CITY OF PARK CITY, KENTUCKY

ANNUAL FINANCIAL REPORT

June 30, 2022

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HENSLEY & THRONEBERRY | CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commissioners
City of Park City, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Park City, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Park City, 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 and each major fund of the City of Park City, Kentucky, as of June 30, 2022, and the respective changes in financial position for the year 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 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. 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 City, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 City, 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 and *Government 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 judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government 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 City, 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 City, 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 budgetary comparison information on pages 23 and 24 and certain pension/OPEB information on pages 25 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

The City of Park City, Kentucky has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023, on our consideration of the City of Park City, 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 City, 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 City, Kentucky's internal control over financial reporting and compliance.

Hensley & Throneberry, CPAs
January 23, 2023

BASIC FINANCIAL STATEMENTS

CITY OF PARK CITY, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 309,098
Taxes receivable, net	509
Prepaid insurance	1,410
Total current assets	311,017
Restricted assets	
Cash and cash equivalents	588
Certificate of deposit	37,250
Total restricted assets	37,838
Capital assets, net	1,827,363
Total assets	**2,176,218**
Deferred outflows of resources	
Deferred outflows – pension	13,908
Deferred outflows – OPEB	13,442
Total deferred outflows of resources	**27,350**
Total assets and deferred outflows of resources	**$ 2,203,568**
Liabilities	
Current liabilities	
Accounts payable	$ 2,739
Payroll taxes payable	2,538
Accrued wages	2,371
Accrued interest payable	2,449
Notes payable, current portion	18,425
Total current liabilities	28,522
Noncurrent liabilities	
Notes payable, noncurrent portion	186,622
Net pension liability	70,070
Net OPEB liability	21,040
Total noncurrent liabilities	277,732
Total liabilities	**306,254**
Deferred inflows of resources	
Deferred inflows – pension	12,737
Deferred inflows – OPEB	10,690
Total deferred inflows of resources	**23,427**
Net position	
Invested in capital assets, net of related debt	1,622,316
Restricted for care of cemetery	37,250
Restricted for park improvements	588
Unrestricted	213,733
Total net position	**1,873,887**
Total liabilities, deferred inflows of resources, and net position	**$ 2,203,568**

See accompanying notes.

CITY OF PARK CITY, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Functions / programs Primary government	Expenses	Program Revenues Charges for Services	Program Revenues Operating Grants	Program Revenues Capital Grants	Net (Expense) Revenue and Change in Net Position
Governmental activities					
General government	$ 133,424	$ 3,950	$ 72,595	$ 38,907	$ (17,972)
Public safety					
Police	11,250	4,248	-0-	-0-	(7,002)
Fire	105,396	-0-	36,980	-0-	(68,416)
Highways and streets	126,399	-0-	10,980	-0-	(115,419)
Cemetery	8,422	4,250	-0-	-0-	(4,172)
Parks and recreation	11,543	-0-	-0-	-0-	(11,543)
Interest expense	2,429	-0-	-0-	-0-	(2,429)
Total governmental activities	398,863	12,448	120,555	38,907	(226,953)
Total primary government	**$ 398,863**	**$ 12,448**	**$ 120,555**	**$ 38,907**	**(226,953)**
	General revenues				
	Property tax				102,119
	Franchise tax				11,166
	Other taxes				12,464
	Insurance premium tax				91,222
	Occupational tax				42,094
	Licenses and permits				2,477
	Interest income				1,589
	Contributions				12,326
	Miscellaneous				14,296
	Total general revenues				289,753
	Change in net position				**62,800**
	Net position, beginning of year				1,811,087
	Net position, end of year				**$1,873,887**

CITY OF PARK CITY, KENTUCKY
BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2022

	General Fund
Assets	
Cash and cash equivalents	$ 309,098
Prepaid insurance	1,410
Taxes receivable, net	509
Restricted cash and cash equivalents	588
Restricted certificate of deposit	37,250
Total assets	**$ 348,855**
Liabilities	
Accounts payable	$ 2,739
Payroll taxes payable	2,538
Accrued wages	2,371
Total liabilities	**7,648**
Fund balances	
Nonspendable	
Prepaid items	1,410
Restricted	37,838
Unassigned	301,959
Total fund balances	**341,207**
Total liabilities and fund balances	**$ 348,855**

Reconciliation of the balance sheet of governmental funds to the statement of net position

Total fund balances – total governmental fund	$ 341,207
Amounts reported for *governmental activities* in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund.	1,827,363
Some liabilities are not due and payable in the current period, and therefore, are not reported in the fund:	
Net pension liability	(70,070)
Net OPEB liability	(21,040)
Net deferred outflows and inflows related to pensions	1,171
Net deferred outflows and inflows related to OPEB	2,752
Notes payable	(205,047)
Accrued interest on notes payable	(2,449)
Net position of governmental activities	**$ 1,873,887**

See accompanying notes.

