

**CITY OF PARK HILLS, KENTUCKY**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**For the Year Ended June 30, 2023**

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

**CITY OFFICIALS**

**For the Year Ended June 30, 2023**

**Mayor**

Kathy Zembrodt

**Council Members**

Dr. Joseph Daugherty

Steve Elkins

Sarah Froelich

Monty O'Hara

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, 2023, 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, 2023, 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 December 8, 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  
December 8, 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, 2023. 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 2023 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 \$4,224,724 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of \$2,135,138, an increase of \$91,468 from the prior year.
- As of June 30, 2023, unassigned fund balance for the General Fund was \$2,078,528.
- The City's unrestricted cash and cash equivalents decreased by \$52,000 from \$2,543,296 at June 30, 2022 to \$2,491,296 at June 30, 2023.
- The City's accounts receivable decreased by \$8,358 from \$174,228 at June 30, 2022 to \$165,870 at June 30, 2023.
- The City's total debt decreased by \$260,943 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 16-37 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, 2023 by \$4,224,724.



The following is a comparison of the Net Position of the City at June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Assets		
Current and other assets	\$ 2,750,145	\$ 2,717,524
Capital assets	4,514,550	4,644,044
Restricted assets	187,978	117,538
Total assets	<u>7,452,673</u>	<u>7,479,106</u>
Deferred outflows of resources	415,847	435,921
Total assets and deferred outflows	<u>7,868,520</u>	<u>7,915,027</u>
Liabilities		
Current liabilities	1,002,985	991,392
Long term liabilities	2,461,035	2,585,896
Total liabilities	<u>3,464,020</u>	<u>3,577,288</u>
Deferred inflows of resources	179,776	375,679
Total liabilities and deferred inflows	<u>3,643,796</u>	<u>3,952,967</u>
Net position		
Net investment in capital assets	3,880,393	3,736,065
Designated future expenditures	56,610	(64,571)
Unrestricted	287,721	290,566
Total net position	<u>\$ 4,224,724</u>	<u>\$ 3,962,060</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 2023, governmental activities increased the City's net position by \$262,664 compared to a increase of \$122,133 in 2022. The 2023 increase in net position includes a non-cash depreciation expense of \$536,332 and a non-cash, actuarial cost for pensions and post-employment health insurance benefits of (\$28,154).

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

	<b>2023</b>	<b>2022</b>
General Revenues		
Property taxes	\$ 622,542	\$ 593,688
Insurance premium taxes	532,319	480,255
Road tax revenues	375,229	364,675
Payroll/gross receipts taxes	625,532	523,098
Licenses and permits fees	89,985	89,627
Other revenues	142,111	67,628
Total general revenues	<u>2,387,718</u>	<u>2,118,971</u>
Expenses, net of program revenues		
General and administrative	231,460	232,453
Public safety	987,805	830,316
Public works	296,263	403,618
Building and utilities	102,193	80,397
Contracted services	481,155	399,659
Interest expense	26,178	50,395
Total expenditures, net	<u>2,125,054</u>	<u>1,996,838</u>
Change in net position	<u>\$ 262,664</u>	<u>\$ 122,133</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 \$91,468. This excess includes \$406,838 in capital outlays for a building purchase, vehicle purchases and equipment purchases.

The City’s General Fund received \$67,364 more revenue than was budgeted and expended \$257,315 less than was budgeted. The City’s Road Tax Fund received \$4,113 more revenue than was budgeted and expended the amount that was budgeted.

## CAPITAL ASSETS

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

	<b>Governmental Activities</b>	
	2023	2022
Land	\$ 90,818	\$ 90,818
Construction in progress	-	-
Buildings	603,843	303,041
Infrastructure	15,667,464	15,667,465
Equipment	347,234	352,128
Vehicles	1,280,987	1,305,421
Accumulated depreciation	(13,475,796)	(13,074,829)
Total assets, net	<u>\$ 4,514,550</u>	<u>\$ 4,644,044</u>

The changes in net total assets consists the following:

Vehicles	\$ 97,902
Building	300,801
Equipment	8,135
Depreciation expense	(536,332)
	<u>\$ (129,494)</u>

## LONG-TERM DEBT

At June 30, 2023, the City had a total of \$634,157 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 \$37,858 in unused vacation time for employees. The following is a summary of the City’s debt transactions during 2023:

	June 30, 2022	Additions	Repayments	June 30, 2023
Construction loan	\$ 907,979	\$ -	\$ (273,822)	\$ 634,157
Compensated absences	36,572	1,286	-	37,858
Totals	<u>\$ 944,551</u>	<u>\$ 1,286</u>	<u>\$ (273,822)</u>	<u>\$ 672,015</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, 2023, 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, \$1,989,020, the deferred outflow of resources, \$415,847, and the deferred inflow of resources, \$179,776, on the Statement of Net Position at June 30, 2023 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 2024 budget. Some of the factors are the local economy, expected grant monies and anticipated tax revenues.

