

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

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CITY OF PARK HILLS, KENTUCKY

CITY OFFICIALS

For the Year Ended June 30, 2021

Mayor

Kathy Zembrodt

Council Members

Tony Darin

Steve Elkins

Sarah Froelich

Dr. Kevin Downes

Pamela Spoor

Joe Shields

Administration and Departments

Julie Alig, Clerk/Treasurer

Cody Stanley, Police Chief

John Scott Rigney, Fire Chief

Jay Bayer, City Engineer

Dan VonHandorf, Public Works

Daniel R. Braun, Attorney

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4–8, the budgetary comparison schedules on pages 36-37 and the pension and OPEB disclosure on page 38-41 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 42-43 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Park Hills' 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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
February 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

USING THIS ANNUAL REPORT

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

Financial Highlights

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

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,839,927 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of \$1,963,959, an increase of \$6,892 from the prior year.
- As of June 30, 2021, unassigned fund balance for the General Fund was \$1,979,927.
- The City's unrestricted cash and cash equivalents increased by \$14,561 from \$1,676,559 at June 30, 2020 to \$1,691,120 at June 30, 2021.
- The City's accounts receivable decreased by \$39,856 from \$195,144 at June 30, 2020 to \$155,288 at June 30, 2021.
- The City's total debt decreased by \$283,820 including compensated absences but excluding net pension liability and net other postemployment benefit liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

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

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains individual governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Road Tax Fund, Municipal Road Aid Fund, Vehicle Fee Fund, Tree Board Reserve Fund and the Capital Improvement Fund.

The basic government fund financial statements can be found on pages 11-14 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-35 of this report.

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 and deferred outflows of the City exceeded its liabilities and deferred inflows at June 30, 2021 by \$3,839,927.

The following is a comparison of the Net Position of the City at June 30, 2021 and 2020:

| Assets | 2021 | 2020 |
|--|---------------------|---------------------|
| Current and other assets | \$ 1,883,937 | \$ 1,899,031 |
| Capital assets | 4,879,168 | 5,306,051 |
| Restricted assets | <u>112,543</u> | <u>81,576</u> |
| Total assets | 6,875,648 | 7,286,658 |
| Deferred outflows of resources | <u>427,142</u> | <u>512,305</u> |
| Total assets and deferred outflows | <u>7,302,790</u> | <u>7,798,963</u> |
| Liabilities | | |
| Current liabilities | 232,521 | 243,462 |
| Long term liabilities | <u>2,993,638</u> | <u>3,038,202</u> |
| Total liabilities | 3,226,159 | 3,281,664 |
| Deferred inflows of resources | <u>236,704</u> | <u>406,699</u> |
| Total liabilities and deferred inflows | <u>3,462,863</u> | <u>3,688,363</u> |
| Net position | | |
| Net investment in capital assets | 3,721,584 | 3,857,717 |
| Designated future expenditures | (15,968) | 374,903 |
| Unrestricted | <u>134,311</u> | <u>(122,020)</u> |
| Total net position | <u>\$ 3,839,927</u> | <u>\$ 4,110,600</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 2021, governmental activities decreased the City's net position by \$270,673 compared to an increase of \$325,938 in 2019. The 2021 decrease in net position includes a non-cash depreciation expense of \$466,746 and a non-cash, actuarial cost for pensions and post-employment health insurance benefits of \$134,502.

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

| General Revenues | 2021 | 2020 |
|--|---------------------|---------------------|
| Property taxes | \$ 561,114 | \$ 535,707 |
| Insurance premium taxes | 474,015 | 478,101 |
| Road tax revenues | 342,860 | 331,820 |
| Payroll/gross receipts taxes | 404,179 | 339,118 |
| Licenses and permits fees | 115,718 | 104,051 |
| Other revenues | <u>272,192</u> | <u>188,560</u> |
| Total general revenues | <u>2,170,078</u> | <u>1,977,357</u> |
| Expenses, net of program revenues | | |
| General and administrative | 179,206 | 168,561 |
| Public safety | 984,681 | 936,326 |
| Public works | 743,050 | 685,652 |
| Building and utilities | 57,587 | 70,070 |
| Contracted services | 433,937 | 399,052 |
| Interest expense | <u>42,290</u> | <u>43,634</u> |
| Total expenditures, net | <u>2,440,751</u> | <u>2,303,295</u> |
| Change in net position | <u>\$ (270,673)</u> | <u>\$ (325,938)</u> |

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 four minor 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 \$6,892. This excess includes \$33,041 in capital outlays for a vehicle purchase.

The City’s General Fund received \$4,093 more revenue than was budgeted and expended \$33,196 less than was budgeted. The City’s Road Tax Fund received \$17 more revenue than was budgeted and expended \$276,811 more than was budgeted.

CAPITAL ASSETS

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

| | Governmental Activities | |
|--------------------------|--------------------------------|---------------------|
| | 2021 | 2020 |
| Land | \$ 90,818 | \$ 90,818 |
| Construction in progress | - | 611,437 |
| Buildings | 267,072 | 267,072 |
| Infrastructure | 15,667,465 | 15,056,028 |
| Equipment | 352,128 | 342,396 |
| Vehicles | 1,065,925 | 1,035,794 |
| Accumulated depreciation | <u>(12,564,240)</u> | <u>(12,097,494)</u> |
| Total assets, net | <u>\$ 4,879,168</u> | <u>\$ 5,306,051</u> |

The changes in net total assets consists the following:

| | |
|----------------------|---------------------|
| Completion of CIP | \$ (611,437) |
| Infrastructure added | 611,437 |
| Vehicles added | 30,131 |
| Equipment added | 9,732 |
| Depreciation expense | <u>(466,746)</u> |
| | <u>\$ (426,883)</u> |

LONG-TERM DEBT

At June 30, 2021, the City had a total of \$1,157,584 in outstanding loans. The proceeds from these bonds are being used to finance the reconstruction of city roads. Additionally, the City had an obligation of approximately \$36,608 in unused vacation time for employees.

