

**CITY OF PARK HILLS, KENTUCKY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**For the Year Ended June 30, 2018**

**CITY OF PARK HILLS, KENTUCKY**  
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**For the Year Ended June 30, 2018**

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**CITY OF PARK HILLS, KENTUCKY**

**CITY OFFICIALS**

**For the Year Ended June 30, 2018**

**Mayor**

Matt Mattone

**Council Members**

Greg Claypole

Steve Elkins

Karl Oberjohn

Jason Reser

Pamela Spoor

Kathy Zembrodt

**Administration and Departments**

Julie Alig, Clerk/Treasurer

Cody Stanley, Police Chief

John Scott Rigney, Fire Chief

Jay Bayer, City Engineer

Dan VonHandorf, Public Works

Todd McMurtry, Attorney



**Van Gorder, Walker & Co., Inc.**  
Certified Public Accountants

Charles A. Van Gorder, CPA  
Lori A. Owen, CPA  
John R. Chamberlin, CPA, MBA  
Members of AICPA & KyCPA  
Licensed in Kentucky & Ohio

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Park Hills, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Park Hills, Kentucky's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Park Hills, Kentucky as of June 30, 2018 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.

## **Emphasis of a Matter – Implementation of New GASB Accounting Standard**

As discussed in Note F to the financial statements, effective July 1, 2017, the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Our opinion is not modified with respect to this matter.

## **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 5–7, the budgetary comparison schedules on pages 35-36 and the pension and OPEB disclosure on page 37-40 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 as a whole. The combining non-major funds financial statements on pages 41-42 are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.





Van Gorder, Walker & Co., Inc.  
Certified Public Accountants

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of the City of Park Hills, 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 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 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 Park Hills, Kentucky's internal control over financial reporting and compliance.

*Van Gorder, Walker & Co., Inc.*

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
October 12, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis (MD&A) is required supplementary information per the Government Accounting Standards Board (GASB) that provides management with the opportunity to provide both short and long term analysis of the City of Park Hills' financial activities. The MD&A should be read in conjunction with the City's basic financial statements, which begin on page 6.

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The City's fund financial statement provides more detail on the operations of the City than the government wide statements.

### **REPORTING ON THE CITY AS A WHOLE**

#### **The Statement of Net Position and Statement of Activities**

These statements include all assets and liabilities using the accrual basis of accounting and report the City's net position and changes in them. The City's basic services are considered to be governmental activities and include general government, public safety and public works. Property taxes, insurance premium taxes and payroll taxes/gross receipts license fees finance most of these services. The assets of the City exceeded its liabilities at June 30, 2017 by \$4,434,447.

		<b>(Restated)</b>
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current and other assets	\$ 1,133,905	\$ 1,091,256
Capital assets	5,331,060	5,339,310
Restricted assets	1,102,147	1,287,982
Total assets	7,567,112	7,718,548
Deferred outflows of resources	722,427	200,435
Total assets and deferred outflows	8,289,539	7,918,983
<b>Liabilities</b>		
Current liabilities	244,177	260,666
Long term liabilities	3,450,360	2,977,724
Total liabilities	3,694,537	3,238,390
Deferred inflows of resources	160,555	-
Total liabilities and deferred inflows	3,855,092	3,238,390
<b>Net position</b>		
Net investment in capital assets	3,468,459	3,129,584
Designated future expenditures	1,240,918	1,631,235
Unrestricted	(274,930)	(351,927)
Total net position	<u>\$ 4,434,447</u>	<u>\$ 4,408,892</u>

One of the most important questions asked about the City's finances is whether the financial position has improved or deteriorated as a result of the year's operations. In fiscal year 2018, governmental activities increased the City's net position by \$25,555, compared to an increase of \$64 in 2017. The 2018 increase in net position includes a non-cash depreciation expense of \$433,486 and a non-cash, actuarial cost for pensions and post-employment health insurance benefits of \$184,574.

These amounts are detailed in the Statement of Activities as follows:

General Revenues	2018	2017
Property taxes	\$ 493,525	\$ 486,171
Insurance premium taxes	551,914	471,348
Road tax revenues	303,178	300,592
Payroll/gross receipts taxes	320,942	311,536
Licenses and permits fees	103,866	114,066
Other revenues	35,488	21,474
Total general revenues	1,808,913	1,705,187
Expenses, net of program revenues		
General and administrative	192,371	241,514
Public safety	927,642	739,944
Public works	209,267	209,548
Building and utilities	57,030	54,024
Contracted services	363,951	432,641
Interest expense	33,097	27,452
Total expenditures, net	1,783,358	1,705,123
Change in net position	\$ 25,555	\$ 64

## THE CITY'S FUNDS

The City maintains its budget and daily operations on a current financial resources focus, known as "fund accounting". The City's funds consist of the general fund, the road tax fund, and ten special revenue funds. The Statement of Revenues, Expenditures and Changes in Fund Balances reflects an excess of fund revenues and other financing sources over fund expenditures and other financing uses in the amount of \$73,633. This excess includes \$425,596 in capital outlays, all of which were outlays for road infrastructure replacement. The Administration, Police and Public Works Reserve funds are committed to special purpose expenditures for each of these governmental functions.

The City's General Fund received \$57,782 more revenue than was budgeted, and expended \$31,129 less than was budgeted. The City's Road Tax Fund received \$3,145 more revenue than was budgeted, and expended \$21,861 less than was budgeted.

## GASB 68 PENSION AND GASB 75 OPEB LIABILITY RECOGNITION

As of June 30, 2018, the City is required, by Governmental Accounting Standards Board Statement No. 68 and 75, to display its proportionate share of the unfunded pension and post-employment health insurance (OPEB) liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the City is a participant. The net pension and OPEB liability, \$1,785,233, the deferred outflow of resources, \$722,427, and the deferred inflow of resources, \$160,556, on the Statement of Net Position at June 30, 2018 are a function of this required reporting. Detailed information on this pension and OPEB recognition can be found in Note F in the Notes to the Financial Statements.