The City budgeted total revenues of \$3,020,306 for the year ending June 20, 2024 (including \$2,508,569 planned revenues to the General Fund); this is an increase of \$114,718 from the June 30, 2023 fiscal year actual revenue across all funds.

The City budgeted expenses of \$2,963,787 for the year ending June 20, 2024 (including \$2,353,287 planned expenditures in the General Fund); this is an increase of \$149,667 from the June 30, 2023 fiscal year actual expenditures across all funds.

Budgeted expenditures are \$56,519 under budgeted revenues for the fiscal year 2024.

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

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2023</b>
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	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 2,491,296
Taxes receivable	163,082
Other accounts receivable	2,788
Prepaid expenses	30,775
Total current assets	<u>2,687,941</u>
Capital assets	
Land and construction in progress	90,818
Assets being depreciated	17,899,528
Less: accumulated depreciation	<u>(13,475,796)</u>
Net capital assets	<u>4,514,550</u>
Restricted assets	
Creighton fund	136,257
Special revenue funds cash	<u>113,925</u>
Total restricted assets	<u>250,182</u>
<b>Total assets</b>	<u>7,452,673</u>
<b>Deferred outflow of resources</b>	
Deferred outflows related to pensions and post employment health insurance	<u>415,847</u>
<b>Total assets and deferred outflow of resources</b>	<u>7,868,520</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	17,723
Accrued salaries and benefits	178
Deferred revenue - ARPA	785,084
Current portion of debt	<u>200,000</u>
Total current liabilities	<u>1,002,985</u>
Long term liabilities	
Compensated absences	37,858
Capital leases payable	434,157
Net pension and post employment health insurance liability	<u>1,989,020</u>
Total long term liabilities	<u>2,461,035</u>
<b>Total liabilities</b>	<u>3,464,020</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions and post employment health insurance	<u>179,776</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>3,643,796</u>
<b>Net position</b>	
Net investment in capital assets	3,880,393
Restricted for:	
Road funds	(120,024)
Department funds	40,377
Creighton fund	136,257
Unrestricted	<u>287,721</u>
<b>Total net position</b>	<u>\$ 4,224,724</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, 2023

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	\$ 238,460	\$ 7,000	\$ -	\$ -	\$ (231,460)
Public safety	1,180,956	108,433	84,718	-	(987,805)
Public works	613,981	255,675	62,043	-	(296,263)
Building and utilities	102,193	-	-	-	(102,193)
Contracted services	481,155	-	-	-	(481,155)
Interest expense	26,178	-	-	-	(26,178)
<b>Total governmental activities</b>	<b>\$ 2,642,923</b>	<b>\$ 371,108</b>	<b>\$ 146,761</b>	<b>\$ -</b>	<b>(2,125,054)</b>

**General revenues**

Taxes	
Property taxes	622,542
Insurance premium taxes	532,319
Road tax revenues	375,229
Payroll/gross receipts taxes	625,532
Licenses and permit fees	
Franchise fees	47,393
Vehicle sticker license	13,343
Licenses	29,249
Miscellaneous	126,369
Investment earnings	15,742
<b>Total general revenues</b>	<b>2,387,718</b>
<b>Change in net position</b>	<b>262,664</b>
<b>Net position, beginning of year</b>	<b>3,962,060</b>
<b>Net position, end of year</b>	<b>\$ 4,224,724</b>

