

CITY OF ERLANGER, KENTUCKY

*Annual Comprehensive Financial Report
Year Ending June 30, 2021*



*Disabled American Veterans National Headquarters
Erlanger, Kentucky*

CITY OF ERLANGER, KENTUCKY
ANNUAL COMPREHENSIVE
FINANCIAL REPORT
For the Year Ended June 30, 2021

Prepared by:

**Finance Department
City of Erlanger**

CITY OF ERLANGER, KENTUCKY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

CONTENTS

	Page
Introductory Section	
Letter of Transmittal.....	1
Organizational Chart.....	5
List of Principal Officials.....	6
Certificate of Achievement for Excellence in Financial Reporting.....	7
Financial Section	
Independent Auditor's Report.....	9
Management's Discussion and Analysis.....	15
Basic Financial Statements	
Government Wide Statements	
Statement of Net Position.....	23
Statement of Activities.....	24
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	25
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds.....	26
Reconciliation of the Statement Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Net Position - Internal Service Fund.....	28
Statement of Revenues, Expenses and Changes in Fund Net Position	
Internal Service Fund.....	29
Statement of Cash Flows - Internal Service Fund.....	30
Notes to Financial Statements.....	31
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund.....	55
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure -	
Non-Hazardous Plan.....	56
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure	
Hazardous Plan.....	57
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure -	
Non-Hazardous Plan.....	58
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure -	
Hazardous Plan.....	59

Continued on next page

Continued from previous page

Financial Section (Continued)

Supplementary Information

Budgetary Comparison Schedule - Capital Assets Fund.....	61
Budgetary Comparison Schedules - Non-Major Funds.....	62
Combining Balance Sheet - Non-Major Governmental Funds.....	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds.....	64

Statistical Section

Statistical Section Narrative.....	65
Net Position by Component.....	66
Changes in Net Position.....	67
Fund Balances - Governmental Funds.....	69
Changes in Fund Balances - Governmental Funds.....	70
Governmental Activities - Tax Revenue by Source.....	71
Assessed Value of Taxable Property.....	72
Direct and Overlapping Governments Property Tax Rates.....	73
Principal Property Taxpayers.....	74
Property Tax Levies and Collections.....	75
Ratios of Outstanding Debt by Type.....	76
Ratios of General Bonded Debt Outstanding.....	77
Direct and Overlapping Governmental Activities Debt.....	78
Legal Debt Margin Information.....	79
Demographic and Economic Statistics.....	80
Principal Employers.....	81
Full-Time Equivalent City Government Employees by Function/Program.....	82
Operating Indicators by Function/Program.....	83
Capital Asset Statistics by Function/Program.....	84

Uniform Guidance Section

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 <i>Government Auditing Standards</i>	85
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.....	89
Schedule of Expenditures of Federal Awards.....	93
Notes to the Schedule of Expenditures of Federal Awards.....	94
Schedule of Findings and Questioned Costs.....	95
Schedule of Prior Year Audits Findings and Questioned Costs.....	96

INTRODUCTORY SECTION



November 16, 2021

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, 2021.

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 Chamberlin Owen 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, 2021, 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, 2021, 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 2020 census, of 18,084. 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.

The annual budget serves as the foundation for the City of Erlanger's financial planning and control. All department of the City of Erlanger are required to submit requests for appropriation to the City Administrator. The City Administrator uses these requests as a starting point for developing a proposed budget. The City Administrator and Finance Director then presents this proposed budget to the Mayor for review. The Mayor and City Administrator then present the budget to the City Council for review. Then, Mayor, City Council and City Staff hold a budget work session. The final budget is adopted by July 1. The appropriated budget is prepared by fund and department. Expenditures may not legally exceed budgeted appropriations at the department level. Any revisions to the budget that would alter total revenues and department expenditures of any fund must be approved by the City Council.

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

Most of the calendar year 2021 has been dominated by the coronavirus disease (COVID-19 and Delta variant). The pandemic has quickly changed how the world conducts daily business, shopping as well as operations in the workplace. Fortunately, the City of Erlanger fared well despite another challenging year. The City's location is a major factor in allowing it to be an economic force in Northern Kentucky. Also, the City has established industry diversity with businesses. Erlanger is home to large 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 southwest 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 Cinemas. Three buildings total 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 leased by Coca-Cola Consolidated. Phase III, the final phase was previously home to Amazon. Amazon recently moved out of the City. Currently, the 575,000 SF building is vacant, but the City is actively seeking a new tenant.

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 2022, 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 included four radar units for police vehicles, seven new police cruisers, Car #80 and utility truck for the Fire Department, a F350 truck for the Public Works Department, as

well as two enclosed trailers for the department mowers. In addition, the City budgeted \$2.5 million to make street repairs and replacements and \$1 million to update City parks.

The City also made a \$1.2 million budget amendment for the Montgomery Drive North property acquisition for the future site of the Public Works Facility. This amount includes the purchase price of the land, demo costs, due diligence and design build costs.

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 annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual report. 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 ACFR 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. 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,

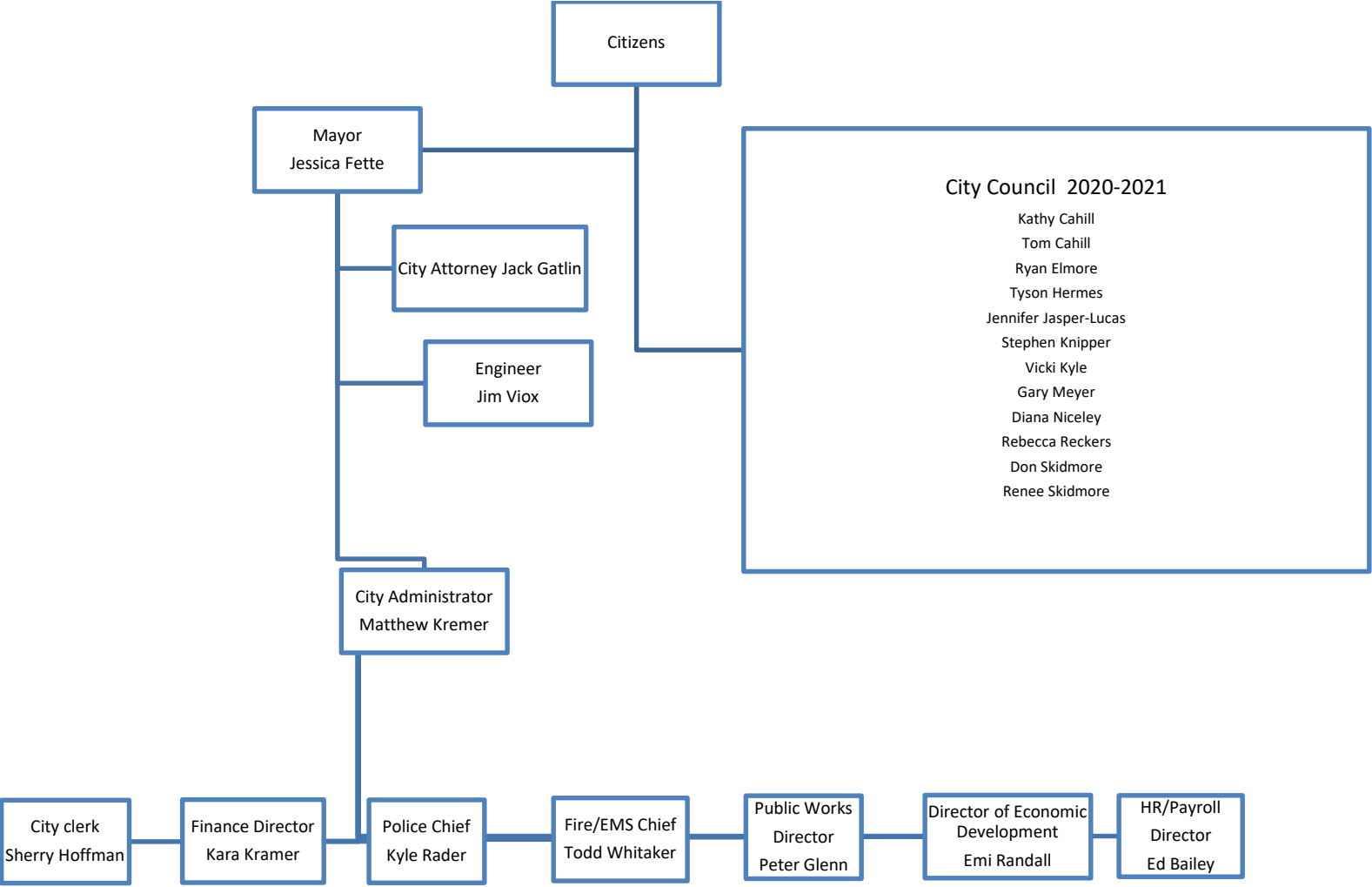
Matthew Kremer

Matthew Kremer
Chief Administrative Officer

Kara Kramer

Kara Kramer
Finance Director

City of Erlanger, Kentucky
Organizational Chart
June 30, 2021



CITY OF ERLANGER, KENTUCKY
LIST OF PRINCIPAL OFFICIALS

MAYOR

Jessica Fette

MEMBERS OF CITY COUNCIL

Kathy Cahill
Tom Cahill
Ryan Elmore
Tyson Hermes
Jennifer Jasper-Lucas
Stephen Knipper
Vicki Kyle
Gary Meyer
Diana Niceley
Rebecca Reckers
Don Skidmore
Renee Skidmore