CITY OF PARK CITY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUND
Year Ended June 30, 2022

	General Fund
Revenues	
Taxes	$ 259,065
Contributions	12,326
Intergovernmental revenue	159,463
Charges for services	12,448
Licenses and permits	2,477
Interest received	1,589
Other revenues	14,295
Total revenues	**461,663**
Expenditures	
General government	115,913
Public safety	
Police	11,250
Fire	62,624
Highways and streets	81,202
Cemetery	8,422
Parks and recreation	5,895
Capital outlay	118,344
Debt service	
Principal	23,727
Interest	2,428
Total expenditures	**429,805**
Excess of revenues over expenditures	**31,858**
Other financing sources	
Proceeds from debt issuance	118,646
Total other financing sources	**118,646**
Net change in fund balances	**150,504**
Fund balances, beginning of year	190,703
Fund balances, end of year	**$ 341,207**

CITY OF PARK CITY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUND *(Continued)*
Year Ended June 30, 2022

Net change in fund balance – total governmental fund	$ 150,504
Amounts reported for *governmental activities* in the statement of activities are different because:	
The governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	7,918
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 governmental funds. Neither transaction has any effect on net position. This is the amount by which proceeds from debt issuance exceeded principal repayments.	(94,919)
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 the governmental fund:	
Pension expense	(410)
OPEB expense	(293)
Change in net position of governmental activities	**$ 62,800**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting principles of the City of Park City, Kentucky, (the “City”) is presented to assist in understanding the financial statements. The City operates under a mayor-commissioner form of government and provides the following services authorized by its charter: public safety (police and fire department), highways and streets, public improvements, and general administrative services.

The financial statements of the City were prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for governmental accounting and financial reporting.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, all potential component units have been considered. The decision whether to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in the GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. No other government or agency has been included in the City’s financial statements because none of the criteria have been met.

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 the City as a whole. Individual funds are not displayed.

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 expenses and program revenues associated with distinct functional activity. Program revenues include:

(1) charges for services which report fees, fines and forfeitures, and other charges to users of the City’s services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the governmental fund (general fund).

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The statement of net position presents assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is related to the acquisition, construction, and improvement of capital assets. The outstanding debt is also offset by any unspent proceeds from such debt.

- Restricted net assets result from restrictions placed by external sources such as creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net assets consist of net position which do not meet the definition of the two preceding categories.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources, such as taxes and other items not included among program revenues, are reported as general revenues.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major governmental revenues sources susceptible to accrual include property taxes, franchise taxes (fees), and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Fund financial statements reflect assets equaling liabilities and fund balance. Fund balance is reported in the following fund categories.

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form, or they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposed city charter, city code, state or federal laws, or extremely imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by city council ordinance.

Assigned – Amounts that are designated by the mayor for a specific purpose but are not spendable until a budget or ordinance is passed by city council.

Unassigned – All amounts not included in other spendable classifications.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fund Types and Major Funds
The City has only one major governmental fund, the general fund. The general fund reports revenues by major source and expenditures by function and character.

Cash and Investments
The City's cash consist of cash on hand, demand deposits, and certificates of deposit. Cost approximates fair value.

The City is authorized by statute to invest in: (1) obligations of the United States and of its agencies and instrumentalities; (2) bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; (3) shares of any savings and loan association insured by an agency of the government of the United States up to the amount so insured; and (4) interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the government of the United Stated up to the amount so insured, and in larger amounts providing such banks shall pledge as security obligations of the United States government, its agencies and instrumentalities.

Capital Assets and Depreciation
The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of $500 or more at purchase and as construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Construction interest is capitalized, however there was none for the current year. Estimated useful lives for depreciable assets are as follows:

	Years
Buildings	40-50
Infrastructure	12-25
Equipment and furnishings	5-10
Vehicles	5-10

Long-Term Debt
In the government-wide financial statements, outstanding debt is reported as a liability. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.