The following is a summary of the City’s debt transactions during 2021:

| | June 30, 2020 | Additions | Repayments | June 30, 2021 |
|---------------------|---------------------|-----------------|---------------------|---------------------|
| Cruiser lease | \$ 31,955 | \$ - | \$ (31,955) | \$ - |
| Construction loan | 1,416,380 | - | (258,796) | 1,157,584 |
| Compensate absences | 29,677 | 6,931 | - | 36,608 |
| Totals | <u>\$ 1,478,012</u> | <u>\$ 6,931</u> | <u>\$ (290,751)</u> | <u>\$ 1,194,192</u> |

GASB 68 PENSION AND GASB 75 OPEB LIABILITY RECOGNITION

As of June 30, 2021, 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, \$1,999,446, the deferred outflow of resources, \$427,142, and the deferred inflow of resources, \$236,704, on the Statement of Net Position at June 30, 2021 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The City budgeted total revenues of \$2,369,913 for the year ending June 20, 2022 (including \$1,847,613 planned revenues to the General Fund); this is a decrease of \$553,683 from the June 30, 2021 fiscal year actual revenue across all funds.

The City budgeted expenses of \$2,492,209 for the year ending June 20, 2022 (including \$1,844,735 planned expenditures in the General Fund); this is a decrease of \$424,495 from the June 30, 2021 fiscal year actual expenditures across all funds.

Budgeted expenditures are \$122,296 over budgeted revenues for the fiscal year 2022.

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.

| |
|---|
| CITY OF PARK HILLS, KENTUCKY STATEMENT OF NET POSITION June 30, 2021 |
|---|

| Assets | Governmental Activities |
|--|------------------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 1,691,120 |
| Taxes receivable | 150,302 |
| Other accounts receivable | 4,986 |
| Prepaid expenses | 37,529 |
| Total current assets | <u>1,883,937</u> |
| Capital assets | |
| Land and construction in progress | 90,818 |
| Assets being depreciated | 17,352,590 |
| Less: accumulated depreciation | (12,564,240) |
| Net capital assets | <u>4,879,168</u> |
| Restricted assets | |
| Creighton fund | 107,506 |
| Special revenue funds cash | 5,037 |
| Total restricted assets | <u>112,543</u> |
| Total assests | <u>6,875,648</u> |
| Deferred outflow of resources | |
| Deferred outflows related to pensions and post employment health insurance | <u>427,142</u> |
| Total assets and deferred outflow of resources | <u>7,302,790</u> |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 32,392 |
| Accrued salaries and benefits | 129 |
| Current portion of debt | 200,000 |
| Total current liabilities | <u>232,521</u> |
| Long term liabilities | |
| Compensated absences | 36,608 |
| Capital leases payable | 957,584 |
| Net pension and post employment health insurance liability | 1,999,446 |
| Total long term liabilities | <u>2,993,638</u> |
| Total liabilities | <u>3,226,159</u> |
| Deferred inflows of resources | |
| Deferred inflows related to pensions and post employment health insurance | <u>236,704</u> |
| Total liabilities and deferred inflows of resources | <u>3,462,863</u> |
| Net position | |
| Net investment in capital assets | 3,721,584 |
| Restricted for: | |
| Road funds | (128,511) |
| Department funds | 5,037 |
| Creighton fund | 107,506 |
| Unrestricted | 134,311 |
| Total net position | <u>\$ 3,839,927</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, 2021

| 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 | \$ 190,206 | \$ 11,000 | \$ - | \$ - | \$ (179,206) |
| Public safety | 1,168,727 | 105,458 | 78,588 | - | (984,681) |
| Public works | 1,261,290 | 204,864 | 57,726 | 255,650 | (743,050) |
| Building and utilities | 57,587 | - | - | - | (57,587) |
| Contracted services | 433,937 | - | - | - | (433,937) |
| Interest expense | 42,290 | - | - | - | (42,290) |
| Total governmental activities | \$ 3,154,037 | \$ 321,322 | \$ 136,314 | \$ 255,650 | (2,440,751) |

General revenues

| | |
|--|---------------------|
| Taxes | |
| Property taxes | 561,114 |
| Insurance premium taxes | 474,015 |
| Road tax revenues | 342,860 |
| Payroll/gross receipts taxes | 404,179 |
| Licenses and permit fees | |
| Franchise fees | 51,808 |
| Vehicle sticker license | 23,902 |
| Licenses | 40,008 |
| Miscellaneous | 270,510 |
| Investment earnings | 1,682 |
| Total general revenues | 2,170,078 |
| Change in net position | (270,673) |
| Net position, beginning of year | 4,110,600 |
| Net position, end of year | \$ 3,839,927 |