## PRIOR PERIOD ADJUSTMENT

The City has recorded an adjustment to the Beginning Net Position of (\$271,701) to account for the net OPEB liability at June 30, 2017 in accordance with Government Accounting Standards Board Statement No. 75.



## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Julie Alig, the City's Treasurer at The City of Park Hills, 1106 Amsterdam Road, Park Hills, Kentucky, or (859) 431-6252.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2018</b>
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	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 983,139
Taxes receivable	145,806
Other accounts receivable	4,960
Total current assets	<u>1,133,905</u>
Capital assets	
Land and construction in progress	90,818
Assets being depreciated	16,409,204
Less: accumulated depreciation	<u>(11,168,962)</u>
Net capital assets	<u>5,331,060</u>
Restricted assets	
Creighton fund	72,224
Special revenue funds cash	62,759
Assets held in trust	<u>967,164</u>
Total restricted assets	<u>1,102,147</u>
<b>Total assests</b>	<u>7,567,112</u>
<b>Deferred outflow of resources</b>	
Deferred outflows related to pensions and post employment health insurance	<u>722,427</u>
<b>Total assets and deferred outflow of resources</b>	<u>8,289,539</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	24,032
Accrued salaries and benefits	(990)
Current portion of debt	<u>221,135</u>
Total current liabilities	<u>244,177</u>
Long term liabilities	
Compensated absences	23,661
Capital leases payable	1,641,466
Net pension and post employment health insurance liability	<u>1,785,233</u>
Total long term liabilities	<u>3,450,360</u>
<b>Total liabilities</b>	<u>3,694,537</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions and post employment health insurance	<u>160,555</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>3,855,092</u>
<b>Net position</b>	
Net investment in capital assets	3,468,459
Restricted for:	
Assets held in trust	967,164
Road funds	138,771
Department funds	62,759
Creighton fund	72,224
Unrestricted	<u>(274,930)</u>
<b>Total net position</b>	<u>\$ 4,434,447</u>

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

**CITY OF PARK HILLS, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

Primary Government Governmental Activities	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General administrative	\$ 203,371	\$ 11,000	\$ -	\$ -	\$ (192,371)
Public safety	1,113,295	107,584	78,069	-	(927,642)
Public works	506,917	181,074	59,911	56,665	(209,267)
Building and utilities	57,030	-	-	-	(57,030)
Contracted services	363,951	-	-	-	(363,951)
Interest expense	33,097	-	-	-	(33,097)
Total governmental activities	<u>\$ 2,277,661</u>	<u>\$ 299,658</u>	<u>\$ 137,980</u>	<u>\$ 56,665</u>	<u>(1,783,358)</u>

**General revenues**

Taxes	
Property taxes	493,525
Insurance premium taxes	551,914
Road tax revenues	303,178
Payroll/gross receipts taxes	320,942
Licenses and permit fees	
Franchise fees	52,761
Vehicle sticker license	18,263
Licenses	32,842
Miscellaneous	25,940
Investment earnings	9,548
<b>Total general revenues</b>	<u>1,808,913</u>
<b>Change in net position</b>	25,555
<b>Net position, beginning of year</b>	4,680,593
Prior Period Adjustment - GASB 75	(271,701)
<b>Net position, end of year</b>	<u>\$ 4,434,447</u>

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2018</b>
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	General Fund	Road Tax Fund	Non-Major Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 845,264	\$ (2,741)	\$ 140,616	\$ 983,139
Receivables				
Accounts	2,221	-	-	2,221
Taxes	144,910	896	-	145,806
Waste	703	-	-	703
Intergovernmental	2,036	-	-	2,036
Due from other funds	-	-	-	-
Restricted assets				
Special revenue funds cash	-	-	62,759	62,759
Creighton fund	72,224	-	-	72,224
<b>Total assests</b>	<u>\$ 1,067,358</u>	<u>\$ (1,845)</u>	<u>\$ 203,375</u>	<u>\$ 1,268,888</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 24,032	\$ -	\$ -	\$ 24,032
Accrued salaries and benefits	(990)	-	-	(990)
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<u>23,042</u>	<u>-</u>	<u>-</u>	<u>23,042</u>
<b>Fund balances</b>				
Restricted	72,224	(1,845)	140,616	210,995
Committed	-	-	62,759	62,759
Unassigned	972,092	-	-	972,092
<b>Total fund balances</b>	<u>1,044,316</u>	<u>(1,845)</u>	<u>203,375</u>	<u>1,245,846</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,067,358</u>	<u>\$ (1,845)</u>	<u>\$ 203,375</u>	<u>\$ 1,268,888</u>

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>TO THE STATEMENT OF NET POSITION</b> <b>June 30, 2018</b>
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<b>Total fund balances for governmental funds</b>	<b>\$ 1,245,846</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$16,500,022 less accumulated depreciation of (\$11,168,962), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,331,060
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Assets held in trust are a note the City is responsible for repaying, but the note's funds have not yet been drawn by the City.	967,164
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:	
Deferred outflows related to pension and post employment health insurance	722,427
Deferred inflows related to pension and post employment health insurance	(160,556)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(23,660)
Capital leases payable	(1,862,601)
Net pension and post employment health insurance liability	<u>(1,785,233)</u>

<b>Net position of governmental activities</b>	<b><u>\$ 4,434,447</u></b>
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The accompanying notes are an integral part of the financial statements.