CITY STAFF

Matthew Kremer
City Administrator

Kara Kramer
Finance Director

Sherry Hoffman
City Clerk

Ed Bailey
Human Resources Administrator

Emi Randall
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

-Management's Responsibility for the Financial Statements

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

-Auditor's Responsibility

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

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

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

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-Opinions

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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**-Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 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 and the combining schedules for the non-major funds on pages 61-64 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 93 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 November 16, 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
November 16, 2021

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CITY OF ERLANGER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

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, 2021. 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 \$15,152,577 (net position). The deferred outflows related to pensions totaled \$5,069,964. The deferred outflows related to OPEB totaled \$3,047,142. This is an increase of \$541,420 from the prior year. The deferred inflows related to pensions totaled \$857,837. The deferred inflows related to OPEB totaled \$1,433,915 for a decrease of (\$828,744) compared to FY 2020.
- The City's total net position of governmental activities decreased (\$1,104,010) this year.
- As of June 30, 2021, the City's governmental funds reported a combined ending fund balance of \$18,036,867, an increase of \$1,136,050 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,293,955, an increase of \$700,076 from fiscal year 2020.
- The City's total debt decreased by (\$42,815) due to the payment of principal on outstanding debt and net changes in compensated absences.

The Statement of Net Position 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 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 a 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, 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 all of which are considered major 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. 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 governmental fund 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, 2021, net position was stated as follows:

Net Position

	Governmental Activities	
	2021	2020
Current assets	\$ 19,929,369	\$ 18,796,308
Capital assets	28,050,929	27,337,442
Total assets	47,980,298	46,133,750
Deferred outflows of resources	8,122,191	7,785,826
Total assets and deferred outflows of resources	56,102,489	53,919,576
Long-term liabilities	36,912,896	31,898,265
Other liabilities	1,745,264	1,802,282
Total liabilities	38,658,160	33,700,547
Deferred inflows of resources	2,291,752	3,962,442
Total liabilities and deferred inflows of resources	40,949,912	37,662,989
Net investment in capital assets	27,858,199	27,120,741
Restricted-Police	145,391	193,418
Unrestricted	(12,851,013)	(11,057,571)
Total net assets	\$ 15,152,577	\$ 16,256,588

The City's total net position of governmental activities decreased (\$1,104,010). However, that number included a \$2,956,484 non-cash, actuarial expense for the pension and other post-employment health insurance benefits unfunded liability, and a \$1,821,860 non-cash depreciation expense.

Governmental Activities

Governmental activities of the City of Erlanger during FY2021 as summarized on the following chart:

Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 2,452,084	\$ 3,190,822
Operating grants	1,540,573	1,957,155
Capital grants	45,838	92,339
General revenues:		
Property taxes	4,409,506	4,407,787
Payroll license fees	6,989,307	5,852,483
Occupational license	1,158,753	1,091,868
Insurance premium tax	4,246,530	3,702,162
Franchise fees	345,574	340,762
Other licenses, fees	861,585	894,985
Other	248,153	245,360
Total revenues	<u>22,297,903</u>	<u>21,775,723</u>
Expenses:		
General government	3,473,069	2,751,126
Information systems	698,655	683,716
Police	8,227,433	8,352,348
Fire	7,004,604	6,896,743
Public works	3,988,608	4,424,563
Interest on debt	9,544	22,275
Total expenses	<u>23,401,913</u>	<u>23,130,771</u>
Decrease in net position before transfers	(1,104,010)	(1,355,048)
Transfers	-	-
Increase in net position	<u>(1,104,010)</u>	<u>(1,355,048)</u>
Net position-Beginning	16,256,587	17,611,635
Net position-End of year	<u>\$ 15,152,577</u>	<u>\$ 16,256,587</u>

- Revenues for the City's governmental activities totaled \$22,297,903 compared to \$21,775,723 last year.
- Payroll licenses totaled \$6,989,307 or 31% of the total revenues. This was an increase of \$1,136,824.
- Property taxes totaled \$4,409,506 or 19.8% of total revenues compared to the previous year of 20.2%.
- Insurance premiums, accounted for \$4,246,530, which was \$544,368 more than fiscal year 2020 for a 14.7% increase.
- Charges for services totaled \$2,452,084 and accounted for 11% of total revenues. This amount represents a decrease of (\$738,738) from fiscal year 2020.
- This year's total expenses for the City's governmental activities were \$23,401,412 compared to \$23,130,771 last year, an increase of 1.2%.

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

The General Fund is the main operating fund of the City. As of June 30, 2021, the City's governmental funds reported combined ending fund balance of \$18,036,867, an increase of \$1,136,050 from the prior year. The General Fund increased \$300,151 during FY2021. Key factors in this growth are as follows:

- Payroll taxes remained steady despite the pandemic for the June 30th quarter and produced results slightly stronger than originally anticipated. 67% of the total payroll taxes is apportioned to the General Fund.
- Insurance premium taxes continue to increase each year. This is a significant revenue source for the City.
- Due to COVID 19 the CARES Act provided a second round of funding in the amount of \$571,769 to cover the salaries and pension expenditures of first responders in the General Fund.

The Capital Improvement Fund increased \$700,559 during FY 2021. This included a transfer of \$1,011,500 for infrastructure projects. Like the General Fund, the apportionment of payroll taxes (33%) produced results stronger than originally anticipated. Total revenue for the Capital Improvement Fund outpaced the actual expenditures.

The overall net increase in the governmental fund balance. Of this \$18,036,867 total fund balance, the unassigned balance is \$15,293,955.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the General Fund budget five times. Several revisions were due to the COVID-19 pandemic. The City developed a COVID 19 Business Relief Grant to assist small and medium sized businesses with regard to the pandemic. State regulations forced businesses to spend funds that were unplanned, which created many challenges. This grant was created to provide assistance to those businesses impacted.

Additionally, some projects that were previously planned in the budget were either cut or put on hold as the pandemic continues to unfold. The budget amendments were 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 \$2,854,885 more than the original budget amount. The most significant changes were as follows:

- License & Permits: Insurance license fees and Payroll/Occupational licenses fees had an increase of \$1,113,921. This adjustment was necessary because amounts received from these revenue sources are difficult to predict each year.
- Intergovernmental Revenue: This is due to the Federal CARES grant the City received in the amount of \$486,717. This second round of federal funding was not known during the initial budget process.
- Miscellaneous Revenue: This is money the City received for the copier lease payoff. The City terminated the copier lease early and the new vendor was responsible to pay off the lease.

The revised General Fund expense budget was \$626,295 higher than the original appropriation. The following changes to the General Fund expense budget were as follows: General Government expenses were \$87,005 below the original budgeted amounts.

The Communication, Information and Technology Department budget increased by \$173,888. This increase was due to a vendor change with the copier lease. The City terminated the copier lease early and had to pay an early termination fee. However, the new vendor covered this cost and that money is reflected in miscellaneous revenue.

The Police Department budget decreased by \$205,938. The bulk of their reduced expenditures were in the areas of salary and benefits. Due to the COVID-19 pandemic, it has been difficult to get new police recruits into the KY Department of Justice training. At year end, the department was down two officers.

The Fire Department budget increased by \$152,526. This was due to several budget adjustments: replacing a chain hoist for Hose Tower at Station 1, a reimbursable grant for heart monitors and additional money for the COVID-19 Employee incentive program. The COVID-19 Employee Incentive Program was approved to show appreciation for the first responders/essential employees.

The Public Works budget increased by \$71,324. This was due to additional money needed for vehicle and building maintenance. These line items were significantly cut during the budget process as the City was unsure how the pandemic would continue to play out. The Stevenson Road/Turkeyfoot Road Gateway Signage Project was originally budgeted for FY 2020, however was delayed due to COVID-19. The Public Works Department worked with KYTC District Six for approval of encroachment permits. Once the permits were approved, the department requested money to complete the project in fiscal year 2021.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the City had \$27,858,199 invested in governmental net capital assets including police and fire equipment, buildings, park facilities, roads and sidewalks. This represents a net increase of \$713,486 from 2020. This increase is due to the investment in street projects, and replacement of police vehicles and City equipment.

