

CITY OF PARK CITY, KENTUCKY

ANNUAL FINANCIAL REPORT

June 30, 2023

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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, 2023, 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, 2023, 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.

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 24 and 25 and certain pension/OPEB information on pages 26 and 27 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 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.

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 October 27, 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

October 27, 2023

BASIC FINANCIAL STATEMENTS

CITY OF PARK CITY, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2023

Assets

Current assets	
Cash and cash equivalents	\$ 81,004
Taxes receivable, net	1,725
Prepaid insurance	<u>1,411</u>
Total current assets	84,140

Restricted assets	
Certificate of deposit	<u>35,520</u>
Total restricted assets	35,520

Capital assets, net	2,266,430
Finance lease, right of use asset	<u>35,521</u>

Total assets **2,421,611**

Deferred outflows of resources

Deferred outflows – pension	37,194
Deferred outflows – OPEB	<u>19,360</u>

Total deferred outflows of resources **56,554**

Total assets and deferred outflows of resources **\$ 2,478,165**

Liabilities

Current liabilities	
Accounts payable	\$ 11,415
Payroll taxes payable	2,844
Accrued wages	4,900
Accrued interest payable	2,449
Finance lease, current portion	4,080
Notes payable, current portion	<u>24,413</u>
Total current liabilities	50,101

Noncurrent liabilities	
Finance lease, noncurrent portion	16,095
Notes payable, noncurrent portion	504,454
Net pension liability	103,230
Net OPEB liability	<u>28,162</u>
Total noncurrent liabilities	651,941

Total liabilities **702,042**

Deferred inflows of resources

Deferred inflows – pension	12,319
Deferred inflows – OPEB	<u>14,251</u>

Total deferred inflows of resources **26,570**

Net position

Invested in capital assets, net of related debt	1,737,563
Restricted for care of cemetery	35,520
Unrestricted	<u>(23,530)</u>

Total net position **1,749,553**

Total liabilities, deferred inflows of resources, and net position **\$ 2,478,165**

See accompanying notes.

**CITY OF PARK CITY, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Functions / programs	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Change in Net Position
Primary government					
Governmental activities					
General government	\$ 236,085	\$ 4,253	\$ 86,887	\$ -0-	\$(144,945)
Public safety					
Police	43,385	1,223	-0-	-0-	(42,162)
Fire	152,715	-0-	11,500	-0-	(141,215)
Highways and streets	198,777	-0-	61,754	-0-	(137,023)
Cemetery	28,969	11,500	-0-	-0-	(17,469)
Parks and recreation	9,845	-0-	-0-	-0-	(9,845)
Interest expense	<u>18,170</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(18,170)</u>
 Total governmental activities	 <u>687,946</u>	 <u>16,976</u>	 <u>160,141</u>	 <u>-0-</u>	 <u>(510,829)</u>
 Total primary government	 <u>\$ 687,946</u>	 <u>\$ 16,976</u>	 <u>\$ 160,141</u>	 <u>\$ -0-</u>	 <u>(510,829)</u>
 General revenues					
Property tax					124,078
Franchise tax					4,428
Other taxes					14,774
Insurance premium tax					102,186
Occupational tax					84,866
Licenses and permits					7,745
Interest income					2,118
Contributions					19,175
Gain on disposal of asset					15,250
Miscellaneous					<u>11,875</u>
Total general revenues					<u>386,495</u>
 Change in net position					 (124,334)
 Net position, beginning of year					 <u>1,873,887</u>
 Net position, end of year					 <u>\$1,749,553</u>

**CITY OF PARK CITY, KENTUCKY
BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2023**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 81,004
Prepaid insurance	1,411
Taxes receivable, net	1,725
Restricted certificate of deposit	35,520
Total assets	<u>\$ 119,660</u>
Liabilities	
Accounts payable	\$ 11,415
Payroll taxes payable	2,844
Accrued wages	4,900
Total liabilities	<u>19,159</u>
Fund balances	
Nonspendable	
Prepaid items	1,411
Restricted	35,520
Unassigned	63,570
Total fund balances	<u>100,501</u>
Total liabilities and fund balances	<u>\$ 119,660</u>