**CITY OF PARK HILLS, KENTUCKY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2018**

	<b>General</b>	<b>Road Tax</b>	<b>Non-Major</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Governmental</b>
<b>Revenues</b>				<b>Funds</b>
Taxes	\$ 1,366,381	\$ 303,178	\$ -	\$ 1,669,559
Licenses and permits	85,603	-	18,263	103,866
Charges for services	299,658	-	-	299,658
Intergovernmental	78,069	56,665	59,911	194,645
Interest income	6,827	947	1,774	9,548
Other revenues	23,208	-	2,732	25,940
Transfers from other funds	-	-	-	-
<b>Total revenues</b>	<b>1,859,746</b>	<b>360,790</b>	<b>82,680</b>	<b>2,303,216</b>
<b>Expenditures</b>				
Current				
General administrative	155,810	4,508	10,616	170,934
Police department	722,626	-	-	722,626
Fire/rescue department	121,192	-	-	121,192
Public works	107,005	21,999	26,770	155,774
Building and utilities	57,030	-	-	57,030
Creighton fund	32,002	-	-	32,002
Contracted services	363,951	-	-	363,951
Capital outlay	-	198,969	226,627	425,596
Debt service	21,972	231,671	-	253,643
Transfers to other funds	-	-	-	-
<b>Total expenditures</b>	<b>1,581,588</b>	<b>457,147</b>	<b>264,013</b>	<b>2,302,748</b>
<b>Excess (deficit) of revenues</b>				
<b>over (under) expenditures</b>	<b>278,158</b>	<b>(96,357)</b>	<b>(181,333)</b>	<b>468</b>
<b>Other financing sources</b>				
Proceeds from loan	-	73,165	-	73,165
<b>Total other financing sources</b>	<b>-</b>	<b>73,165</b>	<b>-</b>	<b>73,165</b>
<b>Net change in fund balances</b>	<b>278,158</b>	<b>(23,192)</b>	<b>(181,333)</b>	<b>73,633</b>
<b>Fund balances, beginning of year</b>	<b>766,157</b>	<b>21,347</b>	<b>384,706</b>	<b>1,172,210</b>
<b>Fund balances, end of year</b>	<b>\$ 1,044,315</b>	<b>\$ (1,845)</b>	<b>\$ 203,373</b>	<b>\$ 1,245,843</b>

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



<b>CITY OF PARK HILLS, KENTUCKY</b> <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES</b> <b>AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS</b> <b>TO THE STATEMENT OF ACTIVITIES</b> <b>For the Year Ended June 30, 2018</b>
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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 73,633</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Capital outlays	425,596
Depreciation expense	(433,846)

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.

Cost of pension benefits earned	(146,065)
Cost of post employment health insurance benefits earned	(38,509)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. However, the issuance and repayment of long-term debt has no effect on net position. The amounts of debt proceeds and principal payments are included in the governmental funds in the current period.

Principal payments	220,546
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Other financing sources, such as a draw on a line of credit, are considered revenues in the funds, however, they are recorded as long term debt on the Statement of Net Position.

	(73,165)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In the current period these amounts are:

Change in compensated absences	(2,635)
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**Change in net position of governmental activities**

<b>\$ 25,555</b>
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The accompanying notes are an integral part of the financial statements.

# CITY OF PARK HILLS, KENTUCKY

## *Notes to Financial Statements*

June 30, 2018

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### *Reporting Entity*

The City of Park Hills operates under a Mayor and Council form of government. The government is governed by an elected mayor and six council members. As required by generally accepted accounting principles these financial statements represent the primary government. The City has no component units or entities for which the government is considered to be financially accountable.

#### *Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for all of the non-fiduciary activities of the primary government. Generally, the effect of inter-fund activity has been removed from these statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expense and program revenues associated with a distinct functional activity. Program revenues include: *charges for services*, which report fees, fines and forfeitures, and other charges to users of the City's services; *operating grants and contributions*, which finance annual operating activities including restricted investment income; and *capital grants and contributions*, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. 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 expenditures.

#### *Fund Financial Statements*

Fund financial statements, as applicable, are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b><i>Notes to Financial Statements</i></b> <b>June 30, 2018</b>
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### *Funds Types*

The City reports the following governmental funds:

#### *General Fund*

This fund is the government's primary operating fund. This fund accounts for all financial resources of the general government not accounted for in another fund.

#### *Special Revenue Funds*

These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains special revenue funds for Municipal Aid Road Funds, Road Tax Funds, and Vehicle Fee Funds. These funds are used to account for the receipt and disbursement of funds in accordance with Kentucky Revised Statutes for Kentucky Municipal Road Aid Fund and to account for the use of a vehicle sticker license fee for road maintenance as stated by ordinance. The Road Tax Fund is a major fund, all others are non-major funds.

The City has eight additional non-major reserve funds: Historic Preservation, Communications, Tree Board, Park and Beautification, Administration, Police, Fire, and Public Works Reserve Funds. These reserve funds will serve to hold funds allocated to those purposes from excess City funds.

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The basic financial statements of the City 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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenues when grantor eligibility requirements are 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. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related 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 in the year when payment is due. Major revenue sources where accrual is most likely to occur include property taxes, insurance premium taxes and payroll/gross receipts license fees.

If applicable, operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. When

<b>CITY OF PARK HILLS, KENTUCKY</b> <b><i>Notes to Financial Statements</i></b> <b>June 30, 2018</b>
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both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

#### *Basis of Accounting*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are taxes, interest and charges for services. Fines and licenses and permits are not susceptible to accrual because generally, they are not measurable until received in cash.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

#### *Budgets*

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds. All annual appropriations continue in effect until a new budget is adopted.

#### *Encumbrances*

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

#### *Cash and Cash Equivalents and Investments*

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with an initial maturity date within three months of the date acquired. The City maintains no other investments.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2018</b>
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The City is authorized by state statute to invest in:

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

The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2018. The categories are described as follows:

Category 1 - Insured or registered, with securities held by the entity or its agent in the entity name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department agent but not in the entity's name.