	Governmental Activities	
	2021	2020
Land & construction in progress	\$ 5,052,084	\$ 4,982,393
Buildings	9,381,853	9,619,637
Improvements/infrastructure	23,330,126	21,290,272
Equipment	2,286,748	3,712,276
Vehicles	5,046,134	5,048,633
Subtotals	45,096,945	44,653,211
Accumulated depreciation	(17,046,016)	(17,315,768)
Net Capital Assets	<u>\$ 28,050,929</u>	<u>\$ 27,337,443</u>

This year's major additions and deletions included:

Purchases of land and construction in progress	\$ 141,192
Improvements to buildings	-
Purchases of vehicles and equipment	519,581
Infrastructure projects for streets	2,039,854
Net depreciation added	269,753
Disposal of vehicles, equipment, and infrastructure	(2,185,393)
Completed construction in progress	(71,501)
Net change	<u>\$ 713,486</u>

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

Debt

The City's total long-term debt for governmental activities decreased by \$27,185 during the fiscal year. At year-end, the City had \$664,831 in total outstanding notes, capital leases, compensated absences and bonds compared to \$692,016 in 2020.

That is a decrease of 3.9% as shown in the following table.

	Governmental Activities	
	2021	2020
Compensated absences PTO	\$ 509,831	\$ 467,016
GO Public Project Bonds - 2008	155,000	225,000
	<u>\$ 664,831</u>	<u>\$ 692,016</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the onset of the pandemic, there were many unknown, particularly associated with operating budget revenue impacts related to business closures. We are confident that the City's core tax base of real estate, personal property and occupational taxes has been sound over the past few fiscal years. This has proven to be true even during the pandemic. Not only is the core tax base strong, it is growing. The City welcomed its newest business in the Fall of 2021. Disabled American Veterans (DAV), a nonprofit charity that annually serves more than 1 million veterans throughout the country, moved its national headquarters from Cold Spring, Kentucky to Erlanger. The new building covers 67,000 square feet and has over 175 employees.

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

The General Fund budget has limited flexibility to address unanticipated expenditures. However, over the past several years the City's unassigned General Fund balance has grown to a very healthy balance of \$15,447,322. The City has developed a team-oriented management approach which has allowed for close control and effective use of our taxpayer's dollars. Finding more economical ways of delivering and paying for services to the citizens is an ongoing process.

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 2022 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, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,443,884
Investments	4,604,055
Receivables:	
Property taxes	858,649
Accounts	2,869,414
Prepaid items	153,367
Capital assets:	
Capital assets not being depreciated	5,052,084
Other capital assets, net	22,998,845
Total Assets	47,980,298
Deferred Outflows of Resources	
Deferred charges - refunding loss	5,085
Deferred outflows related to pensions and OPEB	8,117,106
Total Deferred Outflows of Resources	8,122,191
Total Assets and Deferred Outflows of Resources	56,102,489
Liabilities	
Accounts payable	1,096,344
Accrued liabilities	498,879
Accrued interest payable	917
Noncurrent liabilities:	
Due within one year	149,124
Due in more than one year	
Long-term debt and compensated absences	515,707
Net pension and OPEB liability	36,397,189
Total Liabilities	38,658,160
Deferred Inflows of Resources	
Deferred inflow related to pensions and OPEB	2,291,752
Total Liabilities and Deferred Inflows of Resources	40,949,912
Net Position	
Net investment in capital assets	27,858,199
Restricted for police equipment	145,391
Unrestricted	(12,851,013)
Total Net Position	\$ 15,152,577

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

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:	Expenses				
Governmental activities:					
General government	\$ 3,473,069	\$ 1,189,864	\$ 571,769	\$ -	\$ (1,711,436)
Information systems	698,655	14,163	-	-	(684,491)
Police	8,227,433	726,168	405,721	-	(7,095,543)
Fire/EMS	7,004,604	1,162,563	256,640	-	(5,585,401)
Public works	3,988,608	220,911	306,443	45,838	(3,415,417)
Interest on long-term debt	9,544	-	-	-	(9,544)
Total governmental activities	23,401,913	3,313,669	1,540,573	45,838	(18,501,833)
Total primary government	\$ 23,401,913	\$ 3,313,669	\$ 1,540,573	\$ 45,838	(18,501,833)
General revenues:					
Taxes:					
Property taxes for general purposes					4,409,506
Public service taxes					345,574
Licenses:					
Occupational					1,158,753
Payroll					6,989,307
Insurance premium					4,246,530
Investment earnings					125,354
Miscellaneous					122,799
Total general revenues and transfers					17,397,823
Change in net position					(1,104,010)
Net position - beginning of year					16,256,587
Net position - ending of year					\$ 15,152,577

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

CITY OF ERLANGER, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	Capital Assets Fund	Non-Major Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 8,725,387	\$ 2,419,858	\$ 147,874	\$ 11,293,119
Investments	4,604,055	-	-	4,604,055
Receivables:				
Taxes	187,283	671,366	-	858,649
Accounts	2,868,361	-	-	2,868,361
Prepays	153,367	-	-	153,367
Total Assets	\$ 16,538,453	\$ 3,091,224	\$ 147,874	\$ 19,777,551
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 441,416	\$ 647,070	\$ 2,483	\$ 1,090,969
Accrued liabilities	498,879	-	-	498,879
Deferred revenue - property taxes	150,836	-	-	150,836
Total Liabilities	1,091,131	647,070	2,483	1,740,684
Fund Balances:				
Nonspendable	153,367	-	-	153,367
Restricted	-	-	145,391	145,391
Committed	-	2,444,154	-	2,444,154
Unassigned	15,293,955	-	-	15,293,955
Total Fund Balances	15,447,322	2,444,154	145,391	18,036,867
Total Liabilities and Fund Balances	\$ 16,538,453	\$ 3,091,224	\$ 147,874	\$ 19,777,551

Total governmental fund balances \$ 18,036,867

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, are not reported in the funds, net of accumulated depreciation of (\$17,315,768) 28,050,929

Other liabilities, consisting of property taxes that are not available to be recognized in current-period revenues, are therefore deferred in the funds 150,836

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 8,117,106

 Deferred inflow of resources (2,291,752)

Costs of issuance of debt (prepaid insurance) and bond refunding losses are expensed in governmental funds, but are carried as deferred charges in the statement of net position 5,085

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 146,443

Accrued interest payable on long-term debt (917)

Long-term liabilities, including bonds, capital leases, compensated absences, and net pension liability are not due and payable in current period and not reported in the funds (37,062,020)

Net position of governmental activities **\$ 15,152,577**

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, 2021

	General	Capital Assets Fund	Non-Major Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,768,289	\$ -	\$ -	\$ 4,768,289
Licenses and permits	10,457,380	2,378,082	420,713	13,256,175
Intergovernmental	1,558,413	45,838	-	1,604,251
Charges for services	705,666	-	-	705,666
Fines and forfeitures	17,044	-	18,475	35,519
Interest	125,354	-	-	125,354
Uses of property	38,029	13,300	-	51,329
Miscellaneous	264,064	-	-	264,064
Total Revenues	17,934,239	2,437,220	439,188	20,810,647
Expenditures				
Current:				
General government	2,592,157	-	435,506	3,027,663
Information systems	672,139	-	-	672,139
Police	5,796,470	-	51,709	5,848,179
Fire/EMS	4,764,704	-	-	4,764,704
Public works	2,560,337	71,548	-	2,631,885
Capital outlay		2,676,613	-	2,676,613
Debt service:				
Principal	70,000	-	-	70,000
Interest	6,745	-	-	6,745
Total Expenditures	16,462,552	2,748,161	487,215	19,697,928
Excess (deficiency) of revenues over (under) expenditures	1,471,687	(310,941)	(48,027)	1,112,719
Other Financing Sources (Uses)				
Transfers in	23,331	1,011,500	-	1,034,831
Transfers out	(1,011,500)	-	-	(1,011,500)
Total Other Financing Sources (Uses)	(988,169)	1,011,500	-	23,331
Net Change in Fund Balances	483,518	700,559	(48,027)	1,136,050
Fund Balances - Beginning	14,963,804	1,743,595	193,418	16,900,817
Fund Balances - Ending	\$ 15,447,322	\$ 2,444,154	\$ 145,391	\$ 18,036,867

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

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, 2021

Net change in fund balances - total governmental funds	\$ 1,136,050
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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	2,676,613
Loss on disposal of assets	(141,266)
Depreciation expense	(1,821,860)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds.	(13,209)
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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.	(3,213)
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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	(2,336,830)
Costs of benefits earned - OPEB	(691,654)