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

| |
|---|
| CITY OF PARK HILLS, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2021 |
|---|

| | <u>General Fund</u> | <u>Road Tax Fund</u> | <u>Non-Major Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------|----------------------------|---|
| Assets | | | | |
| Cash | \$ 1,543,851 | \$ 4,539 | \$ 142,730 | \$ 1,691,120 |
| Receivables | | | | |
| Accounts | 4,986 | - | - | 4,986 |
| Taxes | 149,581 | 721 | - | 150,302 |
| Prepaid expenses | 37,529 | - | - | 37,529 |
| Due from other funds | 276,579 | 2,499 | - | 279,078 |
| Restricted assets | | | | |
| Special revenue funds cash | - | - | 5,037 | 5,037 |
| Creighton fund | 107,506 | - | - | 107,506 |
| Total assets | <u>\$ 2,120,032</u> | <u>\$ 7,759</u> | <u>\$ 147,767</u> | <u>\$ 2,275,558</u> |
| Liabilities and fund balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 29,971 | \$ - | \$ 2,421 | \$ 32,392 |
| Accrued salaries and benefits | 129 | - | - | 129 |
| Due to other funds | 2,499 | 276,579 | - | 279,078 |
| Total liabilities | <u>32,599</u> | <u>276,579</u> | <u>2,421</u> | <u>311,599</u> |
| Fund balances | | | | |
| Restricted | 107,506 | (268,820) | 140,309 | (21,005) |
| Committed | - | - | 5,037 | 5,037 |
| Unassigned | 1,979,927 | - | - | 1,979,927 |
| Total fund balances | <u>2,087,433</u> | <u>(268,820)</u> | <u>145,346</u> | <u>1,963,959</u> |
| Total liabilities and fund balances | <u>\$ 2,120,032</u> | <u>\$ 7,759</u> | <u>\$ 147,767</u> | <u>\$ 2,275,558</u> |

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

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

| | |
|---|---------------------|
| Total fund balances for governmental funds | \$ 1,963,959 |
|---|---------------------|

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

| | |
|--|-----------|
| Capital assets of \$17,443,408 less accumulated depreciation of (\$12,564,240), used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 4,879,168 |
|--|-----------|

| | |
|--|-----------|
| 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 | 427,142 |
| Deferred inflows related to pension and post employment health insurance | (236,704) |

| | |
|--|--------------------|
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Compensated absences | (36,608) |
| Capital leases payable | (1,157,584) |
| Net pension and post employment health insurance liability | <u>(1,999,446)</u> |

| | |
|--|----------------------------|
| Net position of governmental activities | <u>\$ 3,839,927</u> |
|--|----------------------------|

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, 2021

| | General Fund | Road Tax Fund | Non-Major Funds | Total Governmental Funds |
|---|-------------------------|--------------------------|----------------------------|---|
| Revenues | | | | |
| Taxes | \$ 1,439,308 | \$ 342,860 | \$ 23,902 | \$ 1,806,070 |
| Licenses and permits | 91,816 | - | - | 91,816 |
| Charges for services | 321,322 | - | - | 321,322 |
| Intergovernmental | 78,588 | 255,650 | 57,726 | 391,964 |
| Interest income | 1,410 | 61 | 211 | 1,682 |
| Other revenues | 262,104 | - | 8,406 | 270,510 |
| Transfers from other funds | - | - | 40,232 | 40,232 |
| Total revenues | <u>2,194,548</u> | <u>598,571</u> | <u>130,477</u> | <u>2,923,596</u> |
| Expenditures | | | | |
| Current | | | | |
| General administrative | 141,685 | 5,000 | 20,493 | 167,178 |
| Police department | 796,845 | - | - | 796,845 |
| Fire/rescue department | 135,445 | - | - | 135,445 |
| Public works | 95,987 | 577,161 | 211,526 | 884,674 |
| Building and utilities | 57,587 | - | - | 57,587 |
| Creighton fund | 27,903 | - | - | 27,903 |
| Contracted services | 433,937 | - | - | 433,937 |
| Capital outlay | 9,731 | - | 30,131 | 39,862 |
| Debt service | - | 300,000 | 33,041 | 333,041 |
| Transfers to other funds | 40,000 | 232 | - | 40,232 |
| Total expenditures | <u>1,739,120</u> | <u>882,393</u> | <u>295,191</u> | <u>2,916,704</u> |
| Excess (deficit) of revenues over (under) expenditures | <u>455,428</u> | <u>(283,822)</u> | <u>(164,714)</u> | <u>6,892</u> |
| Net change in fund balance | 455,428 | (283,822) | (164,714) | 6,892 |
| Fund balances, beginning of year | <u>1,632,005</u> | <u>15,002</u> | <u>310,060</u> | <u>1,957,067</u> |
| Fund balances, end of year | <u>\$ 2,087,433</u> | <u>\$ (268,820)</u> | <u>\$ 145,346</u> | <u>\$ 1,963,959</u> |

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

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

Net change in fund balances - total governmental funds \$ 6,892

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 | 39,862 |
| Depreciation expense | (466,747) |

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 | (104,093) |
| Cost of post employment health insurance benefits earned | (30,407) |

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 | 290,751 |
|--------------------|---------|

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 | (6,931) |
|--------------------------------|---------|

| | |
|--|---------------------|
| Change in net position of governmental activities | \$ (270,673) |
|--|---------------------|

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

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2021

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.

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.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2021

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 two additional non-major reserve funds: Tree Board Reserve and the Capital Improvement 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 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.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2021

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.

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.

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| <p>CITY OF PARK HILLS, KENTUCKY Notes to Financial Statements June 30, 2021</p> |
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- 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, 2021. 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 | \$ 1,543,851 | \$ - | \$ - | \$ 1,543,851 |
| Special revenue funds - cash | 147,269 | - | - | 147,269 |
| Special revenue funds - restricted cash | 5,037 | - | - | 5,037 |
| Creighton - restricted cash | 107,506 | - | - | 107,506 |
| Total | <u>\$ 1,803,663</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,803,663</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, 2021, 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021 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.

