 370
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	4,822	5,701	6,884	8,579	10,461	12,533	14,359	14,791	13,173	14,594
Restricted	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Total general fund	\$ 5,819	\$ 6,526	\$ 7,297	\$ 8,704	\$ 10,564	\$ 12,637	\$ 14,455	\$ 14,882	\$ 13,285	\$ 14,964
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	136	122	162	151	151	190	184	216	178	216
Committed	216	1,249	1,540	1,993	2,220	2,248	1,857	932	2,283	932
Assigned	500	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental fun	\$ 852	\$ 1,371	\$ 1,702	\$ 2,144	\$ 2,370	\$ 2,437	\$ 2,040	\$ 1,148	\$ 2,461	\$ 1,148

In 2010, the City adopted GASB 54, which reclassified reservations of fund balance. The new presentation replaced **Unreserved** with **Unassigned** and added new classifications for **Nonspendable**, **Committed**, and **Assigned**. Based upon the new guidelines, the City reviewed its classification and reclassified several balances as **Committed**, **Assigned**, and **Restricted**.

CITY OF ERLANGER, KENTUCKY**Changes In Fund Balances - Governmental Funds****Last Ten Fiscal Years****(modified accrual basis of accounting - amounts in thousands)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 3,954	\$ 3,944	\$ 4,228	\$ 4,520	\$ 4,655	\$ 4,538	\$ 4,508	\$ 4,630	\$ 4,904	\$ 4,609
Licenses and permits	8,227	8,779	9,405	9,978	10,600	10,716	10,999	10,723	11,433	11,541
Intergovernmental	991	1,068	1,476	1,509	893	692	836	799	1,002	2,067
Fines and forfeitures	26	39	75	59	48	128	64	92	43	60
Charges for services	1,437	1,456	1,489	1,812	2,024	2,053	2,143	2,072	642	631
Uses of property/bond assessments	448	487	453	424	429	441	391	280	76	278
Interest	27	26	28	35	64	93	38	130	183	172
Miscellaneous	89	54	88	128	142	169	49	7	69	86
Total revenues	15,199	15,853	17,242	18,465	18,856	18,831	19,028	18,734	18,352	19,444
Expenditures										
Current:										
General government	1,520	1,532	1,596	1,640	1,695	1,754	1,890	2,000	2,333	2,226
Police	4,585	4,940	4,978	5,362	5,727	5,663	5,645	6,011	4,996	5,695
Fire/EMS	3,006	3,301	3,551	3,563	3,748	3,620	3,723	4,004	4,421	4,490
Public works	1,792	1,542	1,950	1,572	1,777	1,850	2,124	2,062	2,199	3,087
Information systems	461	486	684	789	747	642	679	702	578	603
Capital outlay	1,501	1,885	2,402	2,500	2,204	2,372	2,681	3,559	3,414	2,238
Debt service										
Principal	937	955	983	732	700	725	775	805	665	70
Interest	236	211	184	150	171	148	88	59	29	9
Other bond costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	14,038	14,852	16,328	16,308	16,769	16,774	17,604	19,201	18,635	18,418
Excess (deficiency) of revenues over (under) expenditures	1,161	1,001	914	2,157	2,087	2,057	1,423	(467)	(283)	1,026
Other financing sources (uses)										
Bonds and other debt issued	-	-	-	-	-	-	-	-	-	-
Refunded bonds paid	-	-	-	-	-	-	-	-	-	-
Transfers in	644	648	1,015	572	541	635	610	820	2,594	128
Transfers out	(500)	(510)	(829)	(878)	(541)	(552)	(610)	(820)	(2,594)	-
Total other financing sources (uses)	144	138	186	(306)	-	83	-	-	-	128
Net change in fund balance	\$ 1,305	\$ 1,139	\$ 1,100	\$ 1,851	\$ 2,086	\$ 2,139	\$ 1,423	\$ (467)	\$ (283)	\$ 1,154
Debt service as a percentage of non capital expenditures	9.36%	8.99%	8.38%	6.39%	5.98%	6.06%	5.78%	5.52%	4.56%	0.49%