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.	414
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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.	63,760
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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.	(42,815)
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Change in net position of governmental activities	\$ (1,104,010)
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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, 2021

	Governmental Activities
	Internal
	Service Fund - Health and Dental
Assets	
Current assets:	
Cash and cash equivalents	\$ 150,765
Receivables	1,053
Total Assets	151,818
Liabilities	
Current liabilities:	
Accounts payable	5,375
Total Liabilities	5,375
Net Position	
Unrestricted	146,443
Total Net Position	\$ 146,443

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, 2021**

	Governmental Activities
	Internal Service Fund - Health and Dental
Operating Revenues	
Charges for services:	
Health insurance premium fees	\$ 1,641,521
Other income	210
Total Operating Revenues	1,641,731
Operating Expenses	
Claims paid	1,554,640
Health insurance	-
Total Operating Expenses	1,554,640
Net Operating Income (Loss)	87,091
Transfer in	-
Transfer out	(23,331)
Net Income	63,760
Net Position - Beginning Of Year	82,683
Net Position - End Of Year	\$ 146,443

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, 2021

	Governmental Activities
	Internal Service Fund - Health and Dental
Cash flows from operating activities	
Cash received from interfund services provided	\$ 1,652,172
Cash paid to suppliers	(1,561,344)
Cash transferred out to the General Fund	(23,331)
Net change in cash from operating activities	67,497
Net change in cash	67,497
Cash and Cash equivalents- beginning of year	83,268
Cash and Cash equivalents- end of year	\$ 150,765
Reconciliation of operating income to net change in cash from operating activities:	
Operating income	\$ 87,091
Adjustments to reconcile operating income to net change in cash from operating activities:	
Cash transferred out to the general fund	(23,331)
Changes in assets and liabilities:	
Receivables	10,441
Accounts payable	(6,704)
Net change in cash from operating activities	\$ 67,497

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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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, 2021
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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, established 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, established through enabling legislation, creates a "development area" to be known as the *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, established through 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 position 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, 2021
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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, 2021.

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. Banker's 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, 2021
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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, 2021, were \$0.310 per \$100 valuation for real property and \$0.400 per \$100 valuation for personal property. The assessed value of property on which the 2020 tax levy was based was \$1,284,708,400 for real property and \$87,607,198 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, 2021
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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 principal and interest as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

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

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

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, 2021
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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 ,2021.

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A. In accordance with City ordinance, by 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, 2021
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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, 2021:

	Fair Value	Weighted Average to Maturity (years)
Cash	\$ 11,208,958	-
Certificates of deposit	234,926	0.02
Government bonds	4,604,055	3.68
	<u>\$ 16,047,939</u>	
Portfolio weighted average maturity		3.68

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	\$ 23,331	\$ (1,011,500)
Capital Assets Fund	1,011,500	-
	<u>\$ 1,034,831</u>	<u>\$ (1,011,500)</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 fund from which it was originally provided once a project is completed. The Internal Service Fund transferred \$23,331 to the General Fund as a return of unused premiums.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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NOTE E – CAPITAL ASSETS AND DEPRECIATION

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

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2021</u>
Governmental activities:				
Assets not being depreciated				
Land	\$ 4,909,569	\$ -	\$ (47,487)	\$ 4,862,082
Construction in progress	72,824	141,192	(24,014)	190,002
	<u>4,982,393</u>	<u>141,192</u>	<u>(71,501)</u>	<u>5,052,084</u>
Other capital assets				
Buildings	9,619,637	-	(237,784)	9,381,853
Improvements/infrastructure	21,290,272	2,039,854	-	23,330,126
Equipment	3,475,720	107,010	(1,532,538)	2,050,192
Furniture and fixtures	236,556	-	-	236,556
Vehicles	5,048,633	412,571	(415,070)	5,046,134
Subtotal	<u>39,670,818</u>	<u>2,559,435</u>	<u>(2,185,392)</u>	<u>40,044,861</u>
Accumulated depreciation				
Buildings	(5,251,181)	(248,539)	28,948	(5,470,772)
Improvements/infrastructure	(5,179,360)	(882,620)	117,599	(5,944,381)
Equipment	(2,999,213)	(135,550)	1,511,062	(1,623,701)
Furniture and fixtures	(236,556)	-	-	(236,556)
Vehicles	(3,649,458)	(555,152)	434,004	(3,770,606)
Subtotal	<u>(17,315,768)</u>	<u>(1,821,861)</u>	<u>2,091,613</u>	<u>(17,046,016)</u>
Other capital assets, less depreciatio	<u>22,355,050</u>	<u>737,574</u>	<u>(93,779)</u>	<u>22,998,845</u>
Capital assets, net	<u>\$ 27,337,443</u>	<u>\$ 878,766</u>	<u>\$ (165,280)</u>	<u>\$ 28,050,929</u>

Depreciation was charged to the following governmental activities:

<u>Activity</u>	<u>Depreciation</u>
General government	\$ 126,939
Information systems	8,967
Police	261,114
Fire & EMS	382,772
Public safety	1,042,069
Current year governmental activity depreciation expense	<u>\$ 1,821,861</u>

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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NOTE F – LONG-TERM OBLIGATIONS

General Obligation Public Project Bonds – Series 2008

On January 8, 2008, the City issued General Obligation Bonds, Series 2008 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, 2021:

Year Ended June 30,	General Obligation Public Project Bonds - 2008		
	Principal	Interest	Total Debt Service
2022	\$ 75,000	\$ 4,171	\$ 79,171
2023	80,000	1,420	81,420
Total	<u>\$ 155,000</u>	<u>\$ 5,591</u>	<u>\$ 160,591</u>

A summary of the changes in the long-term debt obligations is as follows:

	Balance at June 30, 2020	Additions	Retirements	Balance at June 30, 2021	Current Portion
Governmental activities -					
Compensated absences	\$ 467,016	\$ 383,661	\$ (340,846)	\$ 509,831	\$ 79,123
General obligation public project bonds - Series 2008	225,000	-	(70,000)	155,000	75,000
Total governmental activities	<u>\$ 692,016</u>	<u>\$ 383,661</u>	<u>\$ (410,846)</u>	<u>\$ 664,831</u>	<u>\$ 154,123</u>

NOTE G – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balances as of June 30, 2021, consist of the following:

	General Fund	Capital Assets	Police Forfeiture	TIF Fund	Total
Nonspendable - Prepaid items	\$ 153,367	\$ -	\$ -	\$ -	\$ 153,367
Restricted	-		145,356	35	145,391
Committed - Capital projects	-	2,444,154	-	-	2,444,154
Unassigned	15,293,955	-	-	-	15,293,955
Total Fund Balance	<u>\$ 15,447,322</u>	<u>\$ 2,444,154</u>	<u>\$ 145,356</u>	<u>\$ 35</u>	<u>\$ 18,036,867</u>

NOTE H – OPERATING LEASES

The City is obligated under certain leases accounted for as operating leases. Minor lease expenses in fiscal year 2021, in the aggregate, totaled \$16,529.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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NOTE I – COUNTY EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

PENSION PLAN

Non-Hazardous Pension Plan Description

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

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

Hazardous Pension Plan Description

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum.

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

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

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$492,580, of which \$395,129 was for the pension fund and \$97,451 was for the health insurance fund.

The City made all required contributions for the hazardous Plan obligation for the fiscal year in the amount of \$2,021,153, of which \$1,535,014 was for the pension fund and \$486,139 was for the health insurance fund.

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

At June 30, 2021, the City reported a liability of \$27,820,016 as its proportionate share of the net pension liability (\$5,442,113 for the non-hazardous plan and \$22,377,903 for the hazardous duty plan) The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2020 measurement year, the City's non-hazardous employer allocation proportion was 0.0709% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.7422% of the total CERS hazardous duty employees. For the year ended June 30, 2021, the City recognized a pension expense of \$2,336,830 addition to its \$1,930,143 pension contribution.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 135,709	\$ -	\$ 694,026	\$ -	\$ 829,735	\$ -
Net difference between projected and actual earnings on plan investments	136,182	-	504,121	-	640,303	-
Changes of assumptions	212,505	-	848,696	-	1,061,201	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(514,530)	608,583	(343,307)	608,583	(857,837)
Contributions subsequent to the measurement date	395,129	-	1,535,014	-	1,930,143	-
	<u>\$ 879,525</u>	<u>\$ (514,530)</u>	<u>\$ 4,190,440</u>	<u>\$ (343,307)</u>	<u>\$ 5,069,965</u>	<u>\$ (857,837)</u>

The City's contributions subsequent to the measurement date of \$1,930,143 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 736,735
2022	594,479
2023	579,474
2024	371,297
2025	-
Thereafter	-
	<u>\$ 2,281,985</u>

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Actuarial Assumptions

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

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

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

Changes of Assumptions

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

Discount Rate

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

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

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

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

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

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

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	\$ 6,711,310	\$ 5,442,113	\$ 4,391,170
Hazardous	27,655,901	22,377,903	18,069,661
Total	34,367,211	27,820,016	22,460,831

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

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

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

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

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

Hazardous OPEB Plan Description

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$15/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$20.07 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$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 for the year ended June 30, 2021, was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% for hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$97,451 for non-hazardous duty employees and \$486,139 for hazardous duty employees for the year ended June 30, 2021.