Property Tax
Taxes are levied in September and are payable through December 31 of each year, becoming delinquent as of January 31. The City's property taxes are billed, collected, and remitted monthly to the City by the Sheriff of Barren County. City property tax revenues are recognized if collected within 30 days after year end.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The 2021 tax rate was $0.302 per $100 assessed valuation for real property and $0.302 per $100 assessed valuation for tangible property. The City is permitted by the State Constitution to levy taxes up to $0.75 per $100 assessed valuation; however, according to statutes, the City may not increase the tax rate on real property by more than four percent per year (exclusive of assessment growth) without obtaining consent through referendum.

Motor vehicle taxes are due and collected in the birth month of the vehicle's licensee. They are collected by the County Clerk of Barren County and remitted to the City monthly.

Estimates
The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements and of reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

Deferred Outflows of Resources
Deferred outflows of resources represent a consumption of net assets in a future period and will not be recognized as an outflow of resources (expense) until that time.

Deferred Inflows of Resources
Deferred inflows of resources represent an acquisition of net assets in a future period and will not be recognized as an inflow of resources (revenue) until that time.

Concentration of Credit Risk
The majority of the City's activities are with citizens in and around Park City, Kentucky.

Subsequent Events
Subsequent events have been evaluated through January 23, 2023, the date the financial statements were available to be issued.

NOTE 2. BUDGETARY INFORMATION

Budget Policy and Practice
The mayor submits an annual budget to the city commission in accordance with the city charter and Kentucky revised statutes. The budget is presented to the city commission for review, and public hearings are held to address priorities and the allocation of resources. In May, the city commission adopts the annual fiscal year budgets for the operating funds. Once approved, the city commission may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting
Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. The mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the city commission. Total expenditures for a fund legally may not exceed the total appropriations. The budget is usually amended near year end, if necessary.

The budget is prepared on the cash basis of accounting, and the fund financial statements are prepared on the modified accrual basis of accounting. A reconciliation to GAAP basis is provided after the budget to actual comparison schedule on pages 23 and 24.

NOTE 3. CASH, CASH EQUIVALENTS, AND CUSTODIAL CREDIT RISK

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, and interest-bearing deposits of insured national or state banks.

The City deposits and investments at June 30, 2022 were covered by federal depository insurance and pledged securities held by the financial institution. The book balance of the City's deposits was $346,936 and the bank balance was $345,488.

Custodial credit risk is the risk that in an event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2022, none of the City's bank balance of $345,488 was exposed to custodial credit risk, detailed as follows:

Insured	$ 302,475
Collateral held by pledging bank's trust department in the City's name	43,013
Total bank deposits	**$ 345,488**

NOTE 4. RESTRICTED ASSETS

The City's restricted assets are as follows at June 30, 2022:

	Cash	Certificate of Deposit
Governmental activities		
Perpetual care of cemetery	$ -0-	$ 37,250
Park improvements	588	-0-
Total governmental activities	**588**	**37,250**
Total restricted assets	**$ 588**	**$ 37,250**

NOTE 5. RECEIVABLES

Governmental funds recognize revenues when measurable and available. Therefore, property taxes that are remitted to the City within 30 days subsequent to year end are recorded as income to the current year and as a receivable. There is no allowance for uncollected property taxes as the balances are immaterial.

Accounts receivables are stated at net realizable value. Receivables past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

NOTE 6. RISK MANAGEMENT – INSURANCE

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries, and natural disasters. The City carries commercial insurance coverage for all risks of loss, including workers' compensation and natural disasters. Any settled claims have not exceeded this commercial coverage in the current year or any of the prior three years.

NOTE 7. CAPITAL ASSETS

The following is a summary of changes in capital assets of governmental activities for the year ended June 30, 2022:

	Balance 07/01/21	Increase	Decrease	Balance 06/30/22
Capital assets not being depreciated				
Land	$ 30,815	$ -0-	$ -0-	$ 30,815
Historic Bells Tavern	123,254	-0-	-0-	123,254
Total capital assets not being depreciated	154,069	-0-	-0-	154,069
Capital assets being depreciated				
Buildings and improvements	729,505	-0-	-0-	729,505
Infrastructure	1,161,012	54,900	-0-	1,215,912
Furniture, machinery, and equipment	1,079,702	63,444	-0-	1,143,146
Total capital assets being depreciated	2,970,219	118,344	-0-	3,088,563
Less: accumulated depreciation				
Buildings and improvements	(76,105)	(8,881)	-0-	(84,986)
Infrastructure	(619,711)	(48,616)	-0-	(668,327)
Furniture, machinery, and equipment	(609,027)	(52,929)	-0-	(661,956)
Total accumulated depreciation	(1,304,843)	(110,426)	-0-	(1,415,269)
Capital assets, net	**$ 1,819,445**	**$ 7,918**	**$ -0-**	**$ 1,827,363**