CITY OF ERLANGER, KENTUCKY
GOVERNMENTAL ACTIVITIES - TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting - amounts in thousands)

Fiscal Year	Property Tax	Public Service Tax	Total
2009	\$ 3,225	\$ 311	\$ 3,536
2010	3,391	259	3,650
2011	3,584	370	3,954
2012	3,602	342	3,944
2013	3,890	338	4,228
2014	4,153	367	4,520
2015	4,268	357	4,624
2016	4,214	343	4,557
2017	4,158	369	4,527
2018	4,130	500	4,630
2019	4,545	359	4,904
2020	4,268	340	4,608

CITY OF ERLANGER, KENTUCKY
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year June 30	Real Property		Personal Property	Less:	Total Taxable Assessed Value	Total Direct Rate
	Residential Property	Commercial Property		Tax-Exempt Real Property Tax		
2011	768,090	457,167	69,754	176,496	1,118,515	0.298
2012	781,609	459,073	57,765	182,416	1,116,031	0.315
2013	784,272	456,581	61,523	184,199	1,118,177	0.316
2014	785,057	455,827	59,979	187,841	1,113,022	0.357
2015	794,521	453,234	73,319	188,207	1,132,867	0.357
2016	811,273	481,245	73,132	193,497	1,172,153	0.347
2017	823,747	487,239	70,984	195,646	1,186,324	0.337
2018	836,490	488,175	82,557	197,868	1,209,354	0.330
2019	860,781	507,502	78,324	213,353	1,233,254	0.323
2020	921,680	543,076	58,435	218,739	1,304,452	0.323

Source: Kenton County PVA

CITY OF ERLANGER, KENTUCKY**DIRECT AND OVERLAPPING GOVERNMENTS PROPERTY TAX RATES (1)****Last Ten Fiscal Years**

Fiscal Year	Direct Rate	Overlapping Rates						Total Direct and Overlapping Rates
	City of Erlanger	State of Kentucky	County			Area Planning	Other	
			Kenton County	Erlanger-Elsmere School District	Library			
2011	0.3150	0.1220	0.1480	0.7190	0.1130	0.0320	0.0290	1.4780
2012	0.3160	0.1220	0.1480	0.7430	0.1130	0.0300	0.0290	1.5010
2013	0.3350	0.1220	0.1480	0.7740	0.1130	0.0300	0.0290	1.5510
2014	0.3570	0.1220	0.1480	0.8170	0.1130	0.0293	0.0290	1.6153
2015	0.3570	0.1220	0.1480	0.8490	0.1130	0.0293	0.0290	1.6473
2016	0.3470	0.1220	0.1480	0.8880	0.1130	0.0293	0.0290	1.6763
2017	0.3370	0.1220	0.1480	0.9210	0.1130	0.0290	0.0290	1.6990
2018	0.3300	0.1220	0.1480	0.9550	0.1130	0.0290	0.0290	1.7260
2019	0.3230	0.1220	0.1590	0.9750	0.1130	0.0295	0.0290	1.7505
2020	0.3170	0.1220	0.1590	0.9750	0.1130	0.0295	0.0290	1.7445

(1) Per \$100 assessed valuation

CITY OF ERLANGER, KENTUCKY
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago

Taxpayer	2020			2011		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Thoroughbred Health LLC	29,490,300	1	2.55%			
Wild Flavors Inc.	22,631,764	2	1.96%			
United Dairy Farmers, Inc.	20,069,170	3	1.74%			
Archer-Daniels-Midland Co.	12,458,000	4	1.08%			
SIR Properties Trust	10,900,000	5	0.94%			
Ferguson Enterprises, Inc.	10,869,500	6	0.94%			
Dolwick Business Center	10,840,000	7	0.94%			
NW Villaspring LP	10,000,000	8	0.87%			
Fath Bluegrass Manor LLC	9,840,000	9	0.85%			
Silverlake Realty LLC	9,069,000	10	0.79%			
Wild Flavors Inc.				\$ 35,528,377	1	2.74%
Toyota Boshoku America Inc.				13,136,542	2	1.01%
Dolwick Business Center LLC				9,840,000	3	0.76%
MCW RC Kentucky LLC				9,565,000	4	0.74%
United Dairy Farmers, Inc.				9,451,700	5	0.73%
MLD Kentucky LLC				9,000,000	6	0.69%
HUB Properties Trust				8,550,300	7	0.66%
Fath Bluegrass Manor LLC				8,291,600	8	0.64%
Toyota Motor Mfg.				8,046,300	9	0.62%
National Amusements, Inc.				7,131,200	10	0.55%
TOTAL	\$ 146,167,734		12.66%	\$ 118,541,019		9.14%