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

At June 30, 2021, the City reported a liability of \$8,577,173 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities,

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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actuarially determined. At the June 30, 2020 measurement date, the City's proportion of the non-hazardous plan was 0.0709% and the hazardous plan was 0.7427%.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$691,654 in addition to its \$583,590 contribution. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 286,385	\$ (286,609)	\$ 235,515	\$(685,356)	\$ 521,900	\$ (971,965)
Net difference between projected and actual earnings on plan investments	56,971	-	304,652	-	361,623	-
Changes of assumptions	298,147	(1,813)	1,119,633	(6,324)	1,417,780	(8,137)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(278,081)	162,249	(175,732)	162,249	(453,813)
Contributions subsequent to the measurement date	97,451	-	486,139	-	583,590	-
	<u>\$ 738,954</u>	<u>\$ (566,503)</u>	<u>\$ 2,308,188</u>	<u>\$(867,412)</u>	<u>\$ 3,047,142</u>	<u>\$(1,433,915)</u>

The City's contributions subsequent to the measurement date, \$583,590 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2021	\$ 269,208
2022	119,819
2023	258,381
2024	271,347
2025	110,882
Thereafter	-
	<u>\$ 1,029,637</u>

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Actuarial Assumptions

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

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

Changes of Assumptions

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

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Discount Rate

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

Plan Target Allocation

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

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

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

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

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.34%	5.34%	6.34%
Net OPEB liability, Non-Haz	\$ 2,202,079	\$ 1,714,072	\$ 1,313,255
Discount Rate, Hazardous	4.30%	5.30%	6.30%
Net OPEB liability, Haz	\$ 9,316,480	\$ 6,863,101	\$ 4,886,175
Total	\$ 11,518,559	\$ 8,577,173	\$ 6,199,430

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 1,327,120	\$ 1,714,072	\$ 2,183,647
Net OPEB liability, hazardous	4,904,574	6,863,101	9,270,942
Total	<u>\$ 6,231,694</u>	<u>\$ 8,577,173</u>	<u>\$ 11,454,589</u>

Plan Fiduciary Net Position

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

NOTE J – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. 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, 2021, 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.

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 visions 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 OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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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 \$146,443 reported as of June 30, 2021, 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, 2015 through 2022 are as follows:

<u>Year ended June 30,:</u>	<u>Beginning of Year</u>	<u>Premiums and Income</u>	<u>Claims Payments</u>	<u>End of Year</u>
2021	\$ 82,683	\$ 1,641,731	\$ 1,577,971	\$ 146,443
2020	92,588	2,204,562	2,214,467	82,683
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

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 (\$1,577,971) in governmental activities and the revenue (\$1,641,731) in charges for services of the internal service fund.

NOTE K – 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 \$15,391,621.

NOTE L – 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.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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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
Beacon Orthopaedic	Occupational License Fee	Erlanger Development Growth & Employment Program	10 Years	\$ 14,716	September 2023
Dynamic Catholic Inst.	Occupational License Fee	Erlanger Development Growth & Employment Program	10 Years	\$ 21,644	December 2025
Toyota Boshoku	Occupational License Fee	Erlanger Development Growth & Employment Program	10 Years	\$ 130,706	December 2027
Furlong Building Enterprises	Occupational License Fee	Erlanger Development Growth & Employment Program	10 Years	\$ 4,883	December 2027
Arlinghaus HVAC	Occupational License Fee	Erlanger Development Growth & Employment Program	10 Years	\$ 21,500	December 2027
St. Elizabeth Healthcare	Occupational License Fee	Erlanger Development Growth & Employment Program	10 Years	\$ 155,091	December 2028
Atlas Air	Occupational License Fee	Erlanger Development Growth & Employment Program	10 Years	\$ -	December 2030
Disabled American Veterans	Occupational License Fee	Erlanger Development Growth & Employment Program	10 Years	\$ -	December 2031
Total Abatement for the Year Ended June 30, 2021				<u>\$ 348,540</u>	

NOTE N – COVID-19 GLOBAL PANDEMIC

The primary effects on the City from the COVID-19 Global Pandemic has been a reduction in payroll and occupational license tax revenue received and an increase in unbudgeted expenses for personal protective equipment. City management is unsure of a timeline for when, or if, these revenues and expenses will return to pre-pandemic levels. The 2021-22 fiscal year budget has been passed to incorporate the effects of the pandemic on the revenues and expenses.

CITY OF ERLANGER, KENTUCKY NOTES TO THE FINANCIAL STATEMENTS Year Ended June 30, 2021
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NOTE O – CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$743,066 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.

NOTE P – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities* – The implementation of this standard had no significant effect on the City.

Statement No. 89 – *Accounting for Interest Cost in Construction Projects* – The implementation of this standard had no significant effect on the City.

Statement No. 90 – *Majority Equity Interests* – The implementation of this standard had no significant effect on the City.

NOTE Q – FUTURE ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

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

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

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

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

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

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

NOTE R – SUBSEQUENT EVENTS

Management has evaluated events through November 16 2021, the date on which the financial statements were available for issue. The City had one events subsequent to June 30, 2021 through November 16, 2021 to disclose.

The City received its portion of the Federally funded American Recovery Plan Act (ARPA) grant in the amount of \$2,491,962 in July 2021. These funds are designated for specific uses, and any amount unused by December 31, 2024, will need to be returned.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Actual	Variance
	Original	Amendments	Final	Amounts	Positive (Negative)
Budgetary fund balance, July 1	\$11,993,721	\$ 1,140,791	\$13,134,512	\$14,963,804	\$1,829,292
Resources (inflows):					
Property taxes	4,907,235	(152,155)	4,755,080	4,768,289	13,209
Licenses and permits:	9,343,459	1,113,921	10,457,380	10,457,380	-
Intergovernmental	1,076,061	486,717	1,562,778	1,558,413	(4,365)
Charges for services	730,902	(25,236)	705,666	705,666	-
Fines and forfeitures	34,355	(15,631)	18,724	17,044	(1,680)
Interest, net of change in investment	99,000	26,354	125,354	125,354	-
Uses of property	40,300	(2,271)	38,029	38,029	-
Miscellaneous	5,000	259,064	264,064	264,064	-
Transfers in	-	23,331	23,331	23,331	-
Amounts available for appropriation	<u>28,230,033</u>	<u>2,854,885</u>	<u>31,084,918</u>	<u>32,921,374</u>	<u>1,836,456</u>
Charges to appropriations (outflows):					
General government	2,679,219	(87,005)	2,592,214	2,592,157	57
Information systems	498,251	173,888	672,139	672,139	-
Police	6,002,308	(205,938)	5,796,370	5,796,470	(100)
Fire/EMS	4,612,178	152,526	4,764,704	4,764,704	-
Public works	2,494,313	71,324	2,565,637	2,560,337	5,300
Debt service and other bond costs	76,745	-	76,745	76,745	-
Transfers out	490,000	521,500	1,011,500	1,011,500	-
Total charges to appropriation	<u>16,853,014</u>	<u>626,295</u>	<u>17,479,309</u>	<u>17,474,052</u>	<u>5,257</u>
 Budgetary fund balance, June 30	 <u>\$11,377,019</u>	 <u>\$ 2,228,590</u>	 <u>\$13,605,609</u>	 <u>\$15,447,322</u>	 <u>\$1,841,713</u>

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.070950%	0.073670%	0.091640%	0.092930%	0.085230%	0.088550%	0.084474%			
Proportionate share of the net pension liability (asset)	\$ 5,442,113	\$ 5,181,174	\$ 5,581,338	\$ 5,439,362	\$ 4,196,465	\$ 3,807,249	\$ 2,740,650			
Covered payroll in year of measurement	2,095,188	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	259.74%	265.31%	227.43%	228.74%	181.74%	165.20%	129.46%			
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.45%	53.54%	53.30%	59.97%	59.97%	66.80%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 395,129	\$ 404,371	\$ 316,758	\$ 355,351	\$ 331,731	\$ 286,701	\$ 293,846	\$ 290,875		
Actual contribution	395,129	404,371	316,758	355,351	331,731	286,701	293,846	290,875		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	2,047,298	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%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%		