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

Total fund balances – total governmental fund	\$ 100,501
Amounts reported for <i>governmental activities</i> 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 funds.	2,266,430
Right to use lease assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	35,521
Some liabilities are not due and payable in the current period, and therefore, are not reported in the fund:	
Net pension liability	(103,230)
Net OPEB liability	(28,162)
Net deferred outflows and inflows related to pensions	24,875
Net deferred outflows and inflows related to OPEB	5,109
Finance lease liability	(20,175)
Notes payable	(528,867)
Accrued interest on notes payable	(2,449)
Net position of governmental activities	<u>\$ 1,749,553</u>

CITY OF PARK CITY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –
GOVERNMENTAL FUND
Year Ended June 30, 2023

	General Fund
Revenues	
Taxes	\$ 330,332
Contributions	19,175
Intergovernmental revenue	160,142
Charges for services	16,976
Licenses and permits	7,745
Interest received	2,118
Other revenues	<u>11,876</u>
Total revenues	548,364
Expenditures	
General government	219,313
Public safety	
Police	43,385
Fire	104,412
Highways and streets	137,795
Cemetery	28,969
Parks and recreation	1,860
Capital outlay	594,411
Debt service	
Principal	51,964
Interest	<u>18,170</u>
Total expenditures	<u>1,200,279</u>
Excess of revenues over expenditures	(651,915)
Other financing sources	
Proceeds from debt issuance	373,819
Proceeds from lease liability issued	22,140
Proceeds from sale of asset	<u>15,250</u>
Total other financing sources	<u>411,209</u>
Net change in fund balances	(240,706)
Fund balances, beginning of year	<u>341,207</u>
Fund balances, end of year	<u>\$ 100,501</u>

CITY OF PARK CITY, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –
GOVERNMENTAL FUND (Continued)
Year Ended June 30, 2023

Net change in fund balance – total governmental fund \$ (240,706)

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. 474,588

The issuance of long-term debt and lease liabilities provide current financial resources to governmental funds, while the repayment of the principal of long-term debt and lease liabilities consume the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount by which proceeds from debt and lease liability issuance exceeded principal repayments. (343,995)

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	(9,456)
OPEB expense	<u>(4,765)</u>

Change in net position of governmental activities \$ (124,334)

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 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 can exercise oversight responsibilities. No other government or agency has been included in the City’s financial statements because none of the criteria has 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.

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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.

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 consists 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 States 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 a 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

Leases

The City recognizes lease contracts or equivalents that have a term exceeding one year. Short-term lease payments are expensed when incurred. For leases with terms exceeding one year, the City recognizes a lease liability and an intangible right to use asset in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Then, the lease right of use asset is amortized on a straight-line basis over its useful life.

A key estimate related to leases includes how the City determines the discount rate is used to discount the expected lease payments to present value. The City uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the City's incremental borrowing rate at the start of the lease for a similar asset type.

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The 2022 tax rate was \$0.308 per \$100 assessed valuation for real property and \$0.308 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

Most of the City's activities are with citizens in and around Park City, Kentucky.

Subsequent Events

Subsequent events have been evaluated through October 27, 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.

**CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023**

NOTE 2. BUDGETARY INFORMATION (Continued)

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 on page 25 after the budget to actual comparison schedule on page 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, 2023 were covered by federal depository insurance and pledged securities held by the financial institution. The book balance of the City's deposits was \$81,004 and the bank balance was \$82,626.