Depreciation expense was charged to the governmental activities as follows:

General government	$ 17,511
Fire	42,772
Highways and streets	44,495
Parks and recreation	5,648
Total depreciation	$ 110,426

NOTE 8. LONG-TERM DEBT

The activity for the year of the outstanding notes payable was as follows:

	Balance 07/01/21	Increases	Decreases	Balance 06/30/22	Current Portion
(1) Peoples Bank	$ 66,881	$ 104,645	$ (10,035)	$ 161,491	$ 10,859
(2) South Central Bank	35,171	-0-	(5,650)	29,521	5,000
(3) South Central Bank	8,076	-0-	(8,076)	-0-	-0-
(4) South Central Bank	-0-	14,035	-0-	14,035	2,566
Total	**$ 110,128**	**$ 118,680**	**$ (23,761)**	**$ 205,047**	**$ 18,425**

(1) The City borrowed $171,500 to purchase a new fire truck for $196,500. The interest rate was 4.25%, and the annual payment was $18,542.08. The note was scheduled to mature on January 8, 2025. However, the City and Peoples Bank refinanced this note in November 2021 to grant the City an additional $104,645 of loan proceeds to refurbish an existing fire truck and to purchase a new fire truck. An agreement has been signed by the City for the purchase of a new fire truck at an approximate cost of $55,000, which the City received in October 2022. The new loan interest rate is 4.00%, and the maturity date is November 12, 2033. The annual payment is now $18,339. The loan is secured by the initial fire truck purchased.

(2) The City refinanced two loans with a new promissory note at South Central Bank. This loan has a variable rate of interest, currently at 3.25%. The rate is calculated as 65% of the WSJ prime rate. Monthly payments are approximately $500.00. The loan is secured by real estate and matures on December 20, 2027.

(3) The City financed the purchase of a lawn mower with a promissory note from South Central Bank for $11,445. The interest rate is 3.25%, and the monthly payment is $251.34 for forty-eight months. The loan is secured by the mower and was paid off during the year ended June 30, 2022.

(4) In June 2022, the City financed the purchase of a lawn mower with a promissory note from South Central Bank for $14,035. The interest rate is 4.50%, and the monthly payment is $262.08 for sixty months. The loan is secured by the mower and matures on June 10, 2027.

The annual requirements of the notes payable at June 30, 2022 are as follows:

June 30,	Principal	Interest	Total
2023	$ 18,425	$ 8,913	$ 27,338
2024	19,754	7,584	27,338
2025	20,499	6,839	27,338
2026	21,306	6,032	27,338
2027	22,100	4,451	26,551
2028 - 2032	78,377	16,654	95,031
2033 - 2034	24,586	4,440	29,026
	$ 205,047	**$ 54,913**	**$ 259,960**

NOTE 9. COUNTY EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN

Plan Description

The City is a participating employer of the County Employees' Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer defined benefit pension plan that covers substantially all regular full-time employees (members) employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in the plan. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems ("KRS") administers the CERS. The plan issues publicly available financial statements on the KRS website at http://kyret.ky.gov/. The Plan is divided into both a pension plan and a health insurance fund plan ("OPEB"), and each plan is further subdivided based on non-hazardous and hazardous duty covered employee classifications. All of the City's employees are employed in non-hazardous duty positions.

Benefits Provided

CERS provides for retirement, disability, and death benefits to plan members. Members are vested in the plan after five years' service credit. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments ("COLA") are provided at the discretion of state legislature. Senate Bill 2 of 2013 eliminated all future COLAs unless state legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the state legislature appropriates sufficient funds to pay the increased liability for the COLA. For retirement purposes, employees are grouped into three tiers based on hire date. Tier 1 includes plan members whose participation began before September 1, 2008, Tier 2 includes plan members whose participation began on or after September 1, 2008 but before January 1, 2014, and Tier 3 includes plan members whose participation began on or after January 1, 2014.

Tier 1 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a benefit formula calculation based on final compensation multiplied by a benefit factor multiplied by years of service. Tier 1 final compensation is the average of the five highest years' earnings, the benefit factor is 2.20% for members participating prior to August 1, 2004, and 2.00% for members participating on or after August 1, 2004 and before September 1, 2008.