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

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.742200%	0.711800%	0.753299%	0.756991%	0.750920%	0.766721%	0.745968%			
Proportionate share of the net pension liability (asset)	\$ 22,377,903	\$ 19,661,908	\$ 18,218,212	\$ 16,935,997	\$ 12,885,342	\$ 11,769,986	\$ 8,965,223			
Covered payroll in year of measurement	4,673,406	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	478.83%	449.43%	393.77%	406.52%	289.85%	286.03%	218.78%			
Plan fiduciary net position as a percentage of total pension liability	44.11%	46.63%	49.26%	49.80%	57.52%	57.52%	63.46%			

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,535,014	\$ 1,404,826	\$ 1,087,593	\$ 1,027,098	\$ 904,458	\$ 900,878	\$ 944,535	\$ 892,116		
Actual contribution	1,535,014	1,404,826	1,087,593	1,027,098	904,458	900,878	944,535	892,116		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
Covered payroll	5,106,500	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%	30.06%	24.86%	22.20%	21.71%	20.26%	22.95%	21.77%		

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

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.07099%	0.07404%	0.09164%	0.09293%						
Proportionate share of the net OPEB liability (asset)	\$ 1,714,072	\$ 1,245,370	\$ 1,627,032	\$ 1,868,171						
Covered payroll in year of measurement	2,095,188	1,952,888	2,454,079	2,378,000						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	81.81%	63.77%	66.30%	78.56%						
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	57.62%	52.40%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 97,451	\$ 99,731	\$ 102,722	\$ 115,342	\$ 112,479					
Actual contribution	97,451	99,731	102,722	115,342	112,479					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	2,047,298	2,095,188	1,952,888	2,454,079	2,378,000					
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%	4.73%					

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

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.742675%	0.712295%	0.753360%	0.756991%						
Proportionate share of the net OPEB liability (asset)	\$ 6,863,101	\$ 5,269,984	\$ 5,371,201	\$ 6,257,829						
Covered payroll in year of measurement	4,673,406	4,374,871	4,626,566	4,166,089						
Share of the net OPEB liability (asset) as a percentage of its covered payroll	146.85%	120.46%	116.09%	150.21%						
Plan fiduciary net position as a percentage of total OPEB liability	58.84%	64.44%	64.24%	59.00%						

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 486,139	\$ 444,908	\$ 458,049	\$ 432,584	\$ 389,529					
Actual contribution	486,139	444,908	458,049	432,584	389,529					
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	5,106,500	4,673,406	4,374,871	4,626,566	4,166,089					
Contributions as a percentage of covered payroll	9.52%	9.52%	10.47%	9.35%	9.35%					

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

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

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final	Amounts	Final Budget -
					Positive
					(Negative)
Budgetary fund balances, July 1	\$ 937,686	\$ -	\$ 937,686	\$1,743,595	\$ 805,909
Resources (inflows):					
License and permits	1,875,423	502,659	2,378,082	2,378,082	-
Grant revenue	1,425,905		41,473	45,838	-
Sale of assets	20,000	(6,700)	13,300	13,300	-
Transfers in	1,011,500	-	1,011,500	1,011,500	-
Amounts available for appropriation	5,270,514	495,959	4,382,041	5,192,315	810,274
Charges to appropriations (outflows):					
Capital outlay	4,546,065	(1,797,904)	2,748,161	2,748,161	-
Total appropriations	4,546,065	(1,797,904)	2,748,161	2,748,161	-
Budgetary fund balances, June 30	\$ 724,449	\$2,293,863	\$1,633,880	\$2,444,154	\$ 810,274

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

CITY OF ERLANGER, KENTUCKY
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR FUNDS
For the Year Ended June 30, 2021

POLICE FORFEITURE FUND

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final	Amounts	Final Budget - Positive (Negative)
Budgetary fund balances, July 1	\$ 146,690	\$ -	\$ 146,690	\$ 178,591	\$ 31,901
Resources (inflows):					
Fines and forfeitures	-	18,475	18,475	18,475	-
Interest	-	-	-	-	-
Amounts available for appropriation	<u>146,690</u>	<u>18,475</u>	<u>165,165</u>	<u>197,066</u>	<u>31,901</u>
Charges to appropriations (outflows):					
Police vehicles	20,000	(6,321)	13,679	13,679	-
Police equipment	40,000	(1,970)	38,030	38,030	-
Budgetary fund balances, June 30	<u>\$ 86,690</u>	<u>\$ 26,766</u>	<u>\$ 113,456</u>	<u>\$ 145,357</u>	<u>\$ 31,901</u>

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

TAX INCREMENT FINANCING (TIF) FUND

	Budgeted Amounts			Actual	Variance with
	Original	Amendments	Final	Amounts	Final Budget - Positive (Negative)
Budgetary fund balances, July 1	\$ -	14,812	\$ 14,812	\$ 14,827	\$ 15
Resources (inflows):					
Licenses & Permits	-	420,713	420,713	420,713	-
Interest	-	-	-	-	-
Amounts available for appropriation	<u>-</u>	<u>435,525</u>	<u>435,525</u>	<u>435,540</u>	<u>15</u>
Charges to appropriations (outflows):					
General government	-	435,505	435,505	435,505	-
Budgetary fund balances, June 30	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 35</u>	<u>\$ 15</u>

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

CITY OF ERLANGER, KENTUCKY
COMBING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2021

	Special Revenue Funds		Total
	Police	Tax Increment	Non-Major
	Forfeiture	Financing	Governmental
		Fund	Funds
Assets			
Cash and cash equivalents	\$ 147,839	\$ 35	\$ 147,874
Total Assets	<u>\$ 147,839</u>	<u>\$ 35</u>	<u>\$ 147,874</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,483	\$ -	\$ 2,483
Total Liabilities	<u>2,483</u>	<u>-</u>	<u>2,483</u>
Fund Balances:			
Restricted	145,356	35	145,391
Total Fund Balances	<u>145,356</u>	<u>35</u>	<u>145,391</u>
Total Liabilities and Fund Balances	<u>\$ 147,839</u>	<u>\$ 35</u>	<u>\$ 147,874</u>

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

	Special Revenue Funds		Total
	Police	Tax Increment	Non-Major
	Forfeiture	Financing	Governmental
		Fund	Funds
Revenues			
Licenses and permits	\$ -	\$ 420,714	\$ 420,714
Fines and forfeitures	18,474	-	18,474
Total Revenues	18,474	420,714	439,188
Expenditures			
Current:			
General government	-	-	-
Information systems	-	-	-
Police	-	-	-
Fire/EMS	-	-	-
Public works	-	-	-
Capital outlay	51,709	435,506	487,215
Total Expenditures	51,709	435,506	487,215
Excess (deficiency) of revenues over (under) expenditures	(33,235)	(14,792)	(48,027)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(33,235)	(14,792)	(48,027)
Fund Balances - Beginning	178,591	14,827	193,418
Fund Balances - Ending	\$ 145,356	\$ 35	\$ 145,391

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

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 66-70

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 71-75

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

Section 3: Debt Capacity:

Pages 76-79

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 80-81

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 82-84

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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 16,351	\$ 18,140	\$ 15,675	\$ 17,008	\$ 18,730	\$ 21,157	\$ 24,155	\$ 26,670	\$ 27,121	\$ 27,858
Restricted for police equipment	122	162	151	151	189	184	216	178	193	145
Unrestricted	2,777	4,370	10,687	1,932	2,698	2,928	(5,449)	(9,237)	(11,058)	(12,851)
Total governmental activities net position	\$ 19,250	\$ 22,672	\$ 26,513	\$ 19,091	\$ 21,617	\$ 24,269	\$ 18,922	\$ 17,611	\$ 16,256	\$ 15,153
Business-type activities										
Net investment in capital assets	\$ 360	\$ 131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(862)	(278)	-	-	-	-	-	-	-	-
Total business-type activities net position	\$ (502)	\$ (147)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Primary government										
Net investment in capital assets	\$ 16,711	\$ 18,271	\$ 15,675	\$ 17,008	\$ 18,730	\$ 21,157	\$ 21,455	\$ 26,670	\$ 27,121	\$ 27,858
Restricted	122	162	151	151	189	184	216	178	193	145
Unrestricted	1,915	4,092	10,687	1,932	2,698	2,928	(5,449)	(9,237)	(11,058)	(12,851)
Total primary government net position	\$ 18,748	\$ 22,525	\$ 26,513	\$ 19,091	\$ 21,617	\$ 24,269	\$ 16,222	\$ 17,611	\$ 16,256	\$ 15,153

CITY OF ERLANGER, KENTUCKY

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting - amounts in thousands)