Source: Kenton County PVA

CITY OF ERLANGER, KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(amounts in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2011	3,305	3,180	96%	23	3,203	97%
2012	3,341	3,220	96%	27	3,247	97%
2013	3,539	3,433	97%	46	3,479	98%
2014	3,759	3,661	97%	39	3,700	98%
2015	3,769	3,703	98%	58	3,761	100%
2016	3,802	3,688	97%	31	3,719	98%
2017	3,756	3,650	98%	27	3,672	98%
2018	3,708	3,601	98%	34	3,635	98%
2019	3,811	3,752	98%	20	3,772	99%
2020	3,949	3,866	98%	25	3,891	99%

CITY OF ERLANGER, KENTUCKY
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts in thousands)

Fiscal Year	Governmental Activities			Business-type Activities	Total Primary Government	Per Capita	Percentage of Per Capita Personal Income
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Capital Leases			
2011	4,295	2,205	135	64	6,699	370	1.78%
2012	3,640	1,950	90	15	5,695	315	1.14%
2013	2,970	1,685	42	-	4,697	257	0.93%
2014	2,555	1,410	-	-	3,965	219	0.79%
2015	2,140	1,125	-	-	3,265	181	0.66%
2016	1,715	825	-	-	2,540	140	0.68%
2017	1,255	510	-	-	1,765	98	0.71%
2018	785	175	-	-	960	53	0.82%
2019	295	-	-	-	295	16	1.00%
2020	237	-	-	-	237	13	1.00%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF ERLANGER, KENTUCKY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(amounts in thousands)

Governmental Activities

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Percentage of Actual Taxable Value of Property	Per Capita
2011	4,295	-	0.38%	238
2012	3,640	-	0.33%	201
2013	2,970	-	0.27%	164
2014	2,555	-	0.28%	141
2015	2,140	-	0.19%	118
2016	1,715	-	0.15%	95
2017	1,255	-	0.11%	69
2018	785	-	0.06%	43
2019	295	-	0.02%	16
2020	237		0.02%	13

Note: Details regarding the City's outstanding debt can be found in the notes to the financial s

(1) See the Schedule of Assessed Value of Taxable property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF ERLANGER, KENTUCKY**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

June 30, 2020

(amounts in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable⁽³⁾	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Kenton County (1)	\$ 94,181	10.17%	\$ 9,578
Erlanger-Elsmere School District (2)	12,144	68.15%	8,276
Subtotal, overlapping debt			17,854
City of Erlanger direct debt			237
Total direct and overlapping debt			<u>\$ 18,091</u>

Source: Kentucky local Debt Report

⁽¹⁾ Kenton County Treasurer's office⁽²⁾ Erlanger-Elsmere Board of Education, Finance Department⁽³⁾ The percentage overlapping debt applicable to the City is estimated using the percentage of Erlanger residents in each of the overlapping districts as measured by the 2010 U.S. census.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Erlanger. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF ERLANGER, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(amounts in thousands)

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	\$	1,304,452
Add back: exempt real property		213,353
Total assessed value	\$	<u>1,517,805</u>
Debt limit (10% of total taxable assessed value)	\$	<u>151,781</u>
Debt applicable to limit:		
General obligation bonds		(237)
Less: amount set aside for repayment of general obligation debt		<u>-</u>
Total net debt applicable to limit		<u>(237)</u>
Legal debt margin	\$	<u>151,544</u>