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, 2023, none of the City's bank balance of \$82,626 was exposed to custodial credit risk, detailed as follows:

Insured	\$	82,626
Collateral held by pledging bank's trust department in the City's name		-0-
Total bank deposits	\$	<u>82,626</u>

NOTE 4. RESTRICTED ASSETS

The City's restricted assets are as follows at June 30, 2023:

		<u>Certificate of Deposit</u>
Governmental activities		
Perpetual care of cemetery	\$	<u>35,520</u>
Total governmental activities		<u>35,520</u>
 Total restricted assets	 \$	 <u>35,520</u>

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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, 2023:

	Balance 07/01/22	Increase	Decrease	Balance 06/30/23
Capital assets not being depreciated				
Land	\$ 30,815	\$ 360,719	\$ -0-	\$ 391,534
Historic Bells Tavern	<u>123,254</u>	<u>-0-</u>	<u>-0-</u>	<u>123,254</u>
Total capital assets not being depreciated	154,069	360,719	-0-	514,788
Capital assets being depreciated				
Buildings and improvements	729,505	6,926	-0-	736,431
Infrastructure	1,215,912	97,103	-0-	1,313,015
Furniture, machinery, and equipment	<u>1,143,146</u>	<u>92,272</u>	<u>-0-</u>	<u>1,235,418</u>
Total capital assets being depreciated	3,088,563	196,301	-0-	3,284,864
Less: accumulated depreciation				
Buildings and improvements	(84,986)	(8,967)	-0-	(93,953)
Infrastructure	(668,327)	(53,132)	-0-	(721,459)
Furniture, machinery, and equipment	<u>(661,956)</u>	<u>(55,854)</u>	<u>-0-</u>	<u>(717,810)</u>
Total accumulated depreciation	<u>(1,415,269)</u>	<u>(117,953)</u>	<u>-0-</u>	<u>(1,533,222)</u>
Capital assets, net	<u>\$ 1,827,363</u>	<u>\$ 439,067</u>	<u>\$ -0-</u>	<u>\$ 2,266,430</u>

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 14,904
Fire	48,304
Highways and streets	46,760
Parks and recreation	<u>7,985</u>
Total depreciation	<u>\$ 117,953</u>

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8. LONG-TERM DEBT

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

	Balance 07/01/22	Increases	Decreases	Balance 06/30/23	Current Portion
(1) Peoples Bank	\$ 161,491	\$ -0-	\$ (11,494)	\$ 149,997	\$ 11,278
(2) South Central Bank	29,521	-0-	(29,521)	-0-	-0-
(3) South Central Bank	14,035	-0-	(3,215)	10,820	2,714
(4) Edmonton State Bank	-0-	197,844	(4,488)	193,356	6,139
(5) Edmonton State Bank	<u>-0-</u>	<u>175,976</u>	<u>(1,282)</u>	<u>174,694</u>	<u>4,282</u>
Total	<u>\$ 205,047</u>	<u>\$ 373,820</u>	<u>\$ (50,000)</u>	<u>\$ 528,867</u>	<u>\$ 24,413</u>

(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 had a variable rate of interest calculated as 65% of the WSJ prime rate. The loan was secured by real estate and was paid in full.

(3) 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.

(4) The City financed the purchase of land with a promissory note from Edmonton State Bank for \$197,844 on September 28, 2022. The initial interest rate is 5.00%, and the initial monthly payment is \$1,305.61 for the first three years. From the fourth year to the twentieth year, the interest rate will be the WSJ prime rate (8.25% at year-end). The loan is secured by the land purchased and matures on September 28, 2042.

(5) The City financed the purchase of land with a promissory note from Edmonton State Bank for \$175,976 on March 29, 2023. The initial interest rate is 7.00%, and the initial monthly payment is \$1,364.61 for the first three years. From the fourth year to the twentieth year, the interest rate will be the WSJ prime rate (8.25% at year-end). The loan is secured by the land purchased and matures on March 29, 2043.

The annual requirements of the notes payable at June 30, 2023 are as follows:

June 30,	Principal	Interest	Total
2024	\$ 24,413	\$ 29,114	\$ 53,527
2025	27,379	27,250	54,629
2026	25,862	29,494	55,356
2027	26,792	28,854	55,646
2028	25,840	27,447	53,287
2029 - 2033	152,469	113,967	266,436
2034 - 2038	113,256	72,172	185,428
2039 - 2043	<u>132,856</u>	<u>20,561</u>	<u>153,417</u>
	<u>\$ 528,867</u>	<u>\$ 348,859</u>	<u>\$ 877,726</u>

**CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023**

NOTE 9. LEASE LIABILITY

During the current fiscal year, the City entered into a five-year lease agreement as lessee for a tractor. A down payment of \$15,250 was required, and an initial lease liability was recorded in the amount of \$22,140 during the fiscal year. As of June 30, 2023, the value of this lease liability was \$20,175. The City is required to make monthly principal and interest payments of \$416.33. The City used a discount rate of 5% as this is estimated to be the City’s incremental borrowing rate at the start of the lease. The initial value of the right to use asset was \$37,390. Accumulated amortization was \$1,870, which resulted in a net value of \$35,520 at year-end.