CITY OF PARK HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

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 \$2,320 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, 2021 the liability for compensated absences is \$36,608.

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.

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.

CITY OF PARK HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

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 and the Capital Improvement Fund 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.

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.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2021

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.

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 |

| |
|---|
| CITY OF PARK HILLS, KENTUCKY Notes to Financial Statements June 30, 2021 |
|---|

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

| | June 30, 2020 | Additions | Deletions | June 30, 2021 |
|----------------------------|---------------------|-------------------|---------------------|---------------------|
| Land | \$ 90,818 | \$ - | \$ - | \$ 90,818 |
| Construction in progress | 611,437 | - | (611,437) | - |
| Buildings and improvements | 267,072 | - | - | 267,072 |
| Infrastructure | 15,056,028 | 611,437 | - | 15,667,465 |
| Vehicles | 1,035,794 | 30,131 | - | 1,065,925 |
| Machinery and equipment | 342,396 | 9,732 | - | 352,128 |
| Subtotal | 17,403,545 | 651,300 | (611,437) | 17,443,408 |
| Accumulated depreciation | (12,097,494) | (466,746) | - | (12,564,240) |
| Total assets, net | <u>\$ 5,306,051</u> | <u>\$ 184,554</u> | <u>\$ (611,437)</u> | <u>\$ 4,879,168</u> |

Depreciation expense was charged to government functions as follows:

| | |
|--|-------------------|
| Governmental Activities | |
| Administration | \$ 7,693 |
| Public safety | 96,831 |
| Public works | 695 |
| Infrastructure | <u>361,527</u> |
| Total Governmental Activities Depreciation Expense | <u>\$ 466,746</u> |

NOTE E – GENERAL LONG-TERM DEBT

Capital Lease – Vehicle

The City executed a 4.4% interest, 2-year \$40,000 capital lease payable effective January 27, 2020 with BB&T Commercial Equipment Capital Corporation to finance the purchase of a police vehicle. This lease was paid in full at June 31, 2021.

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, 2021, all \$2,500,000 of these funds had been drawn. 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, 2021 is \$1,157,584.

| |
|---|
| CITY OF PARK HILLS, KENTUCKY Notes to Financial Statements June 30, 2021 |
|---|

Summary of General Long-Term Debt

The following changes occurred in the General Long-Term Debt Account Group during the year ended June 30, 2021:

| | Balance June 30, 2020 | Additions | Principal Payments | Balance June 30, 2021 |
|-----------------------------|--------------------------|-------------|-----------------------|--------------------------|
| BB&T Cruiser Lease | \$ 31,955 | \$ - | \$ (31,955) | \$ - |
| BB&T Road Construction Loan | 1,416,380 | - | (258,796) | 1,157,584 |
| | <u>\$ 1,448,335</u> | <u>\$ -</u> | <u>\$ (290,751)</u> | <u>\$ 1,157,584</u> |

Of the \$1,157,584 General Long-Term Debt Account Group balance at June 30, 2021, \$200,000 is a current liability due within one year of June 30, 2021 and \$957,584 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. The City of Park Hills has both Non-Hazardous and Hazardous employees.

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

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

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 or service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

| | |
|--------|------------------------------|
| | <u>Required Contribution</u> |
| Tier 1 | 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.

| |
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| <p>CITY OF PARK HILLS, KENTUCKY Notes to Financial Statements June 30, 2021</p> |
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For retirement purposes, employees are grouped into three tiers, based on hire date:

| | | |
|--------|----------------------|--|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Unreduced retirement | At least one month of hazardous duty service credit 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 or service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

Contributions

For non-hazardous duty employees, the City contributed 24.06% of which 19.3% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020. For hazardous duty employees, the City contributed 39.58% of which 30.06% was for the pension fund and 9.52% was for the health insurance fund, of the hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2021. The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$28,484, of which \$22,849 was for the pension fund and \$5,635 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 \$99,362, of which \$75,463 was for the pension fund and \$23,899 was for the health insurance fund.

CITY OF PARK HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

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

At June 30, 2021, the City reported a liability of \$1,528,344 (\$336,172 – non-hazardous and \$1,192,172 – hazardous) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the City's non-hazardous employer allocation proportion was 0.00438% of the total CERS non-hazardous duty employees and 0.03954% of the total CERS hazardous duty employees. For the year ended June 30, 2021, the City recognized pension expense of \$134,502 in addition to its \$91,068 pension contribution. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Non-Hazardous | | Hazardous | | Total | |
|--|------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| | Deferred Outflow | Deferred Inflow | Deferred Outflow | Deferred Inflow | Deferred Outflow | Deferred Inflow |
| Differences between expected and actual experience | \$ 8,383 | \$ - | \$ 36,974 | \$ - | \$ 45,357 | \$ - |
| Net difference between projected actual earnings on plan investments | 8,412 | - | 26,857 | - | 35,269 | - |
| Changes of assumptions | 13,127 | - | 45,214 | - | 58,341 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 3,059 | (3,846) | 14,285 | (121,232) | 17,344 | (125,078) |
| Contributions subsequent to the measurement date | 22,849 | - | 75,463 | - | 98,312 | - |
| | <u>\$ 55,830</u> | <u>\$ (3,846)</u> | <u>\$ 198,793</u> | <u>\$ (121,232)</u> | <u>\$ 254,623</u> | <u>\$ (125,078)</u> |