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 129,501	\$129,845	\$130,238	\$130,016	\$132,107	\$151,781	\$138,197	\$140,722	\$144,661	\$151,781
Total debt applicable to limit	4,295	3,640	2,970	2,555	2,140	237	1,255	785	295	237
Legal debt margin	125,206	126,205	127,268	127,461	129,967	151,544	136,942	139,937	144,366	151,544
Total debt applicable to the limit as a percentage of debt limit	3.32%	2.80%	2.28%	1.97%	1.62%	0.16%	0.91%	0.56%	0.20%	0.16%

Note: Under state finance law, the City's outstanding debt should not exceed 10 percent of assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF ERLANGER, KENTUCKY DEMOGRAPHIC AND ECONOMIC STATISTICS Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Total Personal Income Expressed in Thousands⁽¹⁾	Per Capita Income⁽¹⁾	Median Age⁽¹⁾	Unemployment Rate⁽²⁾
2011	18,082	376,720	20,834	34.3	9.7%
2012	18,082	498,322	27,559	35.5	7.5%
2013	18,082	498,322	27,559	35.5	7.1%
2014	18,082	498,322	27,559	35.5	5.8%
2015	18,082	498,322	27,559	35.5	4.5%
2016	18,082	498,322	27,559	35.5	4.4%
2017	18,082	498,322	27,559	35.5	4.6%
2018	18,082	498,322	27,559	35.5	3.6%
2019	18,082	498,322	27,559	35.5	4.1%
2020	18,082	498,322	27,559	35.5	13.8%**

⁽¹⁾ U.S. Census Bureau - 2010

⁽²⁾ Kentucky Cabinet for Workforce Development

CITY OF ERLANGER, KENTUCKY PRINCIPAL EMPLOYERS Current Year and Ten Years Ago
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2020			2011		
Taxpayer	Rank	Percentage of Total City Employment	Taxpayer	Rank	Percentage of Total City Employment
Wild Flavors	1	20.47%	Toyota Motor/Personnel	1	20.16%
Toyota Motor/Personnel	2	11.40%	Wild Flavors	2	9.55%
St Elizabeth Medical Center	3	8.80%	Toyota Boshoku America	3	7.32%
Signature Hardware	4	6.32%	Convergys	4	4.58%
Archer-Daniels-Midland	5	6.20%	Gap, Inc.	5	2.71%
Convergys Employee Care	6	6.11%	Erlanger-Elsmere Bd of Education	6	2.74%
Erlanger-Elsmere Bd of Education	7	5.60%	National Underwriter, CO	7	2.23%
Schneider Electric USA	8	4.60%	City of Erlanger	8	1.81%
Gap, Inc.	9	3.70%	Villasprings Healthcare Center	9	1.49%
City of Erlanger	10	3.36%	Northern Kentucky Water District	10	1.45%
TOTAL		76.56%	TOTAL		54.04%

CITY OF ERLANGER, KENTUCKY OPERATING INDICATORS BY FUNCTION/PROGRAM Last Ten Calendar Years
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Function	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police									
Physical arrests	786	1,044	733	830	770	796	849	849	1,031
Traffic violations	3,476	2,490	2,258	2,774	3,622	3,701	4,082	3,395	2,232
Parking violations	478	206	209	186	241	238	160	160	130
Fire/EMS									
Number of calls answered:									
Fire	1,231	1,186	1,184	1,236	1,291	1,311	557	749	723
Emergency Medical Services	3,618	3,243	2,388	2,135	2,201	2,254	2,487	2,573	2,799
Inspections	981	975	547	574	591	562	665	540	570
Highways and streets									
Street resurfacing (miles)	2.20	3.15	1.60	1.05	1.24	1.96	0.87	1.08	1.55

Source: Various City departments

Note: Calendar year 2020 information is not yet available

CITY OF ERLANGER, KENTUCKY CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM Last Ten Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety												
Police:												
Stations	3	3	3	3	3	3	3	3	3	3	1	1
Fire:												
Fire stations	2	2	2	2	2	2	2	2	2	2	2	2
Highways and streets												
Street (miles)	68	68	68	68	68	70	70	70	70	70	70	70
Streetlights	683	683	683	683	683	683	683	693	684	698	722	722
Culture and recreation												
Parks	12	12	12	12	12	12	12	12	12	12	12	12
Playgrounds	8	8	8	8	9	9	9	9	9	9	9	9
Sanitation												
Contained sanitary/storm sewers (miles)	81	81	81	81	81	82	82	82	82	82	82	82

