

CITY OF PARK HILLS, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2022

CITY OF PARK HILLS, KENTUCKY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2022

TABLE OF CONTENTS

	<u>Pages</u>
INTRODUCTORY SECTION	
City Officials.	1
FINANCIAL SECTION	
Independent Auditor's Report.....	2-4
Management's Discussion and Analysis.....	5-9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	10
Statement of Activities.....	11
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds.....	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	15
Notes to Financial Statements.....	16-36
Required Supplementary Information:	
Budgetary Comparison Schedule - Budget and Actual - General Fund.....	37
Budgetary Comparison Schedule - Budget and Actual - Road Tax Fund.....	38
Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan.....	39-42
Supplementary Information:	
Combining Balance Sheet - Non-Major Governmental Funds.....	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds.....	44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46

CITY OF PARK HILLS, KENTUCKY

CITY OFFICIALS

For the Year Ended June 30, 2022

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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2022, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Park Hills, Kentucky and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Park Hills, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Park Hills, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Park Hills, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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 opinions on the financial statements that collectively comprise the City of Park Hills, Kentucky's basic financial statements. The combining minor governmental fund financial statements 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining minor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic 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 January 6, 2023, 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, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Park Hills, Kentucky's internal control over financial reporting and compliance.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky

January 6, 2023

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, 2022. 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 2022 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 \$3,962,060 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of \$2,043,670, an increase of \$79,711 from the prior year.
- As of June 30, 2022, unassigned fund balance for the General Fund was \$2,108,241.
- The City's unrestricted cash and cash equivalents increased by \$852,176 from \$1,691,120 at June 30, 2021 to \$2,543,296 at June 30, 2022.
- The City's accounts receivable increased by \$18,940 from \$155,288 at June 30, 2021 to \$174,228 at June 30, 2022.
- The City's total debt decreased by \$249,641 including compensated absences and capital leases payable but excluding net pension and other postemployment benefit liabilities and deferred revenues.

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 10-11 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 12-15 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 16-36 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, 2022 by \$3,962,060.

The following is a comparison of the Net Position of the City at June 30, 2022 and 2021:

	2022	2021
Assets		
Current and other assets	\$ 2,717,524	\$ 1,883,937
Capital assets	4,644,044	4,879,168
Restricted assets	117,538	112,543
Total assets	<u>7,479,106</u>	<u>6,875,648</u>
Deferred outflows of resources	435,921	427,142
Total assets and deferred outflows	<u>7,915,027</u>	<u>7,302,790</u>
Liabilities		
Current liabilities	991,392	232,521
Long term liabilities	2,585,896	2,993,638
Total liabilities	<u>3,577,288</u>	<u>3,226,159</u>
Deferred inflows of resources	375,679	236,704
Total liabilities and deferred inflows	<u>3,952,967</u>	<u>3,462,863</u>
Net position		
Net investment in capital assets	3,736,065	3,721,584
Designated future expenditures	(64,571)	(15,968)
Unrestricted	290,566	134,311
Total net position	<u>\$ 3,962,060</u>	<u>\$ 3,839,927</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 2022, governmental activities increased the City's net position by \$122,133 compared to a decrease of \$270,673 in 2021. The 2022 increase in net position includes a non-cash depreciation expense of \$510,588 and a non-cash, actuarial cost for pensions and post-employment health insurance benefits of (\$27,907).

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

	2022	2021
General Revenues		
Property taxes	\$ 593,688	\$ 561,114
Insurance premium taxes	480,255	474,015
Road tax revenues	364,675	342,860
Payroll/gross receipts taxes	523,098	404,179
Licenses and permits fees	89,627	115,718
Other revenues	67,628	272,192
Total general revenues	<u>2,118,971</u>	<u>2,170,078</u>
Expenses, net of program revenues		
General and administrative	232,453	179,206
Public safety	830,316	984,681
Public works	403,618	743,050
Building and utilities	80,397	57,587
Contracted services	399,659	433,937
Interest expense	50,395	42,290
Total expenditures, net	<u>1,996,838</u>	<u>2,440,751</u>
Change in net position	<u>\$ 122,133</u>	<u>\$ (270,673)</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 \$79,711. This excess includes \$275,464 in capital outlays for a vehicle purchase and building improvements.