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2023</b>
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	<u>General Fund</u>	<u>Road Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,439,575	\$ -	\$ 51,721	\$ 2,491,296
Receivables				
Accounts	2,788	-	-	2,788
Taxes	162,361	721	-	163,082
Prepaid expenses	30,775	-	-	30,775
Due from other funds	246,014	-	-	246,014
Restricted assets				
Special revenue funds cash	-	73,548	40,377	113,925
Creighton fund	136,257	-	-	136,257
<b>Total assests</b>	<u>\$ 3,017,770</u>	<u>\$ 74,269</u>	<u>\$ 92,098</u>	<u>\$ 3,184,137</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 17,723	\$ -	\$ -	\$ 17,723
Accrued salaries and benefits	178	-	-	178
Deferred revenue - ARPA	785,084	-	-	785,084
Due to other funds	-	246,014	-	246,014
<b>Total liabilities</b>	<u>802,985</u>	<u>246,014</u>	<u>-</u>	<u>1,048,999</u>
<b>Fund balances</b>				
Restricted	136,257	(171,745)	51,721	16,233
Committed	-	-	40,377	40,377
Unassigned	2,078,528	-	-	2,078,528
<b>Total fund balances</b>	<u>2,214,785</u>	<u>(171,745)</u>	<u>92,098</u>	<u>2,135,138</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,017,770</u>	<u>\$ 74,269</u>	<u>\$ 92,098</u>	<u>\$ 3,184,137</u>

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

<p><b>CITY OF PARK HILLS, KENTUCKY</b>  <b>RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF NET POSITION</b>  <b>June 30, 2023</b></p>
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<b>Total fund balances for governmental funds</b>	<b>\$ 2,135,138</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$17,990,346 less accumulated depreciation of (\$13,475,796), used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,514,550
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:	
Deferred outflows related to pension and post employment health insurance	415,847
Deferred inflows related to pension and post employment health insurance	(179,776)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(37,858)
Capital leases payable	(634,157)
Net pension and post employment health insurance liability	<u>(1,989,020)</u>

<b>Net position of governmental activities</b>	<b><u>\$ 4,224,724</u></b>
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The accompanying notes are an integral part of the financial statements.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Statement of Revenues, Expenditures and</b> <b>Changes in Fund Balances - Governmental Funds</b> <b>For the Year Ended June 30, 2023</b>
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	General Fund	Road Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 1,780,394	\$ 375,229	\$ 13,343	\$ 2,168,966
Licenses and permits	76,642	-	-	76,642
Charges for services	371,108	-	-	371,108
Intergovernmental	84,718	-	62,043	146,761
Interest income	14,576	721	445	15,742
Other revenues	93,260	-	33,109	126,369
Transfers from other funds	-	-	121,038	121,038
<b>Total revenues</b>	<u>2,420,698</u>	<u>375,950</u>	<u>229,978</u>	<u>3,026,626</u>
<b>Expenditures</b>				
Current				
General administrative	218,691	5,000	425	224,116
Police department	893,711	-	-	893,711
Fire/rescue department	166,231	-	-	166,231
Public works	116,454	16,762	74,945	208,161
Building and utilities	102,193	-	-	102,193
Creighton fund	31,715	-	-	31,715
Contracted services	481,155	-	-	481,155
Capital outlay	304,428	-	102,410	406,838
Debt service	-	300,000	-	300,000
Transfers to other funds	116,000	-	5,038	121,038
<b>Total expenditures</b>	<u>2,430,578</u>	<u>321,762</u>	<u>182,818</u>	<u>2,935,158</u>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(9,880)</u>	<u>54,188</u>	<u>47,160</u>	<u>91,468</u>
<b>Net change in fund balance</b>	(9,880)	54,188	47,160	91,468
<b>Fund balances, beginning of year</b>	<u>2,224,665</u>	<u>(225,933)</u>	<u>44,938</u>	<u>2,043,670</u>
<b>Fund balances, end of year</b>	<u>\$ 2,214,785</u>	<u>\$ (171,745)</u>	<u>\$ 92,098</u>	<u>\$ 2,135,138</u>

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



<p><b>CITY OF PARK HILLS, KENTUCKY</b>  <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES</b>  <b>AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS</b>  <b>TO THE STATEMENT OF ACTIVITIES</b>  <b>For the Year Ended June 30, 2023</b></p>
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**Net change in fund balances - total governmental funds** \$ 91,468

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	406,838
Depreciation expense	(536,332)

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	46,317
Cost of post employment health insurance benefits earned	(18,162)

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	273,822
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In the current period these amounts are:

Change in compensated absences	(1,287)
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<b>Change in net position of governmental activities</b>	<b>\$ 262,664</b>
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The accompanying notes are an integral part of the financial statements.