Reduced benefits for early retirement are available at age 55 with five years' service credit or at age 57 based on the Rule of 87 – sum of service years plus age equal to 87. Final compensation for Tier 2 benefit formula calculation is the average of the last complete five years' earnings, and the benefit factor is an increasing percentage based on service at retirement plus 2.00% for each year of service over 30. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 non-hazardous members are eligible to retire with an unreduced retirement benefit at age 65 with five years' service credit or at age 57 based on the Rule of 87. Tier 3 members are not eligible for reduced retirement benefits. Tier 3 is a hybrid cash balance plan. When a member is eligible to retire, the benefit is calculated based on the member's accumulated account balance. A member earns service credit for each month contributing to the plan. Upon retirement, the hypothetical account, which includes member contributions, employer contributions, and interest credits, can be withdrawn in a lump sum or annuitized into a single life annuity option.

Tier 1 hazardous members are eligible to retire with an unreduced retirement benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by the benefit formula detailed above. The calculation is based on an average of the three highest years' earnings, a 2.50% benefit factor, and years of service. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. The benefit formula calculation is based on an average of the three highest complete years' earnings, an increasing percent benefit factor based on service at retirement, and years of service. Tier 3 hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

NOTE 9. COUNTY EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN *(Continued)*

Death benefits are provided for both death after retirement and death prior to retirement. Members receiving a monthly benefit based on at least four years of creditable service are eligible for a $5,000 death benefit. Beneficiaries of deceased members are eligible for a monthly benefit if the member was (i) eligible for retirement at the time of death or, (ii) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or, (iii) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 20% of the final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account, which includes member contributions, employer contributions, and interest credits can be withdrawn as a lump sum or an annuity equal to the larger of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

CERS Contributions

Employee contribution rates are set by statutes governing the Kentucky Retirement System and may only be changed by the Kentucky General Assembly. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statutes Section 61.565(3), normal contribution and actuarially accrued liability contribution rates shall be determined by the Board of Trustees on the basis of annual actuarial valuation last preceding the July 1 of a new biennium.

The Board may amend contribution rates as of July of the second year of a biennium if it determines on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. The normal contribution rate (the percentage computed of employee creditable compensation) shall be determined by the entry age normal cost funding method. The actuarially accrued liability shall be determined by an actuarial method consistent with the methods prescribed for determining the normal contribution rate. The actuarially accrued liability contribution shall be computed by amortizing the total unfunded actuarially accrued liability over a period of 30 years using the level-percentage-of-payroll amortization method. Administrative costs of CERS are financed through employer contributions and investment earnings.

Plan members participating in CERS on or before August 31, 2008 (Tier 1), with non-hazardous and hazardous duty positions, were required to contribute 5% and 8%, respectively, of their annual creditable compensation. For plan members who began participating on or after September 1, 2008 but before January 1, 2014 (Tier 2), with non-hazardous and hazardous duty positions, contribution rates were 6% and 9%, respectively, of annual creditable compensation. The additional 1% is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (Kentucky Administrative Regulation 105 KAR 1:420E). Plan members participating in CERS on or after January 1, 2014 (Tier 3) were required to contribute to the hybrid cash balance plan. Plan members and employers contribute a set percentage of creditable compensation into the member's account. Members contribute 5% (non-hazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund, which is not credited to the member's account and is not refundable. Employers contribute 4% (non-hazardous) and 7.5% (hazardous) of creditable compensation into the member's hypothetical account.

NOTE 9. COUNTY EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN *(Continued)*

For the year ended June 30, 2022, the City contributed 26.95% (21.17% for the pension fund and 5.78% for insurance) of each non-hazardous employee's creditable compensation to CERS, in accordance with its actuarially determined contribution rate. The City's employer contributions to CERS for pension benefits were $8,358 for the year ended June 30, 2022.

Pension Liabilities, Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2022, the City reported a liability of $70,070 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using generally accepted actuarial principles. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the City's proportionate share was 0.001099% for non-hazardous.

For the year ended June 30, 2022, the City recognized pension expense of $410 in addition to its pension fund contributions of $8,358. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 805	$ 680
Changes of assumptions	940	-0-
Difference between projected and actual earnings on plan investments	2,718	12,057
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,087	-0-
Company contributions subsequent to the measurement date	8,358	-0-
	$ 13,908	$ 12,737

The $8,358 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2023	$ (160)
2024	(2,013)
2025	(2,090)
2026	(2,924)
	$ (7,187)

In the table above, positive amounts will increase pension expense, and negative amounts will decrease pension expense

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date (June 30, 2020) to the measurement period ending June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in benefit provisions for any of the systems.