The City’s General Fund received \$17,021 more revenue than was budgeted and expended \$6,835 less than was budgeted. The City’s Road Tax Fund received \$206 less revenue than was budgeted and expended \$1,584 more than was budgeted.

CAPITAL ASSETS

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

	Governmental Activities	
	2022	2021
Land	\$ 90,818	\$ 90,818
Construction in progress	-	-
Buildings	303,041	267,072
Infrastructure	15,667,465	15,667,465
Equipment	352,128	352,128
Vehicles	1,305,421	1,065,925
Accumulated depreciation	(13,074,829)	(12,564,240)
Total assets, net	<u>\$ 4,644,044</u>	<u>\$ 4,879,168</u>

The changes in net total assets consists the following:

Vehicles added	239,495
Building improvements	35,969
Depreciation expense	(510,588)
	<u>\$ (235,124)</u>

LONG-TERM DEBT

At June 30, 2022, the City had a total of \$907,979 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 \$36,572 in unused vacation time for employees. The following is a summary of the City’s debt transactions during 2022:

	June 30, 2021	Additions	Repayments	June 30, 2022
Construction loan	1,157,584	-	(249,605)	907,979
Compensate absences	36,608	-	(36)	36,572
Totals	<u>\$ 1,194,192</u>	<u>\$ -</u>	<u>\$ (249,641)</u>	<u>\$ 944,551</u>

DEFERRED REVENUES

The City deferred \$785,084 in American Recovery Plan Act revenues to future periods. The City has received the cash from this grant but will not recognize the revenue until future periods when it will be recognized as related expenditures are made. More information can be found in Note I in the Notes to the Financial Statements.

GASB 68 PENSION AND GASB 75 OPEB LIABILITY RECOGNITION

As of June 30, 2022, 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, \$1,841,345, the deferred outflow of resources, \$435,921, and the deferred inflow of resources, \$375,679, on the Statement of Net Position at June 30, 2022 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 2023 budget. Some of the factors are the local economy, expected grant monies and anticipated tax revenues.

The City budgeted total revenues of \$2,432,292 for the year ending June 20, 2023 (including \$1,991,529 planned revenues to the General Fund); this is a decrease of \$235,682 from the June 30, 2022 fiscal year actual revenue across all funds.

The City budgeted expenses of \$2,431,081 for the year ending June 20, 2023 (including \$1,977,195 planned expenditures in the General Fund); this is a decrease of \$114,760 from the June 30, 2022 fiscal year actual expenditures across all funds.

Budgeted expenditures are \$14,334 under budgeted revenues for the fiscal year 2023.

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, 2022

Assets	Governmental Activities
Current assets	
Cash and cash equivalents	\$ 2,543,296
Taxes receivable	47,725
Other accounts receivable	126,503
Prepaid expenses	-
Total current assets	<u>2,717,524</u>
Capital assets	
Land and construction in progress	90,818
Assets being depreciated	17,628,055
Less: accumulated depreciation	<u>(13,074,829)</u>
Net capital assets	<u>4,644,044</u>
Restricted assets	
Creighton fund	116,424
Special revenue funds cash	<u>1,114</u>
Total restricted assets	<u>117,538</u>
Total assets	7,479,106
Deferred outflow of resources	
Deferred outflows related to pensions and post employment health insurance	<u>435,921</u>
Total assets and deferred outflow of resources	<u>7,915,027</u>
Liabilities	
Current liabilities	
Accounts payable	6,170
Accrued salaries and benefits	138
Deferred revenue - ARPA	785,084
Current portion of debt	<u>200,000</u>
Total current liabilities	<u>991,392</u>
Long term liabilities	
Compensated absences	36,572
Capital leases payable	707,979
Net pension and post employment health insurance liability	<u>1,841,345</u>
Total long term liabilities	<u>2,585,896</u>
Total liabilities	3,577,288
Deferred inflows of resources	
Deferred inflows related to pensions and post employment health insurance	<u>375,679</u>
Total liabilities and deferred inflows of resources	<u>3,952,967</u>
Net position	
Net investment in capital assets	3,736,065
Restricted for:	
Road funds	(182,109)
Department funds	1,114
Creighton fund	116,424
Unrestricted	<u>290,566</u>
Total net position	<u>\$ 3,962,060</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, 2022