The City's contributions subsequent to the measurement date of \$98,312 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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 | Net Deferral |
|--------------------|------------------|
| June 30, 2021 | \$ (7,913) |
| 2022 | 714 |
| 2023 | 21,937 |
| 2024 | 16,495 |
| Thereafter | - |
| | <u>\$ 31,233</u> |

CITY OF PARK HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Actuarial Assumptions

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

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

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

Changes of Assumptions

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

Discount Rate

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

CITY OF PARK HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Plan Target Allocation

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

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

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

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

| | Proportionate Share of Net Pension Liability | | |
|---------------|--|--------------|--------------|
| | 1% Decrease | Current Rate | 1% Increase |
| | 5.25% | 6.25% | 7.25% |
| Non-hazardous | \$ 414,574 | \$ 336,172 | \$ 271,253 |
| Hazardous | 1,473,355 | 1,192,172 | 962,653 |
| Total | \$ 1,887,929 | \$ 1,528,344 | \$ 1,233,906 |

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.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2021

| | | |
|--------|---|--|
| 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.

| |
|--|
| <p>CITY OF PARK HILLS, KENTUCKY Notes to Financial Statements June 30, 2021</p> |
|--|

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

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

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

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2021, was 4.76% of covered-employee payroll for non-hazardous duty employees and 9.52% of covered-employee payroll for hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the City were \$5,635 for non-hazardous duty employees and \$23,899 for hazardous duty employees for the year ended June 30, 2021.

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

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

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2021

30, 2020, the City's proportion of the non-hazardous plan was .00438%, and the City's proportion of the hazardous plan was 0.03953%.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$30,407. 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 | \$ 17,679 | \$ (17,693) | \$ 12,535 | \$ (36,478) | \$ 30,214 | \$ (54,171) |
| Net difference between projected actual earnings on plan investments | 3,517 | - | 16,216 | - | 19,733 | - |
| Changes of assumptions | 18,405 | (112) | 59,593 | (337) | 77,998 | (449) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,008 | (1,795) | 13,031 | (55,211) | 15,039 | (57,006) |
| Contributions subsequent to the measurement date | 5,635 | - | 23,899 | - | 29,534 | - |
| | \$ 47,244 | \$ (19,600) | \$ 125,274 | \$ (92,026) | \$ 172,518 | \$ (111,626) |

The City's contributions subsequent to the measurement date, \$5,635 for non-hazardous duty employees and \$23,899 for hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30, | Net Deferral |
|--------------------------------|-----------------|
| 2021 | \$ 7,926 |
| 2022 | (3,929) |
| 2023 | 6,412 |
| 2024 | 16,219 |
| 2025 | 4,730 |
| Thereafter | - |
| | \$ 31,358 |

| |
|---|
| CITY OF PARK HILLS, KENTUCKY Notes to Financial Statements June 30, 2021 |
|---|

Actuarial Assumptions

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

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

Changes of Assumptions

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

CITY OF PARK HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2021

Discount Rate

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

Plan Target Allocation

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

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

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

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

| | Proportionate Share of Net OPEB Liability | | |
|-----------------------------------|---|--------------|----------------|
| | 1.00% Decrease | Current Rate | 1.00% Increase |
| Discount rate, non-hazardous | 4.34% | 5.34% | 6.34% |
| Net OPEB liability, non-hazardous | \$ 135,937 | \$ 105,812 | \$ 81,069 |
| Discount rate, hazardous | 4.30% | 5.30% | 6.30% |
| Net OPEB liability, hazardous | 495,871 | 365,290 | 260,067 |
| Total | \$ 631,808 | \$ 471,102 | \$ 341,136 |

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2021

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 | \$ 81,925 | \$ 105,812 | \$ 134,799 |
| Net OPEB liability, hazardous | 261,047 | 365,290 | 493,447 |
| Total | \$ 342,972 | \$ 471,102 | \$ 628,246 |

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 – CARES ACT FUNDING

In response to the COVID-19 Global Pandemic, the City has qualified and been approved for \$214,353 in federal CARES Act funding passed through the Commonwealth of Kentucky's Department for Local Government. This funding has been designated to reimburse the City for payroll expenses for public safety employees during the pandemic.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2021

NOTE J – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

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

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

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

NOTE K – FUTURE ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022

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

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

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

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

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

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

NOTE L – SUBSEQUENT EVENTS

Management has considered subsequent events through January 31, 2022, which represents the date financial statements were available to be issued. The City did not have any events subsequent to June 30, 2021 through January 31, 2022 to disclose.

The City received its first portion of the Federally funded American Recovery Plan Act (ARPA) grant in the amount of \$386,367 in July 2021. These funds are designated for specific uses, and any amount unused by December 31, 2024, will need to be returned.