The future principal and interest lease payments as of June 30, 2023 are as follows:

June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,080	\$ 916	\$ 4,996
2025	4,289	707	4,996
2026	4,508	488	4,996
2027	4,739	257	4,996
2028	<u>2,559</u>	<u>39</u>	<u>2,598</u>
Total	<u>\$ 20,175</u>	<u>\$ 2,407</u>	<u>\$ 22,582</u>

NOTE 10. 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 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.

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 10. COUNTY EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN (Continued)

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.

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 because 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 based on an annual actuarial valuation last preceding the July 1 of a new biennium.

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 10. COUNTY EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN *(Continued)*

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 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.

For the year ended June 30, 2023, the City contributed 26.79% (23.40% for the pension fund and 3.39% 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 \$7,226 for the year ended June 30, 2023.

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

At June 30, 2023, the City reported a liability of \$103,230 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 June 30, 2021 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 0.001428% for non-hazardous.

**CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023**

NOTE 10. COUNTY EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN (Continued)

For the year ended June 30, 2023, the City recognized pension expense of \$9,456 in addition to its pension fund contributions of \$7,226. At June 30, 2023, 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	\$ 110	\$ 919
Changes of assumptions	-0-	-0-
Difference between projected and actual earnings on plan investments	14,047	11,400
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,811	-0-
Company contributions subsequent to the measurement date	7,226	-0-
	\$ 37,194	\$ 12,319

The \$7,226 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, 2024. 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,	
2024	\$ 8,208
2025	7,375
2026	(867)
2027	2,933
	\$ 17,649

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, 2022, were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the measurement period ending June 30, 2022, using generally accepted actuarial principles.

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, 2022, 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%

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 10. COUNTY EMPLOYEES’ RETIREMENT SYSTEM – PENSION PLAN (Continued)

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
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core fixed income	10.00%	0.28%
Specialty credit	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	<u>13.00%</u>	4.07%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.25% for the year ended June 30, 2022. 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.

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	\$ 129,025	\$ 103,230	\$ 81,896

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 11. 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 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, 2023 was 3.39% of covered payroll for non-hazardous employees. Contributions to the Insurance Fund were \$1,047 for the year ended June 30, 2023. 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 2022. 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 0.001427%.

Net OPEB Liability

At June 30, 2023, the City reported a liability of \$28,162 for its proportionate share of the net OPEB liability. The City's net OPEB liability was measured as of June 30, 2022 and was based on an actuarial valuation date as of June 30, 2021. The net OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

**CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023**

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021, 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 6.40% at January 1, 2022, and gradually decreasing to ultimate trend rate of 4.05% over a period of 14 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to ultimate trend rate of 4.05% over a period of 13 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
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core fixed income	10.00%	0.28%
Specialty credit	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	<u>13.00%</u>	4.07%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.70% 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 3.69% as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2022. 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.

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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 5.70% 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 (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

	1% Decrease	Current Rate	1% Increase
Non-hazardous	\$ 37,648	\$ 28,162	\$ 20,320

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	\$ 20,938	\$ 28,162	\$ 36,837

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

At June 30, 2023, 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	\$ 2,835	\$ 6,458
Changes of assumptions	4,454	3,670
Difference between projected and actual earnings on plan investments	5,244	4,101
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,780	22
City contributions subsequent to the measurement date	1,047	-0-
	\$ 19,360	\$ 14,251

CITY OF PARK CITY, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The \$1,047 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, 2024. 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,			
2024		\$	1,761
2025			1,429
2026			(347)
2027			<u>1,219</u>
		<u>\$</u>	<u>4,062</u>

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

NOTE 12. COMMITMENTS

In September 2023, the City signed a line of credit agreement with South Central Bank. The line of credit agreement allows the City to borrow up to \$200,000. Interest on any outstanding balance will be due monthly at an interest rate equal to the WSJ prime rate (8.50% on date agreement was signed). The line of credit is secured by real property owned by the City and matures in September 2024.