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	\$ 243,453	\$ 11,000	\$ -	\$ -	\$ (232,453)
Public safety	1,087,723	107,852	149,555	-	(830,316)
Public works	684,214	219,866	60,730	-	(403,618)
Building and utilities	80,397	-	-	-	(80,397)
Contracted services	399,659	-	-	-	(399,659)
Interest expense	50,395	-	-	-	(50,395)
Total governmental activities	<u>\$ 2,545,841</u>	<u>\$ 338,718</u>	<u>\$ 210,285</u>	<u>\$ -</u>	<u>(1,996,838)</u>

General revenues

Taxes	
Property taxes	593,688
Insurance premium taxes	480,255
Road tax revenues	364,675
Payroll/gross receipts taxes	523,098
Licenses and permit fees	
Franchise fees	39,230
Vehicle sticker license	13,240
Licenses	37,157
Miscellaneous	66,397
Investment earnings	1,231
Total general revenues	<u>2,118,971</u>
Change in net position	122,133
Net position, beginning of year	3,839,927
Net position, end of year	<u>\$ 3,962,060</u>

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

CITY OF PARK HILLS, KENTUCKY BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2022
--

	<u>General Fund</u>	<u>Road Tax Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 2,449,547	\$ 49,925	\$ 43,824	\$ 2,543,296
Receivables				
Accounts	126,503	-	-	126,503
Taxes	47,004	721	-	47,725
Prepaid expenses	-	-	-	-
Due from other funds	276,579	-	5,038	281,617
Restricted assets				
Special revenue funds cash	-	-	1,114	1,114
Creighton fund	116,424	-	-	116,424
Total assets	<u>\$ 3,016,057</u>	<u>\$ 50,646</u>	<u>\$ 49,976</u>	<u>\$ 3,116,679</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 6,170	\$ -	\$ -	\$ 6,170
Accrued salaries and benefits	138	-	-	138
Deferred revenue - ARPA	785,084	-	-	785,084
Due to other funds	-	276,579	5,038	281,617
Total liabilities	<u>791,392</u>	<u>276,579</u>	<u>5,038</u>	<u>1,073,009</u>
Fund balances				
Restricted	116,424	(225,933)	43,824	(65,685)
Committed	-	-	1,114	1,114
Unassigned	2,108,241	-	-	2,108,241
Total fund balances	<u>2,224,665</u>	<u>(225,933)</u>	<u>44,938</u>	<u>2,043,670</u>
Total liabilities and fund balances	<u>\$ 3,016,057</u>	<u>\$ 50,646</u>	<u>\$ 49,976</u>	<u>\$ 3,116,679</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, 2022</p>
--

Total fund balances for governmental funds	\$ 2,043,670
---	---------------------

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

Capital assets of \$17,718,872 less accumulated depreciation of (\$13,074,829), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,644,043
--	-----------

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	435,922
Deferred inflows related to pension and post employment health insurance	(375,679)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(36,572)
Capital leases payable	(907,979)
Net pension and post employment health insurance liability	<u>(1,841,345)</u>

Net position of governmental activities	<u>\$ 3,962,060</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, 2022

	General Fund	Road Tax Fund	Non-Major Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,597,041	\$ 364,675	\$ 13,240	\$ 1,974,956
Licenses and permits	76,387	-	-	76,387
Charges for services	338,718	-	-	338,718
Intergovernmental	149,555	-	60,730	210,285
Interest income	1,105	76	50	1,231
Other revenues	65,982	-	417	66,399
Transfers from other funds	-	-	99,377	99,377
Total revenues	<u>2,228,788</u>	<u>364,751</u>	<u>173,814</u>	<u>2,767,353</u>
Expenditures				
Current				
General administrative	203,320	5,030	17,796	226,146
Police department	837,561	-	-	837,561
Fire/rescue department	156,677	-	-	156,677
Public works	104,890	16,834	155,879	277,603
Building and utilities	80,397	-	-	80,397
Creighton fund	34,758	-	-	34,758
Contracted services	399,659	-	-	399,659
Capital outlay	193,294	-	82,170	275,464
Debt service	-	300,000	-	300,000
Transfers to other funds	81,000	-	18,377	99,377
Total expenditures	<u>2,091,556</u>	<u>321,864</u>	<u>274,222</u>	<u>2,687,642</u>
Excess (deficit) of revenues over (under) expenditures	<u>137,232</u>	<u>42,887</u>	<u>(100,408)</u>	<u>79,711</u>
Net change in fund balance	137,232	42,887	(100,408)	79,711
Fund balances, beginning of year	<u>2,087,433</u>	<u>(268,820)</u>	<u>145,346</u>	<u>1,963,959</u>
Fund balances, end of year	<u>\$ 2,224,665</u>	<u>\$ (225,933)</u>	<u>\$ 44,938</u>	<u>\$ 2,043,670</u>