CITY OF PARK HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2021

| | Budgeted Amounts | | | Actual Amounts | Variance Favorable (Unfavorable) |
|--|---------------------|-------------------|---------------------|---------------------|--|
| | Original | Amendments | Final | | |
| Budgetary fund balance, July 1 | <u>\$ 1,499,393</u> | <u>\$ 132,612</u> | <u>\$ 1,632,005</u> | <u>\$ 1,632,005</u> | <u>\$ -</u> |
| Resources (inflows): | | | | | |
| Taxes | | | | | |
| Property taxes | 495,000 | 27,900 | 522,900 | 541,509 | 18,609 |
| Municipal insurance tax | 470,000 | - | 470,000 | 474,015 | 4,015 |
| Delinquent property taxes | 5,000 | (100) | 4,900 | 5,333 | 433 |
| Tangible property tax | 25,000 | (10,793) | 14,207 | 14,272 | 65 |
| Payroll/gross receipts taxes | 275,000 | 119,000 | 394,000 | 404,179 | 10,179 |
| Total taxes | <u>1,270,000</u> | <u>136,007</u> | <u>1,406,007</u> | <u>1,439,308</u> | <u>33,301</u> |
| Licenses and permits | | | | | |
| Occupational license | 20,000 | 15,000 | 35,000 | 40,008 | 5,008 |
| Franchise fees | 54,000 | (949) | 53,051 | 51,808 | (1,243) |
| Total licenses and permits | <u>74,000</u> | <u>14,051</u> | <u>88,051</u> | <u>91,816</u> | <u>3,765</u> |
| Intergovernmental | <u>28,000</u> | <u>5,000</u> | <u>33,000</u> | <u>36,205</u> | <u>3,205</u> |
| Charges for services | | | | | |
| Trash collection fees | 209,294 | (4,826) | 204,468 | 204,864 | 396 |
| Law enforcement fees, civic duty | 5,000 | (1,282) | 3,718 | 5,458 | 1,740 |
| 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 | <u>325,294</u> | <u>(6,108)</u> | <u>319,186</u> | <u>321,322</u> | <u>2,136</u> |
| Other revenues | | | | | |
| Creighton revenue | - | 40,000 | 40,000 | 42,383 | 2,383 |
| Code enforcement board fines | 3,000 | (3,000) | - | - | - |
| Police fines | 2,000 | (1,630) | 370 | 395 | 25 |
| Interest income | 15,000 | (13,662) | 1,338 | 1,410 | 72 |
| School resource officer | 40,266 | - | 40,266 | 40,266 | - |
| Miscellaneous | 8,775 | 211,055 | 219,830 | 221,443 | 1,613 |
| Total other revenues | <u>69,041</u> | <u>232,763</u> | <u>301,804</u> | <u>305,897</u> | <u>4,093</u> |
| Amounts available for appropriation | <u>3,265,728</u> | <u>514,325</u> | <u>3,780,053</u> | <u>3,826,553</u> | <u>46,500</u> |
| Charges to appropriations (outflows): | | | | | |
| General administration | 147,489 | (3,182) | 144,307 | 141,685 | 2,622 |
| Police department | 744,914 | 67,212 | 812,126 | 796,845 | 15,281 |
| Fire/rescue department | 147,768 | (6,576) | 141,192 | 135,445 | 5,747 |
| Public works | 102,365 | (2,552) | 99,813 | 95,987 | 3,826 |
| Building and utilities | 63,800 | (2,500) | 61,300 | 57,587 | 3,713 |
| Creighton fund | - | 30,000 | 30,000 | 27,903 | 2,097 |
| Contract services | 467,155 | (33,309) | 433,846 | 433,937 | (91) |
| Capital improvements | - | 9,732 | 9,732 | 9,731 | 1 |
| Transfers to other funds | 40,000 | - | 40,000 | 40,000 | - |
| Total charges to appropriations | <u>1,713,491</u> | <u>58,825</u> | <u>1,772,316</u> | <u>1,739,120</u> | <u>33,196</u> |
| Budgetary fund balance, June 30 | <u>\$ 1,552,237</u> | <u>\$ 455,500</u> | <u>\$ 2,007,737</u> | <u>\$ 2,087,433</u> | <u>\$ 79,696</u> |

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

| |
|--|
| CITY OF PARK HILLS, KENTUCKY BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - ROAD TAX FUND For the Year Ended June 30, 2021 |
|--|

| | Budgeted Amounts | | | Actual Amounts | Variance Favorable (Unfavorable) |
|--|------------------|-------------------|-----------------|---------------------|--|
| | Original | Amendments | Final | | |
| Budgetary fund balance, July 1 | \$ 48,081 | \$ (33,079) | \$ 15,002 | \$ 15,002 | \$ - |
| Resources (inflows): | | | | | |
| Road tax revenue | 330,000 | 12,844 | 342,844 | 342,860 | 16 |
| Interest income | 900 | (840) | 60 | 61 | 1 |
| Utility reimbursement | 255,000 | 650 | 255,650 | 255,650 | - |
| Amounts available for appropriation | <u>633,981</u> | <u>(20,425)</u> | <u>613,556</u> | <u>613,573</u> | <u>17</u> |
| Charges to appropriations (outflows): | | | | | |
| Street maintenance | 320,000 | 205,582 | 525,582 | 577,161 | (51,579) |
| Loan payments | 300,000 | (225,000) | 75,000 | 300,000 | (225,000) |
| Administration | 5,000 | - | 5,000 | 5,000 | - |
| Transfers to other funds | - | - | - | 232 | (232) |
| Total charges to appropriations | <u>625,000</u> | <u>(19,418)</u> | <u>605,582</u> | <u>882,393</u> | <u>(276,811)</u> |
| Budgetary fund balance, June 30 | <u>\$ 8,981</u> | <u>\$ (1,007)</u> | <u>\$ 7,974</u> | <u>\$ (268,820)</u> | <u>\$ (276,794)</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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|------------|------------|------------|------------|------------|------------|------------|------|------|------|
| Proportion of net pension liability | 0.00438% | 0.00449% | 0.0044% | 0.0042% | 0.0050% | 0.0051% | 0.0052% | | | |
| Proportionate share of the net pension liability (asset) | \$ 336,172 | \$ 315,502 | \$ 268,826 | \$ 247,947 | \$ 246,774 | \$ 217,619 | \$ 168,664 | | | |
| Covered payroll in year of measurement | 112,265 | 94,076 | 98,395 | 168,056 | 109,168 | 110,594 | 101,498 | | | |
| Share of the net pension liability (asset) as a percentage of its covered payroll | 299.45% | 335.37% | 273.21% | 147.54% | 226.05% | 196.77% | 166.17% | | | |
| Plan fiduciary net position as a percentage of total pension liability | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% | 66.80% | | | |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------|------|
| Contractually required contribution | \$ 22,849 | \$ 21,667 | \$ 15,259 | \$ 14,248 | \$ 23,444 | \$ 13,559 | \$ 14,101 | \$ 13,946 | | |
| Actual contribution | 22,849 | 21,667 | 15,259 | 14,248 | 23,444 | 13,559 | 14,101 | 13,946 | | |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | | |
| Covered payroll | 118,389 | 112,265 | 94,076 | 98,395 | 168,056 | 109,168 | 110,594 | 101,498 | | |
| Contributions as a percentage of covered payroll | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | 12.75% | 13.74% | | |