# CITY OF PARK HILLS, KENTUCKY

## *Notes to Financial Statements*

June 30, 2023

### 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, 2023

*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, 2023**

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, 2023**

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, 2023. 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	\$ 2,439,575	\$ -	\$ -	\$ 2,439,575
Special revenue funds - cash	51,721	-	-	51,721
Special revenue funds - restricted cash	113,925	-	-	113,925
Creighton - restricted cash	136,257	-	-	136,257
Total	<u>\$ 2,741,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,741,478</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, 2023, 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, 2023 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, 2023**

*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 \$1,286 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, 2023 the liability for compensated absences is \$37,858.

*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, 2023

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, 2023**

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, 2023**

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

	June 30, 2022	Additions	Deletions	June 30, 2023
Land	\$ 90,818	\$ -	\$ -	\$ 90,818
Construction in progress	-	-	-	-
Buildings and improvements	303,041	300,801	-	603,842
Infrastructure	15,667,465	-	-	15,667,465
Vehicles	1,305,420	97,902	(122,336)	1,280,986
Machinery and equipment	352,128	8,135	(13,028)	347,235
Subtotal	17,718,872	406,838	(135,364)	17,990,346
Accumulated depreciation	(13,074,828)	(536,332)	135,364	(13,475,796)
Total assets, net	<u>\$ 4,644,044</u>	<u>\$ (129,494)</u>	<u>\$ -</u>	<u>\$ 4,514,550</u>

Depreciation expense was charged to government functions as follows:

Governmental Activities	
Administration	\$ 11,439
Public safety	121,899
Public works	10,896
Infrastructure	<u>392,098</u>
Total Governmental Activities Depreciation Expense	<u>\$ 536,332</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, 2023 is \$634,157.

*Summary of General Long-Term Debt*

The following changes occurred in the General Long-Term Debt Account Group during the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Principal Payments	Balance June 30, 2023
BB&T Road Construction Loan	<u>\$ 907,979</u>	<u>\$ -</u>	<u>\$ (273,822)</u>	<u>\$ 634,157</u>

Of the \$634,157 General Long-Term Debt Account Group balance at June 30, 2023, \$200,000 is a current liability due within one year of June 30, 2023 and \$434,157 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, 2023

### 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, 2022:

	Non-Hazardous		Hazardous	
	Pension	OPEB	Pension	OPEB
Active Plan Members	77,367	76,946	9,173	9,109
Inactive Plan Members	100,738	28,719	2,895	883
Retired Members	67,206	37,584	10,858	7,655
	<u>245,311</u>	<u>143,249</u>	<u>22,926</u>	<u>17,647</u>
Number of participating employers		<u>1,141</u>		<u>260</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, 2023

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 health insurance benefits after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

### Hazardous Pension Plan Description

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

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

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

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

**CITY OF PARK HILLS, KENTUCKY**

***Notes to Financial Statements***

**June 30, 2023**

for all dependent children. Five years' service is required for nonservice-related disability benefits.

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

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

**Contributions**

For non-hazardous duty employees, the City contributed 26.79% of covered-employee's compensation, of which 23.40% was for the pension fund and 3.39% was for the health insurance fund.

For hazardous duty employees, the City contributed 49.59% of covered-employee's compensation, of which 42.81% was for the pension fund and 6.78% 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 \$29,928, of which \$26,141 was for the pension fund and \$3,787 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 \$149,181 of which \$128,785 was for the pension fund and \$20,396 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, 2023, the City reported a liability of \$1,556,656 (\$319,595 for the non-hazardous plan and \$1,237,061 for the hazardous duty Plan) as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.00442% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.04054% of the total CERS hazardous duty employees. For the year ended June 30, 2023, the City recognized pension expense of -\$28,154 in addition to its \$179,109 pension contribution.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2023

	Non-Hazardous		Hazardous		Total	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 342	\$ (2,846)	\$ 35,469	\$ -	\$ 35,811	\$ (2,846)
Net difference between projected actual earnings on plan investments	8,193	-	28,573	-	36,766	-
Changes of assumptions	-	-	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,472	(9,576)	38,141	(28,403)	44,613	(37,979)
Contributions subsequent to the measurement date	26,141	-	128,785	-	154,926	-
	<u>\$ 41,148</u>	<u>\$ (12,422)</u>	<u>\$ 230,968</u>	<u>\$ (28,403)</u>	<u>\$ 272,116</u>	<u>\$ (40,825)</u>

The City's contributions subsequent to the measurement date of \$154,926 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2023	\$ 27,379
2024	17,976
2025	(6,040)
2026	37,051
2027	-
Thereafter	-
	<u>\$ 76,366</u>

### Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012.