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

<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, 2022</p>
--

Net change in fund balances - total governmental funds \$ 79,711

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	275,464
Depreciation expense	(510,588)

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	27,118
Cost of post employment health insurance benefits earned	789

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	249,605
--------------------	---------

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	34
--------------------------------	----

Change in net position of governmental activities	\$ 122,133
--	-------------------

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

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

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, 2022

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, 2022

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.

CITY OF PARK HILLS, KENTUCKY**Notes to Financial Statements****June 30, 2022**

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, 2022. 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	\$ 2,449,547	\$ -	\$ -	\$ 2,449,547
Special revenue funds - cash	93,749	-	-	93,749
Special revenue funds - restricted cash	1,114	-	-	1,114
Creighton - restricted cash	116,424	-	-	116,424
Total	<u>\$ 2,660,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,660,834</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, 2022, 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, 2022 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, 2022

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, 2022 the liability for compensated absences is \$36,572.

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, 2022

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, 2022

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, 2022

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

	June 30, 2021	Additions	Deletions	June 30, 2022
Land	\$ 90,818	\$ -	\$ -	\$ 90,818
Construction in progress	-	-	-	-
Buildings and improvements	267,072	35,969	-	303,041
Infrastructure	15,667,465	-	-	15,667,465
Vehicles	1,065,925	239,495	-	1,305,420
Machinery and equipment	352,128	-	-	352,128
Subtotal	17,443,408	275,464	-	17,718,872
Accumulated depreciation	(12,564,240)	(510,588)	-	(13,074,828)
Total assets, net	<u>\$ 4,879,168</u>	<u>\$ (235,124)</u>	<u>\$ -</u>	<u>\$ 4,644,044</u>

Depreciation expense was charged to government functions as follows:

Governmental Activities	
Administration	\$ 9,081
Public safety	102,763
Public works	6,645
Infrastructure	<u>392,099</u>
Total Governmental Activities Depreciation Expense	<u>\$ 510,588</u>

NOTE E – GENERAL LONG-TERM DEBT

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, 2022, 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, 2022 is \$907,979.

Summary of General Long-Term Debt

The following changes occurred in the General Long-Term Debt Account Group during the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Principal Payments	Balance June 30, 2022
BB&T Road Construction Loan	<u>\$ 1,157,584</u>	<u>\$ -</u>	<u>\$ (249,605)</u>	<u>\$ 907,979</u>

Of the \$907,979 General Long-Term Debt Account Group balance at June 30, 2022, \$200,000 is a current liability due within one year of June 30, 2022 and \$707,979 is a long-term liability, due in more than one year from the date of these financial statements.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

NOTE F – COUNTY EMPLOYEES’ RETIREMENT SYSTEM

Plan description – City employees are covered by CERS (County Employees’ Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Public Pension Authority, 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 Public Pension Authority administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

Membership in CERS consisted of the following at June 30, 2021:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	81,250	80,745	10,452	9,340
Inactive Plan Members	95,692	29,208	3,590	877
Retired Members	65,414	37,037	9,419	7,366
	<u>242,356</u>	<u>146,990</u>	<u>23,461</u>	<u>17,583</u>
Number of participating employers		<u>1,139</u>		<u>266</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

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

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

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

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

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

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

Hazardous Pension Plan Description

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

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

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

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

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

Contributions

For non-hazardous duty employees, the City contributed 26.95% of covered-employee's compensation, of which 21.17% was for the pension fund and 5.78% was for the health insurance fund.

For hazardous duty employees, the City contributed 44.33% of covered-employee's compensation, of which 33.86% was for the pension fund and 10.47% was for the health insurance fund.

The City made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$29,444, of which \$23,129 was for the pension fund and \$6,315 was for the health insurance fund.