Notes to Required Supplementary Information

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|--------------|--------------|--------------|--------------|------------|------------|------------|------|------|------|
| Proportion of net pension liability | 0.0395% | 0.0397% | 0.0544% | 0.0474% | 0.0420% | 0.0431% | 0.0465% | | | |
| Proportionate share of the net pension liability (asset) | \$ 1,192,172 | \$ 1,095,747 | \$ 1,315,834 | \$ 1,060,336 | \$ 720,747 | \$ 661,751 | \$ 558,692 | | | |
| Covered payroll in year of measurement | 230,875 | 213,054 | 311,262 | 309,688 | 422,215 | 347,053 | 206,669 | | | |
| Share of the net pension liability (asset) as a percentage of its covered payroll | 516.37% | 514.30% | 422.74% | 342.39% | 170.71% | 190.68% | 270.33% | | | |
| Plan fiduciary net position as a percentage of total pension liability | 44.11% | 46.63% | 49.26% | 49.80% | 53.95% | 57.52% | 63.46% | | | |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------|------|
| Contractually required contribution | \$ 75,463 | \$ 69,401 | \$ 52,965 | \$ 69,100 | \$ 67,233 | \$ 85,541 | \$ 71,944 | \$ 44,992 | | |
| Actual contribution | 75,463 | 69,401 | 52,965 | 69,100 | 67,233 | 85,541 | 71,944 | 44,992 | | |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | | |
| Covered payroll | 251,043 | 230,875 | 213,054 | 311,262 | 309,688 | 422,215 | 347,053 | 206,669 | | |
| Contributions as a percentage of covered payroll | 30.06% | 30.06% | 24.86% | 22.20% | 21.71% | 20.26% | 20.73% | 21.77% | | |

Notes to Required Supplementary Information

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------------|-----------|-----------|-----------|------|------|------|------|------|------|
| Proportion of net OPEB liability | 0.0044% | 0.0045% | 0.0044% | 0.0042% | | | | | | |
| Proportionate share of the net OPEB liability (asset) | \$ 105,812 | \$ 75,436 | \$ 98,395 | \$ 85,158 | | | | | | |
| Covered payroll in year of measurement | 112,265 | 94,076 | 98,395 | 168,056 | | | | | | |
| Share of the net OPEB liability (asset) as a percentage of its covered payroll | 94.25% | 80.19% | 79.65% | 197.35% | | | | | | |
| Plan fiduciary net position as a percentage of total OPEB liability | 51.67% | 60.44% | 57.62% | 52.40% | | | | | | |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|----------|----------|----------|----------|----------|------|------|------|------|------|
| Contractually required contribution | \$ 5,635 | \$ 5,344 | \$ 4,948 | \$ 4,625 | \$ 7,949 | | | | | |
| Actual contribution | 5,635 | 5,344 | 4,948 | 4,625 | 7,949 | | | | | |
| Contribution deficiency (excess) | - | - | - | - | - | | | | | |
| Covered payroll | 118,389 | 112,265 | 94,076 | 98,395 | 168,056 | | | | | |
| Contributions as a percentage of covered payroll | 4.76% | 4.76% | 5.26% | 4.70% | 4.73% | | | | | |

Notes to Required Supplementary Information

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------------|------------|------------|------------|------|------|------|------|------|------|
| Proportion of net OPEB liability | 0.0395% | 0.0397% | 0.0544% | 0.0474% | | | | | | |
| Proportionate share of the net OPEB liability (asset) | \$ 365,290 | \$ 293,428 | \$ 387,928 | \$ 391,793 | | | | | | |
| Covered payroll in year of measurement | 230,875 | 213,054 | 311,262 | 309,688 | | | | | | |
| Share of the net OPEB liability (asset) as a percentage of its covered payroll | 158.22% | 137.72% | 124.63% | 126.51% | | | | | | |
| Plan fiduciary net position as a percentage of total OPEB liability | 58.84% | 64.44% | 64.24% | 59.00% | | | | | | |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|-----------|-----------|-----------|-----------|-----------|------|------|------|------|------|
| Contractually required contribution | \$ 23,899 | \$ 21,979 | \$ 22,307 | \$ 29,103 | \$ 28,956 | | | | | |
| Actual contribution | 23,899 | 21,979 | 22,307 | 29,103 | 28,956 | | | | | |
| Contribution deficiency (excess) | - | - | - | - | | | | | | |
| Covered payroll | 251,043 | 230,875 | 213,054 | 311,262 | 309,688 | | | | | |
| Contributions as a percentage of covered payroll | 9.52% | 9.52% | 10.47% | 9.35% | 9.35% | | | | | |