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2023

House Bill 1 passed during the 2022 legislative session and included a provision that provided an approximate 8% across-the-board salary increase for KERS members effective July 1, 2022, for eligible State employees. While this salary increase may produce an actuarial loss with respect to the liability attributable to Tier 1 and Tier 2 active members (i.e., a higher total pension liability than expected based on current actuarial assumptions), there was not sufficient information available at the time the roll forward Total Pension Liability was calculated to make a reasonable adjustment to reflect these anticipated salary increases. It is GRS's opinion that these procedures for determining the information contained in this report are reasonable, appropriate, and comply with applicable requirements under GASB No. 68.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-Hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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

### Changes of Assumptions

There have been no changes in actuarial assumptions since June 30, 2021.

### Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362,

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2023

(passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued 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	
	Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit / high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

### 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	\$ 399,454	\$ 319,595	\$ 253,545
Hazardous	1,540,962	1,237,061	989,552
Total	\$ 1,940,416	\$ 1,556,656	\$ 1,243,097

### 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, 2023

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, 2023

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

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

	<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 3.39% of covered employees' compensation for the health insurance fund.

For hazardous duty employees, the City contributed 6.78% 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 of \$3,787.

The City made all required contributions for the hazardous Plan OPEB obligation for the fiscal year in the amount of \$20,396.

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, 2023, the City recognized OPEB expense of \$18,162 in

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2023

addition to its \$24,183 OPEB contribution.

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

At June 30, 2023, the City reported a liability of \$432,364 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022 measurement year, the City's non-hazardous employer allocation proportion was 0.00442% of the total CERS non-hazardous duty employees and the hazardous employer allocation proportion was 0.040519% 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	\$ 8,780	\$ (20,004)	\$ 7,626	\$ (20,441)	\$ 16,406	\$ (40,445)
Net difference between projected actual earnings on plan investments	3,540	-	12,597	-	16,137	-
Changes of assumptions	13,796	(11,368)	57,613	(59,385)	71,409	(70,753)
Changes in proportion and differences between contributions and proportionate share of contributions	3,518	(4,489)	12,078	(23,264)	15,596	(27,753)
Contributions subsequent to the measurement date	3,787	-	20,396	-	24,183	-
	<u>\$ 33,421</u>	<u>\$ (35,861)</u>	<u>\$ 110,310</u>	<u>\$ (103,090)</u>	<u>\$ 143,731</u>	<u>\$ (138,951)</u>

The City's contributions subsequent to the measurement date, \$24,183 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. 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, 2023**

Measurement Year Ending June 30,	Net Deferral
2023	\$ (7,866)
2024	1,908
2025	(9,824)
2026	8,792
2027	(12,413)
Thereafter	-
	<u>\$ (19,403)</u>

**Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability**

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending date of June 30, 2022, using the generally accepted actuarial principles.

The actuarial assumptions for CERS Non-Hazardous and CERS Hazardous plans are as follows:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years closed period at June 30, 2019; gains and losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service for Non-hazardous 3.55% to 19.05% varies by service for Hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Nonhazardous Systems, and the PUB2010 Public Safety Mortality table for the Hazardous

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2023

	Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. 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 the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable on January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

### Changes of Assumptions

The discount rates used to calculate the total OPEB liability increased from 5.20% to 5.70% for the non-hazardous Plan and from 5.05% to 5.61% for the hazardous Plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 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

Single discount rates of 5.70% for CERS Nonhazardous and 5.61% for CERS Hazardous systems were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2023

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

### 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 Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

### 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 5.70% for the non-hazardous Plan and 5.61% for the hazardous Plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.70%	5.70%	6.70%
Net OPEB liability, Non-Haz	\$ 116,612	\$ 87,229	\$ 62,940
Discount Rate, Hazardous	4.61%	5.61%	6.61%
Net OPEB liability, Haz	\$ 479,555	\$ 345,135	\$ 235,961
Total	\$ 596,167	\$ 432,364	\$ 298,901

### 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:

# CITY OF PARK HILLS, KENTUCKY

## Notes to Financial Statements

June 30, 2023

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 64,853	\$ 87,229	\$ 114,099
Net OPEB liability, hazardous	241,003	345,135	472,066
Total	\$ 305,856	\$ 432,364	\$ 586,165

### 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 Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or online at [www.kyret.ky.gov](http://www.kyret.ky.gov).