The City made all required contributions for the hazardous Plan pension obligation for the fiscal year in the amount of \$129,179, of which \$98,669 was for the pension fund and \$30,510 was for the health insurance fund.

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

At June 30, 2022, the City reported a liability of \$1,413,172 (\$295,518 for the non-hazardous plan and \$1,117,654 for the hazardous duty Plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension Plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.00464% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.04198% of the total CERS hazardous duty employees. For the year ended June 30, 2022, the City recognized pension expense of -\$27,907 in addition to its \$121,798 pension contribution.

CITY OF PARK HILLS, KENTUCKY
Notes to Financial Statements
June 30, 2022

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 3,393	\$ (2,868)	\$ 30,821	\$ -	\$ 34,214	\$ (2,868)
Net difference between projected actual earnings on plan investments	-	(39,388)	-	(119,983)	-	(159,371)
Changes of assumptions	3,966	-	13,959	-	17,925	-
Changes in proportion and differences between contributions and proportionate share of contributions	13,066	(2,049)	54,100	(35,325)	67,166	(37,374)
Contributions subsequent to the measurement date	23,129	-	98,669	-	121,798	-
	<u>\$ 43,554</u>	<u>\$ (44,305)</u>	<u>\$ 197,549</u>	<u>\$ (155,308)</u>	<u>\$ 241,103</u>	<u>\$ (199,613)</u>

The City's contributions subsequent to the measurement date of \$121,798 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. 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
June 30,	Deferral
2022	\$ (22,793)
2023	(2,475)
2024	(12,604)
2025	(42,435)
Thereafter	-
	<u>\$ (80,307)</u>

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date to the Plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

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 2013 through 2018, is outlined in a report dated April 30, 2019. 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, 2020.

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 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 benefit payments to determine the total pension liability.

Plan Target Allocation

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

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

Asset Class	CERS Pensions (Haz & Non-Haz)	Long Term
	Target Allocation	Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

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	\$ 379,015	\$ 295,518	\$ 226,425
Hazardous	1,424,606	1,117,654	867,490
Total	\$ 1,803,621	\$ 1,413,172	\$ 1,093,915

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, 2022

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.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

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 KPPA Trustees.

For non-hazardous employees, the City contributed 5.78% of covered employees' compensation for the health insurance fund. For hazardous duty employees, the City contributed 10.47% of covered employees' compensation for the health insurance fund.

The City made all required contributions for the non-hazardous Plan OPEB obligation for the fiscal year in the amount \$6,315. The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$30,510.

These contributions are 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. For the year ended June 30, 2022, the City recognized OPEB expense of (\$789) in addition to its \$36,825 OPEB contribution.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

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

At June 30, 2022, the City reported a liability of \$428,173 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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 the June 30, 2021 measurement year, the City's non-hazardous employer allocation proportion was 0.00463% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.04198% of the total CERS hazardous duty employees.

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	\$ 13,951	\$ (26,488)	\$ 10,608	\$ (36,520)	\$ 24,559	\$ (63,008)
Net difference between projected actual earnings on plan investments	-	(13,878)	-	(63,894)	-	(77,772)
Changes of assumptions	23,520	(82)	85,128	(127)	108,648	(209)
Changes in proportion and differences between contributions and proportionate share of contributions	4,987	(1,324)	19,799	(33,753)	24,786	(35,077)
Contributions subsequent to the measurement date	6,315	-	30,510	-	36,825	-
	<u>\$ 48,773</u>	<u>\$ (41,772)</u>	<u>\$ 146,045</u>	<u>\$ (134,294)</u>	<u>\$ 194,818</u>	<u>\$ (176,066)</u>

The City's contributions subsequent to the measurement date, \$36,825 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF PARK HILLS, KENTUCKY**Notes to Financial Statements****June 30, 2022**

Fiscal Year Ending June 30,	Net Deferral
2022	\$ (16,808)
2023	(6,133)
2024	3,589
2025	(8,629)
2026	9,907
Thereafter	-
	<u>\$ (18,074)</u>

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the Plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	
Investment rate of return	6.25%, net of OPEB Plan expense, including inflation,
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates (Pre-65):	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 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 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 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.