Fund	Category			Fair Value
	1	2	3	
General fund - cash	\$ 845,264	\$ -	\$ -	\$ 845,264
Special revenue funds - cash	137,875	-	-	137,875
Special revenue funds - restricted cash	62,759	-	-	62,759
Creighton - restricted cash	72,224	-	-	72,224
Total	<u>\$ 1,118,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,118,122</u>

Interest Rate Risk – In accordance with City policy, interest rate risk is limited by investing in only certificates of deposit with the highest rate of return and with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure the preservation of capital in its portfolio.

Credit Risk – The City limits its investments to certificates of deposit issued by banks within the Commonwealth of Kentucky; these certificates have no credit rating applied.

Concentration of Credit Risk – The City has no policy which limits the concentration of credit risk.

Custodial Credit Risk – For deposits, this is the risk that, in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository has pledged securities, in conjunction with the FDIC insurance, in an amount at least equal to the amount of City funds on deposit at all times. As of June 30, 2017, the City's deposits are entirely insured with FDIC insurance and/or collateralized with securities held by the financial institutions on the City's behalf.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b><i>Notes to Financial Statements</i></b> <b>June 30, 2018</b>
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*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

*Restricted Assets*

Certain cash accounts have been classified as restricted assets to indicate that they have been earmarked for a specific use.

*Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. An increase in expenditure of \$2,638 is recorded in the government-wide financial statements for this liability. No liability is recorded for non-vested accumulating rights to receive sick pay benefits. At June 30, 2018 the liability for compensated absences is \$23,661.

*Pensions*

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

*Other Post-Employment Benefits – Health Insurance Plan*

For purposes of measuring the net liability for other post-employment benefits – health insurance plan (OPEB), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the OPEB. For this purpose, benefit payments are recognized when due and payable. In accordance with the benefit terms. Investments are reported at fair value.

*Long-term Obligations*

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.



<b>CITY OF PARK HILLS, KENTUCKY</b> <b><i>Notes to Financial Statements</i></b> <b>June 30, 2018</b>
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### *Fund Equity*

Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

The City uses funds and account groups 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 governmental functions or activities.

*Non-spendable* fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses to be non-spendable.

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

*Committed* fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint. The residual balances of the Tree Board Reserve, Park and Beautification, Administration Reserve, Historic Preservation, Communications, Police Reserve, Fire Reserve, and Public Works Reserve funds are considered committed funds.

*Assigned* fund balances consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. The City has no balances that are considered to be *assigned*.

*Unassigned* fund balances consist of all residual funds not included in non-spendable, restricted, committed, or assigned fund balances.

### *Inter-fund Transactions*

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

All other inter-fund transactions, except reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

### *Comparative Data*

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data has not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

# **CITY OF PARK HILLS, KENTUCKY**

## ***Notes to Financial Statements***

**June 30, 2018**

### **NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

- 1) In accordance with City ordinance, prior to May 31, the Mayor submits to the City 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.
- 2) A public meeting is conducted to obtain citizen comment.
- 3) By July 1, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

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

### **NOTE C – RECEIVABLES**

Property values are assessed as of January 1. Taxes are levied on July 1 and are due and payable on or before September 30. The City bills and collects its own property taxes. An adjustment is made at June 30 to recognize property taxes levied during the year which are still receivable at year end. A deferred revenue account is established for delinquent taxes to the extent that their collectability is improbable.

### **NOTE D – CAPITAL ASSETS**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position. All capital assets are valued at historical cost or historical estimated cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The City has elected to capitalize assets with a cost of \$1,000 or more. Capital assets are depreciated 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 statement of net position. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded in operations.

**CITY OF PARK HILLS, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2018**

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 years
Building improvements	10-20 years
Infrastructure	25-40 years
Vehicles	5-10 years
Machinery and equipment	3-5 years

The following is a summary of the changes in capital assets during the fiscal year:

	June 30, 2017	Additions	Deletions	June 30, 2018
Land	\$ 90,818	\$ -	\$ -	\$ 90,818
Construction in progress	-	-	-	-
Buildings and improvements	257,543	-	-	257,543
Infrastructure	14,630,432	425,596	-	15,056,028
Vehicles	1,028,976	-	(69,801)	959,175
Machinery and equipment	741,650	-	(605,192)	136,458
Subtotal	16,749,419	425,596	(674,993)	16,500,022
Accumulated depreciation	(11,410,109)	(433,846)	674,993	(11,168,962)
Total assets, net	\$ 5,339,310	\$ (8,250)	\$ -	\$ 5,331,060

Depreciation expense was charged to government functions as follows:

Governmental Activities	
Administration	\$ 15,512
Public safety	81,760
Public works	1,411
Infrastructure	335,163
Total Governmental Activities Depreciation Expense	\$ 433,846

**NOTE E – GENERAL LONG TERM DEBT**

*Capital Lease – Building Improvements/Equipment*

In March 2017, the March 2012 lease at Branch Banking and Trust Company was refinanced at Heritage Bank for \$63,074. The term of the loan is 36 months with monthly payments of \$1,831. The debt has an interest rate 2.79% of and matures in April of 2020. The balance at June 30, 2018 was \$39,180.

Annual lease payment requirements to maturity are as follows:

Fiscal Year			
Ending June 30,	Principal	Interest	Total
2019	\$ 21,135	\$ 837	\$ 21,972
2020	18,045	265	18,310
Total	\$ 39,180	\$ 1,102	\$ 40,282

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2018</b>
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*Road Construction Note*

On October 1, 2015, the City signed an open-ended draw note for \$2,500,000. The proceeds of this note are to go towards road reconstruction in the City. The City began drawing on the note in October 2015 and paying principal and interest on this balance. As of June 30, 2018, \$1,632,836 of these funds had been drawn. The remaining balance yet to be drawn of \$967,164 is held on the statement of net position as an Asset Held in Trust to account for the funds which are available for City use. This debt has an interest rate of 3.2% and adjusts to 2.5% over the 5-year Treasury rate after 10 years. The note matures on May 26, 2030. City assets serve as collateral for this debt. The balance outstanding at June 30, 2018 is \$1,823,421.