### 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 as revenue by the end of the fiscal year ending June 30, 2024 to match the period when the funds are spent.

### NOTE J – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 91 – *Conduit Debt Obligations* – Implementation in FY 2023 – This Standard has no impact on the City.

Statement No. 94 – *Public-Private and Public-Public Partnerships* – FY 2023 – This Standard has no impact on the City.

Statement No. 96 – *Subscription-Based Information Technology Arrangements* – FY 2023 – This Standard has no impact on the City.

**CITY OF PARK HILLS, KENTUCKY**

***Notes to Financial Statements***

**June 30, 2023**

Statement No. 99 – *Omnibus 2020* – FY 2023 – This Standard affected a portion of Statements No. 87, 91, 94, and 96.

**NOTE K – FUTURE ACCOUNTING STANDARDS**

Statement No. 100 – *Accounting Changes and Error Corrections* – Implementation in FY 2024

Statement No. 101 – *Compensated Absences* – Implementation in FY 2024

**NOTE L – SUBSEQUENT EVENTS**

Management has considered subsequent events through December 8, 2023, which represents the date financial statements were available to be issued. The City did not have any events subsequent to June 30, 2023 through December 8, 2023 to disclose.

**CITY OF PARK HILLS, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	<u>\$ 2,200,809</u>	<u>\$ -</u>	<u>\$ 2,200,809</u>	<u>\$ 2,224,665</u>	<u>\$ 23,856</u>
<b>Resources (inflows):</b>					
Taxes					
Property taxes	560,000	35,537	595,537	605,730	10,193
Municipal insurance tax	490,000	-	490,000	532,319	42,319
Delinquent property taxes	5,000	24	5,024	5,024	-
Tangible property tax	25,000	(13,211)	11,789	11,789	-
Payroll/gross receipts taxes	322,000	301,000	623,000	625,532	2,532
Total taxes	<u>1,402,000</u>	<u>323,350</u>	<u>1,725,350</u>	<u>1,780,394</u>	<u>55,044</u>
Licenses and permits					
Occupational license	25,000	3,040	28,040	29,249	1,209
Franchise fees	54,000	3,148	57,148	47,393	(9,755)
Total licenses and permits	<u>79,000</u>	<u>6,188</u>	<u>85,188</u>	<u>76,642</u>	<u>(8,546)</u>
Intergovernmental	<u>32,000</u>	<u>5,900</u>	<u>37,900</u>	<u>38,095</u>	<u>195</u>
Charges for services					
Trash collection fees	266,388	(10,713)	255,675	255,675	-
Law enforcement fees, civic duty	5,000	1,500	6,500	8,433	1,933
Bromley contract	100,000	-	100,000	100,000	-
Vehicle fee administration	4,000	(3,299)	701	-	(701)
Municipal state aid administration	2,000	-	2,000	2,000	-
Road fund administration	5,000	-	5,000	5,000	-
Total charges for services	<u>382,388</u>	<u>(12,512)</u>	<u>369,876</u>	<u>371,108</u>	<u>1,232</u>
Other revenues					
Creighton revenue	40,000	6,623	46,623	46,623	-
Code enforcement board fines	3,500	(550)	2,950	-	(2,950)
Police fines	2,000	(1,770)	230	300	70
Interest income	1,500	13,440	14,940	14,576	(364)
School resource officer	40,266	15,920	56,186	56,186	-
Miscellaneous	8,875	29,072	37,947	36,774	(1,173)
Total other revenues	<u>96,141</u>	<u>62,735</u>	<u>158,876</u>	<u>154,459</u>	<u>(4,417)</u>
<b>Amounts available for appropriation</b>	<u>4,192,338</u>	<u>385,661</u>	<u>4,577,999</u>	<u>4,645,363</u>	<u>67,364</u>
<b>Charges to appropriations (outflows):</b>					
General administration	160,166	204,356	364,522	217,301	147,221
Police department	849,961	83,370	933,331	893,711	39,620
Fire/rescue department	165,498	4,026	169,524	166,231	3,293
Public works	114,858	3,604	118,462	116,454	2,008
Building and utilities	75,400	28,707	104,107	102,193	1,914
Creighton fund	20,000	11,000	31,000	31,715	(715)
Contract services	510,312	339,245	849,557	785,583	63,974
Capital improvements	81,000	(79,610)	1,390	1,390	-
Transfers to other funds	-	116,000	116,000	116,000	-
<b>Total charges to appropriations</b>	<u>1,977,195</u>	<u>710,698</u>	<u>2,687,893</u>	<u>2,430,578</u>	<u>257,315</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 2,215,143</u>	<u>\$ (325,037)</u>	<u>\$ 1,890,106</u>	<u>\$ 2,214,785</u>	<u>\$ 324,679</u>