Source: Various City departments

CITY OF ERLANGER, KENTUCKY FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES Last Ten Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	12	12	12	13	13	12	16	17	14	14
Public works	11	12	12	12	14	14	14	15	16	17
Police	63	63	67	62	60	58	60	58	47	46
Fire/EMS	33	37	34	34	34	34	34	34	33	33
Parks and recreation	1	1	1	1	1	1	1	1	1	1

Source: Human Resource Department

UNIFORM GUIDANCE SECTION

CITY OF ERLANGER, KENTUCKY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2020

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Contract Number	Expenditures
U.S. Department of Justice			
NIJ Ballistic Vest Grant	16.607	Direct	\$ 3,645
Total U.S. Department of Justice			3,645
U.S. Department of Transportation			
Highway Safety Cluster			
National Priority Safety Programs	20.600	PT-2019_HY-16	2,019
<i>Passed through the Commonwealth of Kentucky</i>		PT-19-24	4,104
<i>Transportation Cabinet Office of Highway Safety</i>		PT-20-19	11,327
		PT-20-78	57,536
Total Highway Safety Cluster			74,986
Highway Planning and Construction Cluster			
Surface Transportation for Northern Kentucky (SNK) Grant	20.205	06-00441	9,114
<i>Passed through the OKI Regional Council of Governments</i>			
Total Highway Planning and Construction Cluster			9,114
Total U.S. Department of Transportation			84,100
U.S. Department of the Treasury			
Coronavirus Relief Funds for States	21.019	C102	1,223,797
<i>Passed through the Commonwealth of Kentucky Department for Local Government</i>			
Total U.S. Department of Treasury			1,223,797
U.S. Department of Health & Human Services			
Public Health & Social Services Emergency Fund	93.003	Direct	14,508
Total U.S. Department of Health & Human Services			14,508
Total Federal Financial Assistance			\$ 1,326,050

CITY OF ERLANGER, KENTUCKY**Notes to the Schedule of Expenditures of Federal Awards****June 30, 2020****NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Erlanger, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE B – DE MINIMUS INDIRECT COST RATE

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

CITY OF ERLANGER, KENTUCKY SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2020
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I. SUMMARY OF AUDITOR'S RESULTS*Financial Statements*

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

Unmodified

Internal control over financial reporting:

- | | | |
|--|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> x </u> No |
| • Significant deficiencies identified? | <u> </u> Yes | <u> x </u> None reported |

Noncompliance material to financial
statements noted

 Yes x No

Federal Awards

Internal Control Over Major Programs:

- | | | |
|--|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> x </u> No |
| • Significant deficiencies identified? | <u> </u> Yes | <u> x </u> None reported |

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

Unmodified

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

 Yes x No

Identification of major programs:
Federal Program or Cluster

CFDA Number

Coronavirus Relief Funds for States
Passed Through the Commonwealth of Kentucky
Department for Local Government

21.019

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

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

II. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported

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

No matters were reported

CITY OF ERLANGER, KENTUCKY

Schedule of Prior Year Audit Findings and Questioned Costs

Year Ended June 30, 2020

NO 2 CFR 200 (UNIFORM GUIDANCE) AUDIT IN FISCAL YEAR 2019

NO PRIOR YEAR AUDIT FINDINGS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Erlanger, Kentucky as of June 30, 2020 and the related notes to the financial statements which collectively comprise the City of Erlanger, Kentucky's financial statements, and have issued our report thereon dated January 5, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Erlanger, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
January 5, 2021

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

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

Report on Compliance for Each Major Program

We have audited the City of Erlanger, Kentucky's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Erlanger, Kentucky's major federal programs for the year ended June 30, 2020. City of Erlanger, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Erlanger, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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Report on Internal Control Over Compliance

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

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

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

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

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
January 5, 2020

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