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

Changes of Assumptions

The discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.20% for the non-hazardous Plan and from 5.30% to 5.05% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20% for the non-hazardous Plan and 5.05% 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	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

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 5.20% for the non-hazardous Plan and 5.05% 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:

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.21%	5.20%	6.20%
Net OPEB liability, non-hazardous	\$ 121,806	\$ 88,716	\$ 61,560
Discount rate, hazardous	4.05%	5.05%	6.05%
Net OPEB liability, hazardous	492,149	339,457	216,779
Total	\$ 613,955	\$ 428,173	\$ 278,339

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

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

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 63,865	\$ 88,716	\$ 118,711
Net OPEB liability, hazardous	222,431	339,457	482,787
Total	\$ 286,296	\$ 428,173	\$ 601,498

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 – AMERICAN RESCUE PLAN ACT (ARPA) FUNDING

As another response to the COVID-19 Pandemic, the City was eligible to receive \$785,084 in American Rescue Plan Act (ARPA) funding from the federal government. Once again, these funds passed through the Commonwealth of Kentucky's Department for Local Government. The City received two (2) tranches of money totaling \$785,084. The first tranche was received in July 2021, while the second tranche was received in June 2022. This grant has been accounted for as a deferred revenue and will be recognized

CITY OF PARK HILLS, KENTUCKY

Notes to Financial Statements

June 30, 2022

as revenue by the end of the fiscal year ending June 30, 2023 to match the period when the funds are spent.

NOTE J – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 87 – *Leases* – FY 2022 – No effect on the City's financial statements

Statement No. 91 – *Conduit Debt Obligations* – FY 2023– No effect on the City's financial statements

Statement No. 92 – *Omnibus 2020* – FY 2022– No effect on the City's financial statements

Statement No. 93 – *Replacement of Interbank Offered Rates* – FY 2022– No effect on the City's financial statements

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans* – FY 2022– No effect on the City's financial statements

NOTE K – FUTURE ACCOUNTING STANDARDS

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

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

NOTE L – SUBSEQUENT EVENTS

Management has considered subsequent events through January 6, 2023, which represents the date financial statements were available to be issued. The City did not have any events subsequent to June 30, 2022 through January 6, 2023 to disclose.

CITY OF PARK HILLS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
Budgetary fund balance, July 1	<u>\$ 2,007,737</u>	<u>\$ 79,696</u>	<u>\$ 2,087,433</u>	<u>\$ 2,087,433</u>	<u>\$ -</u>
Resources (inflows):					
Taxes					
Property taxes	528,000	33,067	561,067	574,900	13,833
Municipal insurance tax	475,000	15,000	490,000	480,255	(9,745)
Delinquent property taxes	5,000	(1,820)	3,180	3,352	172
Tangible property tax	25,000	(10,000)	15,000	15,436	436
Payroll/gross receipts taxes	275,000	238,060	513,060	523,098	10,038
Total taxes	<u>1,308,000</u>	<u>274,307</u>	<u>1,582,307</u>	<u>1,597,041</u>	<u>14,734</u>
Licenses and permits					
Occupational license	22,000	13,610	35,610	37,157	1,547
Franchise fees	54,000	(8,000)	46,000	39,230	(6,770)
Total licenses and permits	<u>76,000</u>	<u>5,610</u>	<u>81,610</u>	<u>76,387</u>	<u>(5,223)</u>
Intergovernmental	<u>32,000</u>	<u>-</u>	<u>32,000</u>	<u>36,862</u>	<u>4,862</u>
Charges for services					
Trash collection fees	218,672	987	219,659	219,866	207
Law enforcement fees, civic duty	5,000	701	5,701	7,852	2,151
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>334,672</u>	<u>1,688</u>	<u>336,360</u>	<u>338,718</u>	<u>2,358</u>
Other revenues					
Creighton revenue	40,000	72,693	112,693	112,693	-
Code enforcement board fines	3,000	3,874	6,874		(6,874)
Police fines	2,000	(1,670)	330	470	140
Interest income	3,000	(2,090)	910	1,105	195
School resource officer	40,266	-	40,266	40,266	-
Miscellaneous	8,675	9,742	18,417	25,246	6,829
Total other revenues	<u>96,941</u>	<u>82,549</u>	<u>179,490</u>	<u>179,780</u>	<u>290</u>
Amounts available for appropriation	<u>3,855,350</u>	<u>443,850</u>	<u>4,299,200</u>	<u>4,316,221</u>	<u>17,021</u>
Charges to appropriations (outflows):					
General administration	151,529	3,421	154,950	203,320	(48,370)
Police department	799,794	45,879	845,673	837,561	8,112
Fire/rescue department	149,581	9,902	159,483	156,677	2,806
Public works	104,635	2,374	107,009	104,890	2,119
Building and utilities	77,500	37,500	115,000	80,397	34,603
Creighton fund	20,000	10,000	30,000	34,758	(4,758)
Contract services	464,396	(20,620)	443,776	399,659	44,117
Capital improvements	81,000	161,500	242,500	193,294	49,206
Transfers to other funds	-	-	-	81,000	(81,000)
Total charges to appropriations	<u>1,848,435</u>	<u>249,956</u>	<u>2,098,391</u>	<u>2,091,556</u>	<u>6,835</u>
Budgetary fund balance, June 30	<u>\$ 2,006,915</u>	<u>\$ 193,894</u>	<u>\$ 2,200,809</u>	<u>\$ 2,224,665</u>	<u>\$ 23,856</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, 2022
--