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



<b>CITY OF PARK HILLS, KENTUCKY</b> <b>BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL - ROAD TAX FUND</b> <b>For the Year Ended June 30, 2023</b>
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	Budgeted Amounts			Actual Amounts	Variance Favorable (Unfavorable)
	Original	Amendments	Final		
<b>Budgetary fund balance, July 1</b>	\$ 52,651	\$ (32,571)	\$ 20,080	\$ (225,933)	\$ (246,013)
<b>Resources (inflows):</b>					
Road tax revenue	362,000	9,237	371,237	375,229	3,992
Interest income	250	350	600	721	121
Utility reimbursement	-	-	-	-	-
<b>Amounts available for appropriation</b>	<u>414,901</u>	<u>(22,984)</u>	<u>391,917</u>	<u>150,017</u>	<u>(241,900)</u>
<b>Charges to appropriations (outflows):</b>					
Street maintenance	20,000	(3,238)	16,762	16,762	-
Loan payments	300,000	-	300,000	300,000	-
Administration	5,000	-	5,000	5,000	-
Transfers to other funds	-	-	-	-	-
<b>Total charges to appropriations</b>	<u>325,000</u>	<u>(3,238)</u>	<u>321,762</u>	<u>321,762</u>	<u>-</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 89,901</u>	<u>\$ (19,746)</u>	<u>\$ 70,155</u>	<u>\$ (171,745)</u>	<u>\$ (241,900)</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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.00442%	0.00464%	0.00438%	0.00449%	0.0044%	0.0042%	0.0050%	0.0051%	0.0052%	
Proportionate share of the net pension liability (asset)	\$ 319,595	\$ 295,518	\$ 336,172	\$ 315,502	\$ 268,826	\$ 247,947	\$ 246,774	\$ 217,619	\$ 168,664	
Covered payroll in year of measurement	109,255	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	292.52%	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	52.42%	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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 26,141	\$ 23,129	\$ 22,849	\$ 21,667	\$ 15,259	\$ 14,248	\$ 23,444	\$ 13,559	\$ 14,101	\$ 13,946
Actual contribution	26,141	23,129	22,849	21,667	15,259	14,248	23,444	13,559	14,101	13,946
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	111,712	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	23.40%	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, 2023, is based on the June 30, 2022, 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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net pension liability	0.0405%	0.0420%	0.0395%	0.0397%	0.0544%	0.0474%	0.0420%	0.0431%	0.0465%	
Proportionate share of the net pension liability (asset)	\$ 1,237,061	\$ 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	291,404	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	424.52%	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	47.11%	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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 128,785	\$ 98,669	\$ 75,463	\$ 69,401	\$ 52,965	\$ 69,100	\$ 67,233	\$ 85,541	\$ 71,944	\$ 44,992
Actual contribution	128,785	98,669	75,463	69,401	52,965	69,100	67,233	85,541	71,944	44,992
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	300,829	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	42.81%	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, 2023, is based on the June 30, 2022, 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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.0044%	0.0046%	0.0044%	0.0045%	0.0044%	0.0042%				
Proportionate share of the net OPEB liability (asset)	\$ 87,229	\$ 88,716	\$ 105,812	\$ 75,436	\$ 78,370	\$ 85,158				
Covered payroll in year of measurement	109,255	118,389	112,265	94,076	98,395	168,056				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	79.84%	74.94%	94.25%	80.19%	79.65%	50.67%				
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,787	\$ 6,315	\$ 5,635	\$ 5,344	\$ 4,948	\$ 4,625	\$ 7,949			
Actual contribution	3,787	6,315	5,635	5,344	4,948	4,625	7,949			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	111,712	109,255	118,389	112,265	94,076	98,395	168,056			
Contributions as a percentage of covered payroll	3.39%	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, 2023, is based on the June 30, 2022, 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)**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of net OPEB liability	0.0405%	0.0420%	0.0395%	0.0397%	0.0544%	0.0474%				
Proportionate share of the net OPEB liability (asset)	\$ 345,135	\$ 339,457	\$ 365,290	\$ 293,428	\$ 387,928	\$ 391,793				
Covered payroll in year of measurement	291,404	251,043	230,875	213,054	311,262	309,688				
Share of the net OPEB liability (asset) as a percentage of its covered payroll	118.44%	135.22%	158.22%	137.72%	124.63%	126.51%				
Plan fiduciary net position as a percentage of total OPEB liability	64.13%	66.81%	58.84%	64.44%	64.24%	59.00%				