Program Revenues	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Charges for services:										
General government	\$ 660	\$ 624	\$ 553	\$ 476	\$ 482	\$ 442	\$ 288	\$ 404	\$ 706	\$ 342
Police	916	1,000	1,270	1,428	1,505	1,508	1,546	754	1,001	726
Fire/EMS	453	441	600	673	621	681	557	1,123	1,227	1,163
Public works	18	13	39	15	13	26	5	219	256	221
Interest	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	249	255	753	725	639	690	677	705	1,974	1,311
Capital grants and contributions	740	1,153	582	24	-	113	97	271	76	234
Total governmental activities program revenues	3,036	3,486	3,797	3,341	3,260	3,460	3,170	3,476	5,240	3,997
Business-type activities:										
Charges for services:										
Advanced life support	295	171	-	-	-	-	-	-	-	-
Emergency dispatch	1,799	1,802	510	-	-	-	-	-	-	-
Operating grants and contributions	13	6	-	-	-	-	-	-	-	-
Total business-type activities program revenues	2,107	1,979	510	-	-	-	-	-	-	-
Total primary government program revenues	\$ 5,143	\$ 5,465	\$ 4,307	\$ 3,341	\$ 3,260	\$ 3,460	\$ 3,170	\$ 3,476	\$ 5,240	\$ 3,997
Expenses										
Governmental activities:										
General government	\$ 1,654	\$ 1,733	\$ 1,786	\$ 1,827	\$ 1,979	\$ 2,089	\$ 2,410	\$ 2,972	\$ 2,751	\$ 3,473
Police	5,095	5,150	5,622	5,779	6,127	6,239	7,580	7,303	8,352	8,227
Fire/EMS	3,556	3,870	3,912	3,986	4,110	4,323	5,250	6,724	6,897	7,004
Public works	1,875	1,894	2,061	2,388	2,607	2,893	3,139	3,584	4,425	3,989
Information systems	567	750	841	773	670	699	776	691	683	699
Interest on long-term debt	226	197	164	185	160	100	71	44	22	10
Total governmental activities expenses	12,973	13,594	14,386	14,939	15,653	16,343	19,226	21,318	23,130	23,402
Business-type activities:										
Emergency dispatch and ALS	2,011	1,838	556	-	-	-	-	-	-	-
Total business-type activities expenses	2,011	1,838	556	-	-	-	-	-	-	-
Total primary government expenses	\$ 14,984	\$ 15,432	\$ 14,942	\$ 14,939	\$ 15,653	\$ 16,343	\$ 19,226	\$ 21,318	\$ 23,130	\$ 23,402
Net (Expense)/Revenue										
Governmental activities	\$ (9,937)	\$ (10,108)	\$ (10,589)	\$ (11,598)	\$ (12,393)	\$ (12,883)	\$ (16,056)	\$ (17,842)	\$ (17,890)	\$ (19,405)
Business-type activities	96	141	(46)	-	-	-	-	-	-	-
Total primary government net (expense)/revenues	\$ (9,841)	\$ (9,967)	\$ (10,635)	\$ (11,598)	\$ (12,393)	\$ (12,883)	\$ (16,056)	\$ (17,842)	\$ (17,890)	\$ (19,405)

continued

CITY OF ERLANGER, KENTUCKY**CHANGES IN NET POSITION****Last Ten Fiscal Years****(accrual basis of accounting - amounts in thousands)****General Revenues and Other Changes in Net Position**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Taxes and licenses:										
Property taxes, for general purposes	\$ 3,637	\$ 3,901	\$ 4,143	\$ 4,268	\$ 4,214	\$ 4,158	\$ 4,141	\$ 4,456	\$ 4,408	\$ 4,409
Public service taxes	342	338	367	357	343	369	500	359	341	346
Payroll license	4,903	4,993	5,200	5,672	5,785	5,707	5,384	5,544	5,852	4,190
Occupational	920	1,144	1,034	1,100	1,160	1,259	1,182	1,389	1,092	1,159
Insurance premium	2,891	3,206	3,062	3,093	3,107	3,315	3,385	3,620	3,702	4,247
Other	-	-	593	734	664	718	771	880	895	862
Grants and contributions - non-specific	78	68	174	145	53	8	-	-	-	-
Investment earnings	26	28	35	64	94	38	130	183	125	125
Miscellaneous	54	64	128	142	191	(37)	(32)	100	123	93
Transfers and other	138	(214)	(306)	-	-	-	-	-	-	-
Total governmental activities	12,989	13,528	14,430	15,574	15,610	15,535	15,461	16,531	16,538	15,431
Business-type activities:										
Advances	-	-	-	-	-	-	-	-	-	-
Transfers	(138)	214	193	-	-	-	-	-	-	-
Total business-type activities	(138)	214	193	-	-	-	-	-	-	-
Total primary government	\$12,851	\$ 13,742	\$ 14,623	\$ 15,574	\$ 15,610	\$ 15,535	\$ 15,461	\$ 16,531	\$ 16,538	\$ 15,431
Change in Net Position										
Governmental activities	\$ 3,052	\$ 3,420	\$ 3,841	\$ 3,976	\$ 3,217	\$ 2,652	\$ (595)	\$ (1,311)	\$ (1,352)	\$ (3,974)
Business-type activities	(42)	355	147	-	-	-	-	-	-	-
Total change in net position	\$ 3,010	\$ 3,775	\$ 3,988	\$ 3,976	\$ 3,217	\$ 2,652	\$ (595)	\$ (1,311)	\$ (1,352)	\$ (3,974)

CITY OF ERLANGER, KENTUCKY

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting - amounts in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ 825	\$ 413	\$ 125	\$ 103	\$ 104	\$ 96	\$ 91	\$ 112	\$ 370	\$ 153
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	5,701	6,884	8,579	10,461	12,533	14,359	14,791	13,173	14,594	15,294
Restricted	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Total general fund	\$ 6,526	\$ 7,297	\$ 8,704	\$ 10,564	\$ 12,637	\$ 14,455	\$ 14,882	\$ 13,285	\$ 14,964	\$ 15,447
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	122	162	151	151	190	184	216	178	193	145
Committed	1,249	1,540	1,993	2,220	2,248	1,857	932	2,283	1,743	2,444
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 1,371	\$ 1,702	\$ 2,144	\$ 2,370	\$ 2,437	\$ 2,040	\$ 1,148	\$ 2,461	\$ 1,936	\$ 2,589

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 classifications 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 thousand)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 3,944	\$ 4,228	\$ 4,520	\$ 4,655	\$ 4,538	\$ 4,508	\$ 4,630	\$ 4,904	\$ 4,609	\$ 4,768
Licenses and permits	8,779	9,405	9,978	10,600	10,716	10,999	10,723	11,433	11,541	13,256
Intergovernmental	1,068	1,476	1,509	893	692	836	799	1,002	2,067	1,604
Fines and forfeitures	39	75	59	48	128	64	92	43	60	35
Charges for services	1,456	1,489	1,812	2,024	2,053	2,143	2,072	642	631	706
Uses of property/bond assessments	487	453	424	429	441	391	280	76	278	51
Interest	26	28	35	64	93	38	130	183	172	125
Miscellaneous	54	88	128	142	169	49	7	69	86	264
Total revenues	15,853	17,242	18,465	18,856	18,831	19,028	18,734	18,352	19,444	20,809
Expenditures										
Current:										
General government	1,532	1,596	1,640	1,695	1,754	1,890	2,000	2,333	2,226	3,027
Police	4,940	4,978	5,362	5,727	5,663	5,645	6,011	4,996	5,695	5,848
Fire/EMS	3,301	3,551	3,563	3,748	3,620	3,723	4,004	4,421	4,490	4,765
Public works	1,542	1,950	1,572	1,777	1,850	2,124	2,062	2,199	3,087	2,631
Information systems	486	684	789	747	642	679	702	578	603	672
Capital outlay	1,885	2,402	2,500	2,204	2,372	2,681	3,559	3,414	2,238	2,677
Debt service										
Principal	955	983	732	700	725	775	805	665	70	70
Interest	211	184	150	171	148	88	59	29	9	7
Other bond costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	14,852	16,328	16,308	16,769	16,774	17,604	19,201	18,635	18,418	19,697
Excess (deficiency) of revenues over (under) expenditures	1,001	914	2,157	2,087	2,057	1,423	(467)	(283)	1,026	1,112
Other financing sources (uses)										
Bonds and other debt issued	-	-	-	-	-	-	-	-	-	-
Refunded bonds paid	-	-	-	-	-	-	-	-	-	-
Transfers in	648	1,015	572	541	635	610	820	2,594	128	1,034
Transfers out	(510)	(829)	(878)	(541)	(552)	(610)	(820)	(2,594)	-	-
Total other financing sources (uses)	138	186	(306)	-	83	-	-	-	128	1,034
Net change in fund balance	\$ 1,139	\$ 1,100	\$ 1,851	\$ 2,086	\$ 2,139	\$ 1,423	\$ (467)	\$ (283)	\$ 1,154	\$ 2,146
Debt service as a percentage of non capital expenditures	8.99%	8.38%	6.39%	5.98%	6.06%	5.78%	5.52%	4.56%	0.49%	0.45%