	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
Budgetary fund balance, July 1	\$ 7,974	\$ -	\$ 7,974	\$ (268,820)	\$ (276,794)
Resources (inflows):					
Road tax revenue	350,000	14,857	364,857	364,675	(182)
Interest income	500	(400)	100	76	(24)
Utility reimbursement	-	-	-	-	-
Amounts available for appropriation	<u>358,474</u>	<u>14,457</u>	<u>372,931</u>	<u>95,931</u>	<u>(277,000)</u>
Charges to appropriations (outflows):					
Street maintenance	-	15,250	15,250	16,834	(1,584)
Loan payments	300,000	-	300,000	300,000	-
Administration	5,000	30	5,030	5,030	-
Transfers to other funds	53,474	(53,474)	-	-	-
Total charges to appropriations	<u>358,474</u>	<u>(38,194)</u>	<u>320,280</u>	<u>321,864</u>	<u>(1,584)</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 52,651</u>	<u>\$ 52,651</u>	<u>\$ (225,933)</u>	<u>\$ (278,584)</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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.00464%	0.00438%	0.00449%	0.0044%	0.0042%	0.0050%	0.0051%	0.0052%		
Proportionate share of the net pension liability (asset)	\$ 295,518	\$ 336,172	\$ 315,502	\$ 268,826	\$ 247,947	\$ 246,774	\$ 217,619	\$ 168,664		
Covered payroll in year of measurement	118,389	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	249.62%	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	57.33%	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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 23,129	\$ 22,849	\$ 21,667	\$ 15,259	\$ 14,248	\$ 23,444	\$ 13,559	\$ 14,101	\$ 13,946	
Actual contribution	23,129	22,849	21,667	15,259	14,248	23,444	13,559	14,101	13,946	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll	109,255	118,389	112,265	94,076	98,395	168,056	109,168	110,594	101,498	
Contributions as a percentage of covered payroll	21.17%	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, 2022, is based on the June 30, 2021, 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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.0420%	0.0395%	0.0397%	0.0544%	0.0474%	0.0420%	0.0431%	0.0465%		
Proportionate share of the net pension liability (asset)	\$ 1,117,654	\$ 1,192,172	\$ 1,095,747	\$ 1,315,834	\$ 1,060,336	\$ 720,747	\$ 661,751	\$ 558,692		
Covered payroll in year of measurement	251,043	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	445.20%	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	52.26%	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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 98,669	\$ 75,463	\$ 69,401	\$ 52,965	\$ 69,100	\$ 67,233	\$ 85,541	\$ 71,944	\$ 44,992	
Actual contribution	98,669	75,463	69,401	52,965	69,100	67,233	85,541	71,944	44,992	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll	291,404	251,043	230,875	213,054	311,262	309,688	422,215	347,053	206,669	
Contributions as a percentage of covered payroll	33.86%	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, 2022, is based on the June 30, 2021, 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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.0046%	0.0044%	0.0045%	0.0044%	0.0042%					
Proportionate share of the net OPEB liability (asset)	\$ 88,716	\$ 105,812	\$ 75,436	\$ 98,395	\$ 85,158					
Covered payroll in year of measurement	118,389	112,265	94,076	98,395	168,056					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	74.94%	94.25%	80.19%	79.65%	197.35%					
Plan fiduciary net position as a percentage of total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%					