*Summary of General Long-Term Debt*

The following changes occurred in the General Long-Term Debt Account Group during the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Principal Payments	Balance June 30, 2018
BB&T Building Lease	\$ 59,726	\$ -	\$ (20,546)	\$ 39,180
BB&T Road Construction Loan	2,150,000	-	(326,579)	1,823,421
	<u>\$ 2,209,726</u>	<u>\$ -</u>	<u>\$ (347,125)</u>	<u>\$ 1,862,601</u>

Of the \$1,862,601 General Long-Term Debt Account Group balance at June 30, 2018, \$221,135 is a current liability due within one year of June 30, 2018 and \$1,641,466 is a long-term liability, due in more than one year from the date of these financial statements.

**NOTE F – COUNTY EMPLOYEES’ RETIREMENT SYSTEM**

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

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2018</b>
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## **PENSION PLAN**

### **Non-Hazardous Pension Plan Description**

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

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

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

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

	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:

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2018</b>
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Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	At least one month of hazardous duty service credit or 55 years old
	Reduced retirement	15 years service and 50 years old or any age with 20 years service
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
	Reduced retirement	15 years service and 50 years old or any age with 25 years service
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years of hazardous duty service credit and 60 years old or 25 or more years of service, with no age requirement
	Reduced retirement	Not available

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

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

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

## Contributions

For non-hazardous duty employees, the City contributed 19.18%, of which 14.48% was for the pension fund and 4.70% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2018. For hazardous duty employees, the City contributed 31.55%, of which 22.20% was for the pension fund and 9.35% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2018.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$18,873, of which \$14,248 was for the pension fund and \$4,625 was for the health insurance fund. The City also made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$98,203, of which \$69,100 was for the pension fund and \$29,103 was for the health insurance fund.



**CITY OF PARK HILLS, KENTUCKY**  
**Notes to Financial Statements**  
**June 30, 2018**

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

At June 30, 2018, the City reported a liability of \$1,308,283 (\$247,947 – non-hazardous and \$1,060,336 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's non-hazardous employer allocation proportion was 0.0117555% of the total CERS non-hazardous duty employees and 0.044168% of the total CERS hazardous duty employees. For the year ended June 30, 2018, the City recognized pension expense of \$146,065 in addition to its \$83,348 pension contribution. At June 30, 2018, 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	\$ 308	\$ (6,294)	\$ 38,892	\$ -	\$ 39,200	\$ (6,294)
Net difference between projected actual earnings on plan investments	19,637	(16,570)	69,549	(60,284)	89,186	(76,854)
Changes of assumptions	45,753	-	211,513	-	257,266	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(24,471)	56,654	(22,904)	56,654	(47,375)
Contributions subsequent to the measurement date	14,248	-	69,100	-	83,348	-
	<u>\$ 79,946</u>	<u>\$ (47,335)</u>	<u>\$ 445,708</u>	<u>\$ (83,188)</u>	<u>\$ 525,654</u>	<u>\$ (130,523)</u>

The City's contributions subsequent to the measurement date of \$83,348 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 125,352
2020	142,439
2021	58,747
2022	(14,755)
	<u>\$ 311,783</u>

# **CITY OF PARK HILLS, KENTUCKY**

## ***Notes to Financial Statements***

**June 30, 2018**

### **Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2016
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1 year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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**

In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment rate was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2018

Scale BB to 2013 (multiplied by 50% for males and 30% for females).

- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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 Hazardous & Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	6.91%
Combined fixed income	28%	6.18%
Real return (diversified inflation strategies)	10%	6.13%
Real estate	5%	7.63%
Absolute return (diversified hedge funds)	10%	5.63%
Private equity	10%	8.25%
Cash	2%	1.88%
Total	100%	

### Discount Rate

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

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

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

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	\$ 312,714	\$ 247,946	\$ 193,769
Hazardous	1,333,180	1,060,336	835,006
Total	\$ 1,645,894	\$ 1,308,282	\$ 1,028,775

## **HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS**

### **Non-Hazardous OPEB Plan Description**

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

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

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

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

### **Hazardous OPEB Plan Description**

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2018</b>
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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, 2016, the contribution was \$19.48 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 \$19.48 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, 2018, was 4.70% of covered-employee payroll for non-hazardous duty employees and 9.35% of covered-employee payroll for hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$4,625 for non-hazardous duty employees and \$29,103 for hazardous duty employees for the year ended June 30, 2018.

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

At June 30, 2018, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2017, the City's proportion of the non-hazardous plan was .011755%, which was 0.000013% higher

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2018

than the City's proportion at the previous measurement date. At June 30, 2017, the City's proportion of the hazardous plan was 0.044168%, which was 0.005596% lower than the City's proportion at the previous measurement date.