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
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
2021	4,422	346	4,768

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

Fiscal Year	Real Property			Less:		Total Taxable	Total
	Residential	Commercial	Personal	Tax-Exempt		Assessed	Direct
June 30	Property	Property	Property	Real Property Tax		Value	Rate
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
2021	939,821	614,731	87,604	269,844		1,372,312	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				
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	1.0010	0.1130	0.0268	0.0358	1.7746	
2021	0.3100	0.1190	0.1540	1.0230	0.1130	0.0225	0.0360	1.7775	

(1) Per \$100 assessed valuation

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

Taxpayer	2021			2012		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
United Dairy Farmers, Inc.	\$ 35,355,270	1	3.06%			
Thoroughbred Health LLC	29,490,300	2	2.55%			
Wild Flavors Inc.	23,016,624	3	1.99%			
Silverlake Properties LTD	17,346,000	4	1.50%			
CCBCC Operations LLC	17,048,363	5	1.48%			
Archer-Daniels-Midland Co	12,458,000	6	1.08%			
SIR Properties Trust	10,900,000	7	0.94%			
Ferguson Enterprises Inc.	10,869,500	8	0.94%			
Dolwick Business Center LLC	10,840,000	9	0.94%			
NW Villaspring LP	10,000,000	10	0.87%			
Wild Flavors Inc.				\$ 35,358,102	1	2.72%
Dolwick Business Center LLC				9,840,000	2	0.76%
MCW RC Kentucky LLC				9,565,000	3	0.74%
SIR Properties Trust				9,200,000	4	0.71%
MLD Kentucky LLC				9,000,000	5	0.69%
United Dairy Farmers, Inc.				8,600,000	6	0.66%
Fath Bluegrass Manor LLC				8,291,600	7	0.64%
Jamike Properties LLC				8,192,800	8	0.63%
Toyota Motor Mfg.				8,046,300	9	0.62%
National Amusements, Inc.				7,181,500	10	0.55%
TOTAL	\$ 177,324,057		15.35%	\$ 113,275,302		8.72%

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
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%
2021		3,957	3,918	99%	27	3,943	100%

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

Fiscal Year	Governmental Activities			Business-type Activities		Percentage of Per Capita Personal Income		
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Capital Leases	Total Primary Government	Per Capita		
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%	
2021	160	-	-	-	190	9	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
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
2021	160	-	0.01%	9

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, 2021****(amounts in thousands)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable⁽³⁾	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Kenton County (1)	\$ 88,359	9.48%	\$ 8,381
Erlanger-Elsmere School District (2)	11,439	68.15%	7,796
Subtotal, overlapping debt			16,176
City of Erlanger direct debt			160
Total direct and overlapping debt			<u>\$ 16,336</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 2020 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 2021

Assessed value	\$	1,372,312
Add back: exempt real property		269,844
Total assessed value	\$	<u>1,642,156</u>
Debt limit (10% of total taxable assessed value	\$	<u>164,216</u>
Debt applicable to limit:		
General obligation bonds		(160)
Less: amount set aside for repayment of general obligation debt		<u>-</u>
Total net debt applicable		<u>(160)</u>
Legal debt margin	\$	<u>164,056</u>

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 129,845	\$ 130,238	\$ 130,016	\$ 132,107	\$ 164,216	\$ 138,197	\$ 140,722	\$ 144,661	\$ 164,216	\$ 164,216
Total debt applicable to limit	3,640	2,970	2,555	2,140	160	1,255	785	295	160	160
Legal debt margin	126,205	127,268	127,461	129,967	164,056	136,942	139,937	144,366	164,056	164,056
Total debt applicable to the limit as a percentage of debt limit	2.80%	2.28%	1.97%	1.62%	0.10%	0.91%	0.56%	0.20%	0.10%	0.10%

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⁾
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%**
2021	18,084	498,322	26,945	35.5	5.0%

⁽¹⁾ U.S. Census Bureau - 2020

⁽²⁾ Kentucky Cabinet for Workforce Development

**Due to COVID-19 pandemic

CITY OF ERLANGER, KENTUCKY PRINCIPAL EMPLOYERS Current Year and Ten Years Ago
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2021			2012		
Taxpayer	Rank	Percentage of Total City Employment	Taxpayer	Rank	Percentage of Total City Employment
Wild Flavors	1	18.35%	Toyota Motor/Personnel	1	22.89%
St Elizabeth Healthcare	2	10.37%	Wild Flavors	2	9.82%
Archer Daniels Midland Co	3	10.35%	Toyota Boshoku America	3	7.08%
Toyota Boshoku America	4	9.09%	Convergys Management Group	4	5.22%
St Elizabeth Physicians	5	8.33%	Schneider Electric USA	5	4.01%
Coca Cola Bottling Co Consldtd	6	6.21%	Erlanger-Elsmere Bd of Education	6	3.04%
Erlanger-Elsmere Bd of Education	7	4.64%	Gap, Inc.	7	2.78%
Sun Kentucky	8	4.47%	National Underwriter, CO	8	2.48%
Signature Hardware	9	4.25%	City of Erlanger	9	2.04%
Amazon Fulfillment Services Inc	10	3.10%	Villasprings Healthcare Center	10	1.52%
TOTAL		79.16%	TOTAL		60.88%

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	2020
Police										
Physical arrests	786	1,044	733	830	770	796	849	849	1,031	834
Traffic violations	3,476	2,490	2,258	2,774	3,622	3,701	4,082	3,395	2,232	2,364
Parking violations	478	206	209	186	241	238	160	160	130	50
Fire/EMS										
Number of calls answered:										
Fire	1,231	1,186	1,184	1,236	1,291	1,311	557	749	723	740
Emergency Medical Services	3,618	3,243	2,388	2,135	2,201	2,254	2,487	2,573	2,799	2,951
Inspections	981	975	547	574	591	562	665	540	570	517
Highways and streets										
Street resurfacing (miles)	2.20	3.15	1.60	1.05	1.24	1.96	0.87	1.08	1.55	0.94

Source: Various City departments

Note: Calendar year 2021 information is not yet available

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety										
Police:										
Stations	3	3	3	3	3	3	3	1	1	1
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Street (miles)	68	68	70	70	70	70	70	70	70	70
Streetlights	683	683	683	683	693	684	698	722	722	724
Culture and recreation										
Parks	12	12	12	12	12	12	12	12	12	12
Playgrounds	8	9	9	9	9	9	9	9	9	9
Sanitation										
Contained sanitary/storm sewers (miles)	81	81	82	82	82	82	82	82	82	82

Source: Various City departments

CITY OF ERLANGER, KENTUCKY**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM****Last Ten Years**

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	12	12	13	13	12	16	17	14	14	13
Public works	12	12	12	14	14	14	15	16	17	17
Police	63	67	62	60	58	60	58	47	46	46
Fire/EMS	37	34	34	34	34	34	34	33	33	33
Parks and recreation	1	1	1	1	1	1	1	1	1	1

Source: Human Resource Department

UNIFORM GUIDANCE SECTION

**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, 2021 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 November 16, 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky

November 16, 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, 2021. 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, 2021.

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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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.

Erlanger, Kentucky
November 16, 2021

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CITY OF ERLANGER, KENTUCKY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2021

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Contract Number</u>	<u>Expenditures</u>
U.S. Department of Justice			
NIJ Ballistic Vest Grant	16.607	Direct	\$ 2,452
Total U.S. Department of Justice			2,452
U.S. Department of Transportation			
Highway Safety Cluster			
National Priority Safety Programs	20.600	PT-20-19	64,832
<i>Passed through the Commonwealth of Kentucky</i>		PT-20-78	24,854
<i>Transportation Cabinet Office of Highway Safety</i>		PT-21-01	22,435
Total Highway Safety Cluster			112,121
Total U.S. Department of Transportation			112,121
U.S. Department of the Treasury			
Coronavirus Relief Funds for States	21.019	C2-275	433,227
<i>Passed through the Commonwealth of Kentucky</i>		CO43	138,542
<i>Department for Local Government</i>			
Total U.S. Department of Treasury			571,769
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	Direct	86,090
Total U.S. Department of Homeland Security			86,090
Total Federal Financial Assistance			\$ 772,432

CITY OF ERLANGER, KENTUCKY**Notes to the Schedule of Expenditures of Federal Awards****June 30, 2021****NOTE A – BASIS OF PRESENTATION**

The accompanying of 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, 2021
--

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

- | | | |
|--|-------------------|----------------------------|
| • Material weakness(es) identified? | <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 PRIOR YEAR AUDIT FINDINGS FOR FY 2019-2020