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 6,315	\$ 5,635	\$ 5,344	\$ 4,948	\$ 4,625	\$ 7,949				
Actual contribution	6,315	5,635	5,344	4,948	4,625	7,949				
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	109,255	118,389	112,265	94,076	98,395	168,056				
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%				

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.0420%	0.0395%	0.0397%	0.0544%	0.0474%					
Proportionate share of the net OPEB liability (asset)	\$ 339,457	\$ 365,290	\$ 293,428	\$ 387,928	\$ 391,793					
Covered payroll in year of measurement	251,043	230,875	213,054	311,262	309,688					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	135.22%	158.22%	137.72%	124.63%	126.51%					
Plan fiduciary net position as a percentage of total OPEB liability	66.81%	58.84%	64.44%	64.24%	59.00%					

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 30,510	\$ 23,899	\$ 21,979	\$ 22,307	\$ 29,103	\$ 28,956				
Actual contribution	30,510	23,899	21,979	22,307	29,103	28,956				
Contribution deficiency (excess)	-	-	-	-	-					
Covered payroll	291,404	251,043	230,875	213,054	311,262	309,688				
Contributions as a percentage of covered payroll	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%				

Notes to Required Supplementary Information

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, 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, 2022

	Municipal Aid Fund	Vehicle Fee Fund	Tree Board Reserve Fund	Capital Improvement Fund	Totals	
					2022	(Memo Only) 2021
Assets						
Restricted cash	\$ 36,527	\$ 7,297	\$ 646	\$ 468	\$ 44,938	\$ 147,767
Accounts receivable	-	-	-	-	-	-
Due from other funds	5,038	-	-	-	5,038	-
Total assets	<u>\$ 41,565</u>	<u>\$ 7,297</u>	<u>\$ 646</u>	<u>\$ 468</u>	<u>\$ 49,976</u>	<u>\$ 147,767</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,421
Due to other funds	-	5,038	-	-	5,038	-
Total liabilities	<u>-</u>	<u>5,038</u>	<u>-</u>	<u>-</u>	<u>5,038</u>	<u>2,421</u>
Fund balances						
Restricted	41,565	2,259	-	-	43,824	140,309
Committed	-	-	646	468	1,114	5,037
Total fund balances	<u>41,565</u>	<u>2,259</u>	<u>646</u>	<u>468</u>	<u>44,938</u>	<u>145,346</u>
Total liabilities and fund balances	<u>\$ 41,565</u>	<u>\$ 7,297</u>	<u>\$ 646</u>	<u>\$ 468</u>	<u>\$ 49,976</u>	<u>\$ 147,767</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, 2022

	Municipal Aid Fund	Vehicle Fee Fund	Tree Board Reserve Fund	Capital Improvement Fund	Totals	
					2022	(Memo Only) 2021
Revenues						
Taxes	\$ -	\$ 13,240	\$ -	\$ -	\$ 13,240	\$ 23,902
Intergovernmental	60,730	-	-	-	60,730	57,726
Sale of assets	-	-	-	-	-	6,356
Interest income	28	16	1	5	50	211
Miscellaneous	-	-	250	167	417	2,050
Proceeds from loans	-	-	-	-	-	-
Transfers from other funds	-	11,377	-	88,000	99,377	40,232
Total revenues	60,758	24,633	251	88,172	173,814	130,477
Expenditures						
General government	2,000	5,620	556	91,790	99,966	50,624
Public works	95,074	60,805	-	-	155,879	211,526
Debt service	-	-	-	-	-	33,041
Transfers to other funds	11,377	7,000	-	-	18,377	-
Total expenditures	108,451	73,425	556	91,790	274,222	295,191
Excess (deficit) of revenues over (under) expenditures	(47,693)	(48,792)	(305)	(3,618)	(100,408)	(164,714)
Fund balances, beginning of year	89,258	51,051	951	4,086	145,346	310,060
Fund balances, end of year	\$ 41,565	\$ 2,259	\$ 646	\$ 468	\$ 44,938	\$ 145,346

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, 2022 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 January 6, 2023.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Purpose of this Report

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

Chamberlin Owen & Co., Inc.

Chamberlin Owen & Co., Inc.
Erlanger, Kentucky
January 6, 2023