NOTE 9. COUNTY EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN *(Continued)*

The Board of Trustees adopted new actuarial assumptions for the period ended June 30, 2021. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2020". The total pension liability as of June 30, 2021, was determined using these updated assumptions. The assumptions are:

Inflation	2.30%
Salary increases	3.30% to 10.30%
Payroll growth rate	2.00%
Investment rate of return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table for the non-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 (non-disabled) retired members was a system specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rate from the 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.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
U.S. equity	21.75%	5.70%
Non-U.S. equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit / high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.25% for the year ended June 30, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees as required to be paid by state statute.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9. COUNTY EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN *(Continued)*

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%, 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%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease	Current Rate	1% Increase
Non-hazardous	$ 89,868	$ 70,070	$ 53,687

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

Employees of the City are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing, multiple-employer defined benefit OPEB plan. The Insurance Fund is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS), pursuant to Kentucky Revised Statute Section 61.645 and covers substantially all regular full-time City employees (members). All of the City's employees are employed in non-hazardous duty positions. KRS issues publicly available financial statements on the KRS website at http://kyret.ky.gov/.

Benefits Provided

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003, earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

Contributions

The contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2022 was 5.78% of covered payroll for non-hazardous employees. Contributions to the Insurance Fund were $2,282 for the year ended June 30, 2022. Employees that entered the plan prior to September 1, 2008, are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008, are required to contribute 1% of their annual creditable compensation, which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

The City's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2021. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2022, the City's proportion of the collective net OPEB liability was 0.001099%.

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) ***(Continued)***

Net OPEB Liability

At June 30, 2022, the City reported a liability of $21,040 for its proportionate share of the net OPEB liability. The City's net OPEB liability was measured as of June 30, 2021 and was based on an actuarial valuation date as of June 30, 2020. The net OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%
Investment rate of return	6.25%
Healthcare cost trend rates (Pre-65)	Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to ultimate trend rate of 4.05% over a period of 13 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 5.50% at January 1, 2021, and gradually decreasing to ultimate trend rate of 4.05% over a period of 14 years.

The mortality table used for active members was a Pub-2010 General Mortality table for the non-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 (non-disabled) retired members was a system specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rate from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled member 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.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	21.75%	5.70%
Non-U.S. equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit / high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) ***(Continued)***

Discount Rate

The discount rate used to measure the total OPEB liability was 5.20% for non-hazardous employees. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2021. Based on the state assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance future benefit payments of 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 retirement system.

However, the cost associated with the implicit employer subsidy was not included in the calculation of the retirement plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the retirement plan's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the KPPA financial report.

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

The following presents the City's proportionate share of the collective net OPEB liability calculated using the discount rate of 5.20% as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	1% Decrease	Current Rate	1% Increase
Non-hazardous	$ 28,887	$ 21,040	$ 14,599

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

The following presents the City's proportionate share of the collective net OPEB liability as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Non-hazardous	$ 15,146	$ 21,040	$ 28,154

OPEB Expense, Deferred Outflows of Resources - OPEB, and Deferred Inflows of Resources - OPEB

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,309	$ 6,282
Changes of assumptions	5,578	20
Difference between projected and actual earnings on plan investments	1,060	4,351
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,213	37
City contributions subsequent to the measurement date	2,282	-0-
	$ 13,442	**$ 10,690**

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) ***(Continued)***

The $36,039 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2023	$ 1,005
2024	504
2025	189
2026	(1,228)
	$ 470

In the table above, positive amounts will increase OPEB expense, and negative amounts will decrease OPEB expense.

NOTE 11. COMMITMENTS

In September 2022, the City acquired land with an approximate value of $165,000. A new loan in the approximate amount of $198,000 was executed in September 2022 to purchase the land and refinance $28,000 of existing debt. This new loan will be repaid over the span of 20 years at an interest rate of 5%.