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 20,396	\$ 30,510	\$ 23,899	\$ 21,979	\$ 22,307	\$ 29,103	\$ 28,956			
Actual contribution	20,396	30,510	23,899	21,979	22,307	29,103	28,956			
Contribution deficiency (excess)	-	-	-	-	-	-				
Covered payroll	300,829	291,404	251,043	230,875	213,054	311,262	309,688			
Contributions as a percentage of covered payroll	6.78%	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, 2023, is based on the June 30, 2022, 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.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>COMBINING BALANCE SHEET - NON-MAJOR FUNDS</b> <b>June 30, 2023</b>
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	Municipal Aid Fund	Vehicle Fee Fund	Tree Board Reserve Fund	Capital Improvement Fund	Total Non-major Governmental Funds
<b>Assets</b>					
Cash	\$ 40,377	\$ -	\$ 2,303	\$ 49,418	\$ 92,098
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<u>\$ 40,377</u>	<u>\$ -</u>	<u>\$ 2,303</u>	<u>\$ 49,418</u>	<u>\$ 92,098</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Restricted	40,377	-	-	-	40,377
Committed	-	-	2,303	49,418	51,721
<b>Total fund balances</b>	<u>40,377</u>	<u>-</u>	<u>2,303</u>	<u>49,418</u>	<u>92,098</u>
<b>Total liabilities and fund balances</b>	<u>\$ 40,377</u>	<u>\$ -</u>	<u>\$ 2,303</u>	<u>\$ 49,418</u>	<u>\$ 92,098</u>

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

<p><b>CITY OF PARK HILLS, KENTUCKY</b>  <b>COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN</b>  <b>FUND BALANCES - NON-MAJOR FUNDS</b>  <b>For the Year Ended June 30, 2023</b></p>
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	Municipal Aid Fund	Vehicle Fee Fund	Tree Board Reserve Fund	Capital Improvement Fund	Total Non-major Governmental Funds
<b>Revenues</b>					
Taxes	\$ -	\$ 13,343	\$ -	\$ -	\$ 13,343
Intergovernmental	62,043	-	-	-	62,043
Sale of assets	-	-	-	11,600	11,600
Interest income	208	23	18	196	445
Miscellaneous	-	-	1,675	19,834	21,509
Proceeds from loans	-	-	-	-	-
Transfers from other funds	-	5,038	-	116,000	121,038
<b>Total revenues</b>	<b>62,251</b>	<b>18,404</b>	<b>1,693</b>	<b>147,630</b>	<b>229,978</b>
<b>Expenditures</b>					
General government	2,000	2,119	36	98,680	102,835
Public works	56,401	18,544	-	-	74,945
Debt service	-	-	-	-	-
Transfers to other funds	5,038	-	-	-	5,038
<b>Total expenditures</b>	<b>63,439</b>	<b>20,663</b>	<b>36</b>	<b>98,680</b>	<b>182,818</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(1,188)</b>	<b>(2,259)</b>	<b>1,657</b>	<b>48,950</b>	<b>47,160</b>
<b>Fund balances, beginning of year</b>	<b>41,565</b>	<b>2,259</b>	<b>646</b>	<b>468</b>	<b>44,938</b>
<b>Fund balances, end of year</b>	<b>\$ 40,377</b>	<b>\$ -</b>	<b>\$ 2,303</b>	<b>\$ 49,418</b>	<b>\$ 92,098</b>

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, 2023 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 December 8, 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  
December 8, 2023