For the year ended June 30, 2018, the City recognized an OPEB expense of \$33,728. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ -	\$ (237)	\$ -	\$ (913)	\$ -	\$ (1,150)
Net difference between projected actual earnings on plan investments	-	(4,025)	-	(24,582)	-	(28,607)
Changes of assumptions	18,530	-	144,516	-	163,046	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(198)	-	(78)	-	(276)
Contributions subsequent to the measurement date	4,625	-	29,103	-	33,728	-
	<u>\$ 23,155</u>	<u>\$ (4,460)</u>	<u>\$ 173,619</u>	<u>\$ (25,573)</u>	<u>\$ 196,774</u>	<u>\$ (30,033)</u>

The City's contributions subsequent to the measurement date, \$4,625 for non-hazardous duty employees and \$29,103 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 36,820
2020	36,820
2021	36,820
2022	18,170
2023	3,428
Thereafter	955
	<u>\$ 133,013</u>



# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2018

### Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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, percent of pay
Amortization period:	28 years, closed
Payroll growth rate:	2.00%
Investment return:	6.25%
Inflation	2.30%
Salary increases:	3.05%, average
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 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study calculated as of June 30, 2015. The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

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

Asset Class	CERS Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	6.91%
Combined fixed income	28%	6.18%
Real return (diversified inflation strategies)	10%	6.13%
Real estate	5%	7.63%
Absolute return (diversified hedge funds)	10%	5.63%
Private equity	10%	8.25%
Cash	2%	1.88%
Total	100%	

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2018</b>
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### Changes of Assumptions

In 2015, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary increase was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%
- For the hazardous plan, the single discount rate changed from 7.37% to 5.96%
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

### Discount Rate

The discount rate used to measure the total OPEB liability was 5.84% for the non-hazardous plan and 5.96% for the hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.84% for the non-hazardous plan and 5.96% 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	4.84%	5.84%	6.84%
Net OPEB liability, non-hazardous	\$ 100,359	\$ 85,158	\$ 65,851
Discount rate, hazardous	4.96%	5.96%	6.96%
Net OPEB liability, hazardous	525,056	391,793	282,762
Total	\$ 625,415	\$ 476,951	\$ 348,613

## **CITY OF PARK HILLS, KENTUCKY**

### **Notes to Financial Statements**

**June 30, 2018**

#### **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	\$ 65,321	\$ 85,158	\$ 110,946
Net OPEB liability, hazardous	277,344	391,793	533,440
Total	\$ 342,665	\$ 476,951	\$ 644,386

#### **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 G – CLAIMS AND JUDGMENTS**

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

#### **NOTE H – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has effectively managed risk through various employee education and prevention programs.

#### **NOTE I – PRIOR PERIOD ADJUSTMENTS**

The City has recorded an adjustment to the Beginning Net Position of (\$271,701) at June 30, 2017. This adjustment accounts for the estimated net OPEB liability at June 30, 2017, and is being recorded in accordance with Government Accounting Standards Board Statement No. 75.

#### **NOTE J – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 81 – *Irrevocable Split-Interest Agreements* – This statement is not currently applicable to the City.

Statement No. 85 – *Omnibus 2017*

Statement No. 86 – *Certain Debt Extinguishment Issues*

# **CITY OF PARK HILLS, KENTUCKY**

## ***Notes to Financial Statements***

**June 30, 2018**

### **NOTE K – FUTURE ACCOUNTING STANDARDS**

Statement No. 83 – *Certain Asset Retirement Obligations* – Implementation in FY 2019

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2020

Statement No. 87 – *Leases* – Implementation in FY 2021

Statement No. 88 – *Certain Disclosures Related to Debt* – Implementation in FY 2019

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

### **NOTE L – SUBSEQUENT EVENTS**

Management has considered subsequent events through October 12, 2018, which represents the date financial statements were available to be issued. The City did not have any events subsequent to June 30, 2018 through October 12, 2018 to disclose.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - GENERAL FUND</b> <b>For the Year Ended June 30, 2018</b>
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	Budgeted Amounts			Actual	Variance
	Original	Amendments	Final	Amounts	Favorable
					(Unfavorable)
	\$	\$	\$	\$	\$
<b>Budgetary fund balance, July 1</b>	631,111	135,046	766,157	766,157	-
<b>Resources (inflows):</b>					
Taxes					
Property taxes	454,000	19,230	473,230	473,612	382
Municipal insurance tax	420,000	80,000	500,000	551,914	51,914
Delinquent property taxes	5,000	(322)	4,678	6,214	1,536
Tangible property tax	20,000	(6,393)	13,607	13,699	92
Payroll/gross receipts taxes	230,000	87,500	317,500	320,942	3,442
Total taxes	1,129,000	180,015	1,309,015	1,366,381	57,366
Licenses and permits					
Occupational license	20,000	8,000	28,000	29,637	1,637
Franchise fees	54,000	4,594	58,594	52,761	(5,833)
Other fees and licenses	5,200	(2,000)	3,200	3,205	5
Total licenses and permits	79,200	10,594	89,794	85,603	(4,191)
Intergovernmental	32,000	-	32,000	33,929	1,929
Charges for services					
Trash collection fees	185,821	(5,821)	180,000	181,074	1,074
Law enforcement fees, civic duty	10,700	(2,700)	8,000	7,584	(416)
Bromley contract	100,000	-	100,000	100,000	-
Vehicle fee administration	4,000	-	4,000	4,000	-
Municipal state aid administration	2,000	-	2,000	2,000	-
Road fund administration	5,000	-	5,000	5,000	-
Total charges for services	307,521	(8,521)	299,000	299,658	658
Other revenues					
Creighton revenue	45,000	-	45,000	44,140	(860)
Code enforcement board fines	1,000	8,547	9,547	9,547	-
Police fines	1,000	(660)	340	340	-
Interest income	1,800	4,100	5,900	6,827	927
Tax overpayments	3,000	3,663	6,663	6,663	-
Transfers from other funds	-	-	-	-	-
Miscellaneous	1,000	3,705	4,705	6,658	1,953
Total other revenues	52,800	19,355	72,155	74,175	2,020
<b>Amounts available for appropriation</b>	<b>2,231,632</b>	<b>336,489</b>	<b>2,568,121</b>	<b>2,625,903</b>	<b>57,782</b>
<b>Charges to appropriations (outflows):</b>					
General administration	136,900	7,914	144,814	140,121	4,693
Police department	713,333	12,941	726,274	720,057	6,217
Fire/rescue department	142,879	(14,890)	127,989	127,784	205
Public works	101,578	(7,851)	93,727	95,474	(1,747)
Building and utilities	50,700	5,747	56,447	57,030	(583)
Creighton fund	-	40,000	40,000	32,002	7,998
Contract services	407,417	(14,377)	393,040	363,951	29,089
Capital improvements	44,500	(14,074)	30,426	45,169	(14,743)
Transfers to other funds	-	-	-	-	-
<b>Total charges to appropriations</b>	<b>1,597,307</b>	<b>15,410</b>	<b>1,612,717</b>	<b>1,581,588</b>	<b>31,129</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 634,325</b>	<b>\$ 321,079</b>	<b>\$ 955,404</b>	<b>\$ 1,044,315</b>	<b>\$ 88,911</b>