The City is also committed to purchasing a new fire truck. Loan proceeds of approximately $100,000 were received during the year ended June 30, 2022 to refurbish an existing fire truck and to purchase a new truck. The existing fire truck was refurbished during the year ended June 30, 2022, but the new truck was not delivered until October 2022. Upon receipt of the fire truck, a payment in the approximate amount of $53,000 was disbursed.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – GENERAL FUND
Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Property tax	$ 58,000	$ 58,000	$ 68,464	$ 10,464
Occupational tax	43,000	43,000	42,094	(906)
Vehicle tax	9,500	9,500	14,139	4,639
Net profit tax	4,000	4,000	9,324	5,324
Intergovernmental	70,900	70,900	159,463	88,563
Franchise tax	13,000	13,000	11,166	(1,834)
Licenses and permits	76,500	76,500	93,699	17,199
Interest income	105	105	1,589	1,484
Parks	3,500	3,500	2,000	(1,500)
Miscellaneous	120,875	120,875	59,725	(61,150)
Total revenues	**399,380**	**399,380**	**461,663**	**62,283**
Expenditures				
General government	152,199	152,199	122,918	29,281
Police	15,000	15,000	11,250	3,750
Fire	78,242	78,242	62,624	15,618
Highways and streets	4,000	4,000	81,202	(77,202)
Cemetery	15,250	15,250	8,422	6,828
Parks and recreation	19,830	19,830	5,895	13,935
Capital outlays	11,620	11,620	118,344	(106,724)
Miscellaneous	77,534	77,534	26,155	51,379
Total expenditures	**373,675**	**373,675**	**436,810**	**(63,135)**
Excess (deficit) of revenues over expenditures	**25,705**	**25,705**	**24,853**	**(852)**
Fund balance, beginning of year	202,625	202,625	202,625	-0-
Fund balance, end of year	**$ 228,330**	**$ 228,330**	**$ 227,478**	**$ (852)**

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – GENERAL FUND *(Continued)*
Year Ended June 30, 2022

Explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures

Revenues	
Actual amount (budgetary basis) "total revenues" from the budgetary comparison schedule.	$ 461,663
Adjustments	
The City budgets their revenues on a cash basis rather than the modified accrual basis. On the budgetary basis, revenues are recognized when received, and on GAAP basis revenues are recognized when measurable and available. This is the difference in revenues due to the change in accounts receivable and taxes receivable.	-0-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds.	$ 461,663
Expenditures	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	$ 436,810
Adjustments:	
The City budgets their expenditures on a cash basis rather than the modified accrual basis. On the budgetary basis, expenditures are recognized when paid for, and on the GAAP basis they are recognized when incurred. This is the difference in expenditures due to the change in accounts payable, payroll taxes payable, accrued wages, and prepaid insurance.	(7,005)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds.	$ 429,805

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.001099%	0.001096%	0.001072%	0.001049%	0.000907%	0.000000%	0.000857%	0.000262%
Proportionate share of the net pension liability	$ 70,070	$ 84,062	$ 75,394	$ 63,887	$ 53,089	$ -0-	$ 36,831	$ 8,500
Covered employee payroll in year of measurement	$ 39,481	$ 28,080	$ 28,080	$ 27,040	$ 26,000	$ 22,080	$ -0-	$ 19,987
Share of the net pension liability (asset) as a % of its covered payroll	177.48%	299.37%	268.50%	236.27%	204.19%	-0-	-0-	42.53%
Plan fiduciary net position as a % of total pension liability	55.95%	46.82%	49.43%	52.40%	52.4%	55.11%	59.97%	66.80%

SCHEDULE OF PENSION CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 8,358	$ 5,419	$ 5,419	$ 4,386	$ 3,765	$ 3,081	$ -0-	$ 2,548
Actual contribution	8,358	5,419	5,419	4,386	3,765	3,081	-0-	2,548
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Covered employee payroll	$ 39,481	$ 28,080	$ 28,080	$ 27,040	$ 26,000	$ 22,080	$ -0-	$ 19,987
Contributions as a % of covered employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	0.00%	12.75%

Notes:

- These schedules are intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
- The amounts presented for each fiscal year were determined (measured) as of June 30 of the fiscal year presented.

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2022	2021	2020	2019	2018
Proportion of net OPEB liability	0.001099%	0.001096%	0.001072%	0.001049%	0.000907%
Proportionate share of the net OPEB liability	$ 21,040	$ 26,465	$ 18,031	$ 18,625	$ 18,234
Covered employee payroll in year of measurement	$ 39,481	$ 28,080	$ 28,080	$ 27,040	$ 26,000
Share of the net OPEB liability (asset) as a % of its covered payroll	53.29%	94.25%	64.21%	68.88%	70.13%
Plan fiduciary net position as a % of total OPEB liability	62.91%	53.89%	61.75%	59.76%	54.52%

SCHEDULE OF OPEB CONTRIBUTIONS

	2022	2021	2020	2019	2018
Contractually required contribution	$ 2,282	$ 1,337	$ 1,337	$ 1,422	$ 1,222
Actual contribution	2,282	1,337	1,337	1,422	1,222
Contribution deficiency (excess)	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Covered employee payroll	$ 39,481	$ 28,080	$ 28,080	$ 27,040	$ 26,000
Contributions as a % of covered employee payroll	5.78%	4.76%	4.76%	5.26%	4.70%

Notes:

- These schedules are intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
- The amounts presented for each fiscal year were determined (measured) as of June 30 of the fiscal year presented.