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, 2023

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Property tax	\$ 75,000	\$ 104,571	\$ 109,241	\$ 4,670
Occupational tax	48,000	84,866	84,866	-0-
Vehicle tax	9,500	6,831	9,539	2,708
Net profit tax	4,000	13,715	13,715	-0-
Intergovernmental	13,100	378,784	160,142	(218,642)
Franchise tax	10,000	5,046	4,428	(618)
Licenses and permits	82,500	108,170	109,932	1,762
Interest income	100	100	2,118	2,018
Parks	4,000	4,145	4,225	80
Miscellaneous	850	61,718	48,941	(12,777)
Total revenues	247,050	767,946	547,147	(220,799)
Expenditures				
General government	148,200	149,700	207,802	(58,102)
Police	15,000	15,000	43,385	(28,385)
Fire	40,242	217,966	104,412	113,554
Highways and streets	-0-	34,389	137,795	(103,406)
Cemetery	-0-	6,000	28,969	(22,969)
Parks and recreation	4,000	4,000	1,860	2,140
Capital outlays	16,120	16,120	594,411	(578,291)
Miscellaneous	-0-	68,496	70,134	(1,638)
Total expenditures	223,562	511,671	1,188,768	(677,097)
Excess (deficit) of revenues over expenditures	23,488	256,275	(641,621)	(897,896)
Other financing sources				
Proceeds from debt issuance	-0-	-0-	373,819	373,819
Proceeds from lease liability issued	-0-	-0-	22,140	22,140
Proceeds from sale of asset	-0-	-0-	15,250	15,250
Total other financing sources	-0-	-0-	411,209	411,209
Net change in fund balance	23,488	256,275	(230,412)	(486,687)
Fund balance, beginning of year	341,207	341,207	341,207	-0-
Fund balance, end of year	\$ 364,695	\$ 597,482	\$ 110,795	\$ (486,687)

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – GENERAL FUND (Continued)
Year Ended June 30, 2023

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. \$ 547,147

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. 1,217

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds. \$ 548,364

Expenditures

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule \$ 1,188,768

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. 11,511

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds. \$ 1,200,279

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of net pension liability	0.001428%	0.001099%	0.001096%	0.001072%	0.001049%	0.000907%	0.000000%	0.000857%	0.000262%
Proportionate share of the net pension liability	\$ 103,230	\$ 70,070	\$ 84,062	\$ 75,394	\$ 63,887	\$ 53,089	\$ -0-	\$ 36,831	\$ 8,500
Covered employee payroll in year of measurement	\$ 30,880	\$ 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	334.29%	177.48%	299.37%	268.50%	236.27%	204.19%	-0-	-0-	42.53%
Plan fiduciary net position as a % of total pension liability	52.42%	55.95%	46.82%	49.43%	52.40%	52.4%	55.11%	59.97%	66.80%

SCHEDULE OF PENSION CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 7,226	\$ 8,358	\$ 5,419	\$ 5,419	\$ 4,386	\$ 3,765	\$ 3,081	\$ -0-	\$ 2,548
Actual contribution	7,226	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-	\$ -0-
Covered employee payroll	\$ 30,880	\$ 39,481	\$ 28,080	\$ 28,080	\$ 27,040	\$ 26,000	\$ 22,080	\$ -0-	\$ 19,987
Contributions as a % of covered employee payroll	23.40%	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**