Notes to Required Supplementary Information

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

| |
|---|
| CITY OF PARK HILLS, KENTUCKY COMBINING BALANCE SHEET - NON-MAJOR FUNDS June 30, 2021 |
|---|

| | Municipal Aid Fund | Vehicle Fee Fund | Tree Board Reserve Fund | Capital Improvement Fund | Totals | |
|--|--------------------------|------------------------|----------------------------------|--------------------------------|-------------------|---------------------|
| | | | | | 2021 | (Memo Only) 2020 |
| Assets | | | | | | |
| Restricted cash | \$ 89,258 | \$ 53,472 | \$ 951 | \$ 4,086 | \$ 147,767 | \$ 310,060 |
| Accounts receivable | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | 1,480 |
| Total assets | <u>\$ 89,258</u> | <u>\$ 53,472</u> | <u>\$ 951</u> | <u>\$ 4,086</u> | <u>\$ 147,767</u> | <u>\$ 311,540</u> |
| Liabilities and fund balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ 2,421 | \$ - | \$ - | \$ 2,421 | \$ - |
| Due to other funds | - | - | - | - | - | 1,480 |
| Total liabilities | <u>-</u> | <u>2,421</u> | <u>-</u> | <u>-</u> | <u>2,421</u> | <u>1,480</u> |
| Fund balances | | | | | | |
| Restricted | 89,258 | 51,051 | - | - | 140,309 | 276,845 |
| Committed | - | - | 951 | 4,086 | 5,037 | 33,215 |
| Total fund balances | <u>89,258</u> | <u>51,051</u> | <u>951</u> | <u>4,086</u> | <u>145,346</u> | <u>310,060</u> |
| Total liabilities and fund balances | <u>\$ 89,258</u> | <u>\$ 53,472</u> | <u>\$ 951</u> | <u>\$ 4,086</u> | <u>\$ 147,767</u> | <u>\$ 311,540</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, 2021

| | Municipal Aid Fund | Vehicle Fee Fund | Tree Board Reserve Fund | Capital Improvement Fund | Totals | |
|---|--------------------------|------------------------|----------------------------------|--------------------------------|-------------------|---------------------|
| | | | | | 2021 | (Memo Only) 2020 |
| Revenues | | | | | | |
| Taxes | \$ - | \$ 23,902 | \$ - | | \$ 23,902 | \$ 35,153 |
| Intergovernmental | 57,726 | - | - | | 57,726 | 59,119 |
| Sale of assets | - | - | - | 6,356 | 6,356 | - |
| Interest income | 108 | 53 | 4 | 46 | 211 | 1,634 |
| Miscellaneous | - | - | 2,050 | - | 2,050 | 2,800 |
| Proceeds from loans | - | - | - | - | - | 40,000 |
| Transfers from other funds | - | - | 232 | 40,000 | 40,232 | 40,000 |
| Total revenues | 57,834 | 23,955 | 2,286 | 46,402 | 130,477 | 178,706 |
| Expenditures | | | | | | |
| General government | 2,000 | 4,799 | 4,100 | 39,725 | 50,624 | 90,381 |
| Public works | 165,158 | 46,368 | - | - | 211,526 | 29,312 |
| Debt service | - | - | - | 33,041 | 33,041 | 8,721 |
| Transfers to other funds | - | - | - | - | - | - |
| Total expenditures | 167,158 | 51,167 | 4,100 | 72,766 | 295,191 | 128,414 |
| Excess (deficit) of revenues over (under) expenditures | (109,324) | (27,212) | (1,814) | (26,364) | (164,714) | 50,292 |
| Fund balances, beginning of year | 198,582 | 78,263 | 2,765 | 30,450 | 310,060 | 259,768 |
| Fund balances, end of year | \$ 89,258 | \$ 51,051 | \$ 951 | \$ 4,086 | \$ 145,346 | \$ 310,060 |

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

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

**To the Honorable Mayor and
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, 2021 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 February 7, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion.

The results of our tests disclosed the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Finding 2021-01: The City's Road Tax Fund expended more than was budgeted.

Criteria – Kentucky Revised Statutes KRS 65A.080 state that “no moneys shall be expended from any source except as provided in the originally adopted or subsequently amended budget”.

Condition – During the fiscal year, the City spent (\$276,811) more than budgeted.

Cause – The budget line for Street Maintenance was amended but the amount was not large enough to cover all expenses for the year. The Loan Payments line item was amended down from its original value of \$300,000 to \$75,000, the actual amount expended was \$300,000, leaving a budget deficit of \$225,000.

Recommendation – The City should have transferred in funds from the General Fund, set up a “due to” the general fund, and amended the Road Tax Fund budget to include a transfer from the General Fund. The original budget line item for Loan Payments should not have been amended.

Management Comments – *The City amended its Road Tax Fund budget expense line item down to \$75,000 because it wasn't going to have enough cash to cover the loan payments. The City then paid the payments from General Fund cash reserves. The Road Tax Fund set up a “due to” the General Fund to reimburse for these payments. The City should have amended its Road Tax Fund budget to recognize a transfer in from the General Fund and leave the expenditures as originally stated.*

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
February 7, 2022