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - ROAD TAX FUND</b> <b>For the Year Ended June 30, 2018</b>
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	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 126,792	\$ (105,445)	\$ 21,347	\$ 21,347	\$ -
<b>Resources (inflows):</b>					
Road tax revenue	300,000	-	300,000	303,178	3,178
Interest income	800	180	980	947	(33)
Utility reimbursement	-	56,665	56,665	56,665	-
Loan proceeds	1,700,000	(1,626,835)	73,165	73,165	-
Transfers from other funds	-	-	-	-	-
<b>Amounts available for appropriation</b>	<u>2,127,592</u>	<u>(1,675,435)</u>	<u>452,157</u>	<u>455,302</u>	<u>3,145</u>
<b>Charges to appropriations (outflows):</b>					
Street maintenance	1,745,000	(1,503,000)	242,000	220,968	21,032
Loan payments	250,000	(18,000)	232,000	231,671	329
Administration	5,000	8	5,008	4,508	(500)
Transfers to other funds	-	-	-	-	-
<b>Total charges to appropriations</b>	<u>2,000,000</u>	<u>(1,520,992)</u>	<u>479,008</u>	<u>457,147</u>	<u>21,861</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 127,592</u>	<u>\$ (154,443)</u>	<u>\$ (26,851)</u>	<u>\$ (1,845)</u>	<u>\$ 25,006</u>

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

**CITY OF PARK HILLS, 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)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.0042%	0.0050%	0.0051%	0.0052%						
Proportionate share of the net pension liability (asset)	\$ 247,947	\$ 246,774	\$ 217,619	\$ 168,664						
Covered employee payroll in year of measurement	168,056	109,168	110,594	101,498						
Share of the net pension liability (asset) as a percentage of its covered employee payroll	147.54%	226.05%	196.77%	166.17%						
Plan fiduciary net position as a percentage of total pension liability	53.30%	55.50%	59.97%	66.80%						

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 14,248	\$ 23,444	\$ 13,559	\$ 14,101	\$ 13,946					
Actual contribution	14,248	23,444	13,559	14,101	13,946					
Contribution deficiency (excess)		-	-	-	-					
Covered employee payroll	98,395	168,056	109,168	110,594	101,498					
Contributions as a percentage of covered employee payroll	14.48%	13.95%	12.42%	12.75%	13.74%					

**Notes to Required Supplementary Information**

The net pension liability as of June 30, 2018, is based on the June 30, 2017, 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 F in the Notes to the Financial Statements.

**CITY OF PARK HILLS, 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)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Proportion of net pension liability	0.0474%	0.0420%	0.0431%	0.0465%						
Proportionate share of the net pension liability (asset)	\$ 1,060,336	\$ 720,747	\$ 661,751	\$ 558,692						
Covered employee payroll in year of measurement	309,688	422,215	347,053	206,669						
Share of the net pension liability (asset) as a percentage of its covered employee payroll	342.39%	170.71%	190.68%	270.33%						
Plan fiduciary net position as a percentage of total pension liability	49.80%	53.95%	57.52%	63.46%						

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 69,100	\$ 67,233	\$ 85,541	\$ 71,944	\$ 44,992					
Actual contribution	69,100	67,233	85,541	71,944	44,992					
Contribution deficiency (excess)		-	-	-	-					
Covered employee payroll	311,262	309,688	422,215	347,053	206,669					
Contributions as a percentage of covered employee payroll	22.20%	21.71%	20.26%	20.73%	21.77%					

**Notes to Required Supplementary Information**

The net pension liability as of June 30, 2018, is based on the June 30, 2017, 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 F in the Notes to the Financial Statements.



**CITY OF PARK HILLS, 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)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.0042%									
Proportionate share of the net OPEB liability (asset)	\$ 85,158									
Covered employee payroll in year of measurement	168,056									
Share of the net OPEB liability (asset) as a percentage of its covered employee payroll	197.35%									
Plan fiduciary net position as a percentage of total OPEB liability	52.40%									

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 4,625	\$ 7,949								
Actual contribution	4,625	7,949								
Contribution deficiency (excess)	-	-								
Covered employee payroll	98,395	168,056								
Contributions as a percentage of covered employee payroll	4.70%	4.73%								

**Notes to Required Supplementary Information**

The net OPEB liability as of June 30, 2018, is based on the June 30, 2017, 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 F in the Notes to the Financial Statements.

**CITY OF PARK HILLS, 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)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.0474%									
Proportionate share of the net OPEB liability (asset)	\$ 391,793									
Covered employee payroll in year of measurement	309,688									
Share of the net OPEB liability (asset) as a percentage of its covered employee payroll	126.51%									
Plan fiduciary net position as a percentage of total OPEB liability	59.00%									

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 29,103	\$ 28,956								
Actual contribution	29,103	28,956								
Contribution deficiency (excess)	-									
Covered employee payroll	311,262	309,688								
Contributions as a percentage of covered employee payroll	9.35%	9.35%								

**Notes to Required Supplementary Information**

The net OPEB liability as of June 30, 2018, is based on the June 30, 2017, 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 F in the Notes to the Financial Statements.