	2023	2022	2021	2020	2019	2018
Proportion of net OPEB liability	0.001427%	0.001099%	0.001096%	0.001072%	0.001049%	0.000907%
Proportionate share of the net OPEB liability	\$ 28,162	\$ 21,040	\$ 26,465	\$ 18,031	\$ 18,625	\$ 18,234
Covered employee payroll in year of measurement	\$ 30,880	\$ 39,481	\$ 28,080	\$ 28,080	\$ 27,040	\$ 26,000
Share of the net OPEB liability (asset) as a % of its covered payroll	91.20%	53.29%	94.25%	64.21%	68.88%	70.13%
Plan fiduciary net position as a % of total OPEB liability	60.95%	62.91%	53.89%	61.75%	59.76%	54.52%

SCHEDULE OF OPEB CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 1,047	\$ 2,282	\$ 1,337	\$ 1,337	\$ 1,422	\$ 1,222
Actual contribution	1,047	2,282	1,337	1,337	1,422	1,222
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered employee payroll	\$ 30,880	\$ 39,481	\$ 28,080	\$ 28,080	\$ 27,040	\$ 26,000
Contributions as a % of covered employee payroll	3.39%	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, 2023

Administration	
Wages	\$ 54,275
Miscellaneous	31,972
Office supplies	29,330
Repairs and maintenance	25,808
Legal and professional fees	20,390
Utilities and telephone	15,581
Insurance	14,448
Travel	13,493
Dues	5,213
Training	4,704
Payroll taxes	<u>4,099</u>
Total administration	219,313
Police	
Contract services	<u>43,385</u>
Total police	43,385
Fire	
Supplies	38,115
Repairs and maintenance	28,463
Insurance	15,974
Gas and oil	8,046
Utilities and telephone	5,422
Miscellaneous	4,835
Training incentives	3,000
Training and education	<u>557</u>
Total fire	104,412
Highways and streets	
Contract services	41,085
Wages	30,880
Repairs and maintenance	28,366
Gas and oil	12,594
Retirement	11,025
Utilities	8,131
Supplies	3,382
Payroll taxes	<u>2,332</u>
Total highways and streets	137,795
Cemetery	
Repairs and maintenance	28,959
Miscellaneous	<u>10</u>
Total cemetery	28,969

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF GOVERNMENTAL FUND EXPENDITURES (Continued)
Year Ended June 30, 2023

Parks and recreation	
Park pavilion maintenance	\$ 969
Park improvements	<u>891</u>
Total parks and recreation	1,860
Capital outlays	
Land	360,719
Furniture, machinery, and equipment	136,589
Infrastructure	<u>97,103</u>
Total capital outlays	594,411
Debt service	
Principal	51,964
Interest	<u>18,170</u>
Total debt service	70,134
Total expenditures	<u>\$ 1,200,279</u>

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, 2023 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 October 27, 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-01, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2023-02 and 2023-03.

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

October 27, 2023

**CITY OF PARK CITY, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2023**

FINDINGS – FINANCIAL STATEMENT AUDIT

2023-01 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.

2023-02 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 \$641,621 over the amended budget for the general fund.

Effect

The City failed to meet KRS 91A.030.

Cause

The City was failed to amend the budget with updated amounts to include additional expenditures, primarily capital outlays, mentioned in the minutes of the commission meetings.

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 before funds are disbursed.

Response

It is believed employee turnover at the city clerk position contributed to this finding. The City evaluated the current process and implemented additional steps to monitor budget adherence more closely throughout the year.

CITY OF PARK CITY, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
Year Ended June 30, 2023

2023-03 Noncompliance – IRS Form 941 Filings

Criteria

Employers that pay and withhold taxes from employees must file quarterly a Form 941 to reconcile the amount of payroll taxes withheld and due with the amount of taxes submitted to the Internal Revenue Service.

Condition

Form 941 was not filed in a timely manner for the 1st and 2nd calendar year quarters of 2023.

Effect

This noncompliance could result in penalties assessed by the Internal Revenue Service due to untimely filings.

Cause

Due to employee turnover, this filing was inadvertently overlooked.

Recommendation

We recommend the City implement a checklist to ensure Form 941's are filed quarterly in a timely manner.

Response

The City understands the importance of timely filing and is monitoring these filings more closely.