SUPPLEMENTARY INFORMATION

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF GOVERNMENTAL FUND EXPENDITURES
Year Ended June 30, 2022

Administration	
Wages	$ 40,547
Legal and professional fees	17,682
Utilities and telephone	12,707
Insurance	12,026
Repairs and maintenance	8,335
Miscellaneous	8,331
Office supplies	6,757
Dues	4,830
Payroll taxes	3,142
Training	1,027
Travel	529
Total administration	**115,913**
Police	
Contract services	11,250
Total police	**11,250**
Fire	
Supplies	20,770
Insurance	15,663
Repairs and maintenance	9,591
Utilities and telephone	4,079
Miscellaneous	3,456
Training incentives	3,200
Training and education	3,172
Gas and oil	2,693
Total fire	**62,624**
Highways and streets	
Wages	39,480
Retirement	10,609
Repairs and maintenance	9,898
Utilities	5,445
Gas and oil	5,408
Supplies	4,717
Payroll taxes	3,059
Contract services	2,586
Total highways and streets	**81,202**
Cemetery	
Repairs and maintenance	8,372
Miscellaneous	50
Total cemetery	**8,422**

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF GOVERNMENTAL FUND EXPENDITURES *(Continued)*
Year Ended June 30, 2022

Parks and recreation	
Park pavilion maintenance	$ 4,076
Bell's Tavern maintenance	989
Park improvements	830
Total parks and recreation	**5,895**
Capital outlays	
Infrastructure	54,900
Furniture, machinery, and equipment	63,444
Total capital outlays	**118,344**
Debt service	
Principal	23,727
Interest	2,428
Total debt service	**26,155**
Total expenditures	**$ 429,805**

HENSLEY & THRONEBERRY | CERTIFIED PUBLIC ACCOUNTANTS

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 Mayor and City Commission
City of Park City, 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 City, Kentucky, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Park City, Kentucky's basic financial statements and have issued our report thereon dated January 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Park City, 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 City, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Park City, 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 a 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-01 and 2022-02, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Park City, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-03.

City of Park City, Kentucky's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Park City, Kentucky's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Park City, Kentucky's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Hensley & Throneberry, CPAs
January 23, 2023

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CITY OF PARK CITY, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-01 Segregation of Duties

Criteria
The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded, and financial statements are reliable. The segregation of accounting duties is an essential element of effective internal control, involving the separation of the custody of assets from the related recording of those transactions.

Condition
As is common with small organizations, segregation of conflicting duties within the City is difficult because of the limited number of personnel. Delegation of duties with a limited number of personnel cannot adequately provide the separation of the custody of assets from the related recording and monitoring of those transactions.

Effect
Material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause
Duties in various transaction cycles are not adequately segregated.

Recommendation
While the City has implemented mitigating controls to compensate for some segregation of duties issues, we encourage you to limit, to the extent possible, performance of incompatible duties by individuals in the City.

Response
The City will continue to evaluate the cost versus the benefit of hiring additional personnel and further implementing compensating controls to mitigate the risk that internal control objectives will not be achieved.

2022-02 Bank Account Reconciliation

Criteria
All bank accounts should be reconciled to the bank statement on a recurring monthly basis.

Condition
During our audit it was noted the operating bank account was not reconciled appropriately.

Effect
Material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause
Duties in various transaction cycles are not adequately segregated as well as employee turnover at the city clerk position.

Recommendation
We recommend the city clerk reconcile all bank accounts as soon as the account statement is received to ensure all receipts and disbursements are properly recorded.

Response
The City understands the importance of account reconciliations and new processes have been implemented to ensure the operating account is reconciled monthly.

2022-03 Budget Adherence

Criteria
KRS 91A.030 states that no city shall expend any monies from any fund except in accordance with a budget ordinance.

Condition
The City spent $63,135 over the amended budget for the general fund.

Effect
The City failed to meet KRS 91A.030.

Cause
The City was unable to locate an amended budget with updated amounts to include additional expenditures mentioned in the minutes of the commission meetings. Therefore, the original budget was used for comparison purposes.

Recommendation
We recommend the City implement a process to monitor budget adherence throughout the year and amend the budget as necessary to account for unbudgeted expenditures.

Response
It is believed employee turnover at the city clerk position contributed to this finding and the inability to locate the amended budget as mentioned in the May 2022 commission meeting minutes. The City evaluated the current process and implemented additional steps to monitor budget adherence more closely throughout the year.