**CITY OF PARK HILLS, KENTUCKY**  
**COMBINING BALANCE SHEET - NON-MAJOR FUNDS**  
**June 30, 2018**

	Municipal Aid Fund	Vehicle Fee Fund	Tree Board Reserve Fund	Park & Beautification Fund	Administration Reserve Fund	Historic Preservation Fund	Communications Fund	Police Reserve Fund	Fire Reserve Fund	Public Works Reserve Fund	<b>Totals</b>	
											<i>(Memo Only)</i>	
<b>Assets</b>											<b>2018</b>	<b>2017</b>
Restricted cash	\$ 61,400	\$ 79,216	\$ 1,772	\$ 379	\$ 3,347	\$ 280	\$ 1,000	\$ 6,072	\$ 25,142	\$ 24,767	\$ 203,375	\$ 384,706
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 61,400</u>	<u>\$ 79,216</u>	<u>\$ 1,772</u>	<u>\$ 379</u>	<u>\$ 3,347</u>	<u>\$ 280</u>	<u>\$ 1,000</u>	<u>\$ 6,072</u>	<u>\$ 25,142</u>	<u>\$ 24,767</u>	<u>\$ 203,375</u>	<u>\$ 384,706</u>
<b>Liabilities and fund balances</b>												
<b>Liabilities</b>												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>												
Restricted	61,400	79,216	-	-	-	-	-	-	-	-	140,616	319,290
Committed	-	-	1,772	379	3,347	280	1,000	6,072	25,142	24,767	62,759	65,416
<b>Total fund balances</b>	<u>61,400</u>	<u>79,216</u>	<u>1,772</u>	<u>379</u>	<u>3,347</u>	<u>280</u>	<u>1,000</u>	<u>6,072</u>	<u>25,142</u>	<u>24,767</u>	<u>203,375</u>	<u>384,706</u>
<b>Total liabilities and fund balances</b>	<u>\$ 61,400</u>	<u>\$ 79,216</u>	<u>\$ 1,772</u>	<u>\$ 379</u>	<u>\$ 3,347</u>	<u>\$ 280</u>	<u>\$ 1,000</u>	<u>\$ 6,072</u>	<u>\$ 25,142</u>	<u>\$ 24,767</u>	<u>\$ 203,375</u>	<u>\$ 384,706</u>

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

**CITY OF PARK HILLS, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - NON-MAJOR FUNDS**  
**For the Year Ended June 30, 2018**

	Municipal Aid Fund	Vehicle Fee Fund	Tree Board Reserve Fund	Parks & Beautification Fund	Administration Reserve Fund	Historic Preservation Fund	Communications Fund	Police Reserve Fund	Fire Reserve Fund	Public Works Reserve Fund	<b>Totals</b>	
											<i>(Memo Only)</i>	
											2018	2017
<b>Revenues</b>												
Taxes	\$ -	\$ 18,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,263	\$ 21,815
Intergovernmental	59,911	-	-	-	-	-	-	-	-	-	59,911	59,676
Sale of assets	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	1,149	608	14	-	3	-	-	-	-	-	1,774	1,535
Miscellaneous	-	-	600	-	-	287	-	210	-	1,635	2,732	2,745
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-	25,105
<b>Total revenues</b>	<b>61,060</b>	<b>18,871</b>	<b>614</b>	<b>-</b>	<b>3</b>	<b>287</b>	<b>-</b>	<b>210</b>	<b>-</b>	<b>1,635</b>	<b>82,680</b>	<b>110,876</b>
<b>Expenditures</b>												
General government	2,008	4,917	-	3,250	-	409	-	32	-	-	10,616	106,858
Public works	243,039	8,640	108	-	-	-	-	-	-	1,610	253,397	38,134
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>245,047</b>	<b>13,557</b>	<b>108</b>	<b>3,250</b>	<b>-</b>	<b>409</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>1,610</b>	<b>264,013</b>	<b>144,992</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(183,987)</b>	<b>5,314</b>	<b>506</b>	<b>(3,250)</b>	<b>3</b>	<b>(122)</b>	<b>-</b>	<b>178</b>	<b>-</b>	<b>25</b>	<b>(181,333)</b>	<b>(34,116)</b>
<b>Fund balances, beginning of year</b>	<b>245,386</b>	<b>73,903</b>	<b>1,268</b>	<b>3,628</b>	<b>3,341</b>	<b>402</b>	<b>1,000</b>	<b>5,894</b>	<b>25,142</b>	<b>24,742</b>	<b>384,706</b>	<b>418,822</b>
<b>Fund balances, end of year</b>	<b>\$ 61,399</b>	<b>\$ 79,217</b>	<b>\$ 1,774</b>	<b>\$ 378</b>	<b>\$ 3,344</b>	<b>\$ 280</b>	<b>\$ 1,000</b>	<b>\$ 6,072</b>	<b>\$ 25,142</b>	<b>\$ 24,767</b>	<b>\$ 203,373</b>	<b>\$ 384,706</b>

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



**Van Gorder, Walker & Co., Inc.**  
Certified Public Accountants

Charles A. Van Gorder, CPA  
Lori A. Owen, CPA  
John R. Chamberlin, CPA, MBA  
Members of AICPA & KyCPA  
Licensed in Kentucky & Ohio

**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 Park Hills, 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 Park Hills, Kentucky as of June 30, 2018 and the related notes to the financial statements which collectively comprise the City of Park Hills, Kentucky's financial statements, and have issued our report thereon dated October 12, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered City of Park Hills, Kentucky's internal control over financial reporting (internal control) to determine the 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 Park Hills, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Park Hills, 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### Compliance and Other Matters

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

### Purpose of this Report

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

*Van Gorder, Walker & Co., Inc.*

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
October 12, 2018