

**CITY OF PARK CITY, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2020 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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, 2020, 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.

## **Other Matters**

### *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 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 December 1, 2020 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 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 entity's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Park City, Kentucky's internal control over financial reporting and compliance.

*Hensley & Throneberry, CPAs*

December 1, 2020

## **BASIC FINANCIAL STATEMENTS**

**CITY OF PARK CITY, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

**Assets**

Current assets

Cash and cash equivalents	\$ 203,724
Accounts receivable	12,045
Taxes receivable, net	660
Prepaid insurance	<u>561</u>
Total current assets	216,990

Restricted assets

Cash and cash equivalents	12,301
Certificate of deposit	<u>34,514</u>
Total restricted assets	46,815

Capital assets, net	<u>1,721,449</u>
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**Total assets** **1,985,254**

**Deferred outflows of resources**

Deferred outflows – pension	25,754
Deferred outflows – OPEB	<u>8,631</u>

**Total deferred outflows of resources** **34,385**

**Total assets and deferred outflows of resources** **\$ 2,019,639**

**Liabilities**

Current liabilities

Accounts payable	\$ 24,166
Payroll taxes payable	2,422
Accrued wages	1,415
Accrued interest payable	2,449
Notes payable, current portion	<u>23,973</u>
Total current liabilities	54,425

Noncurrent liabilities

Notes payable, noncurrent portion	109,895
Net pension liability	75,394
Net OPEB liability	<u>18,031</u>
Total noncurrent liabilities	203,320

**Total liabilities** **257,745**

**Deferred inflows of resources**

Deferred inflows – pension	2,982
Deferred inflows – OPEB	<u>6,423</u>

**Total deferred inflows of resources** **9,405**

**Net position**

Invested in capital assets, net of related debt	1,587,580
Restricted for care of cemetery	34,514
Restricted for park improvements	12,301
Unrestricted	<u>118,094</u>

**Total net position** **1,752,489**

**Total liabilities, deferred inflows of resources, and net position** **\$ 2,019,639**

See accompanying notes.

**CITY OF PARK CITY, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2020**

Functions / programs	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants	
<b>Primary government</b>					
Governmental activities					
General government	\$ 127,114	\$ 5,759	\$ -0-	\$ -0-	\$(121,355)
Public safety					
Police	15,000	4,606	-0-	-0-	(10,394)
Fire	95,271	-0-	11,000	-0-	(84,271)
Highways and streets	122,222	-0-	22,734	-0-	(99,488)
Cemetery	1,493	5,510	-0-	-0-	4,017
Parks and recreation	6,330	-0-	-0-	-0-	(6,330)
Interest expense	<u>5,645</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(5,645)</u>
Total governmental activities	<u>373,075</u>	<u>15,875</u>	<u>33,734</u>	<u>-0-</u>	<u>(323,466)</u>
<b>Total primary government</b>	<b><u>\$ 373,075</u></b>	<b><u>\$ 15,875</u></b>	<b><u>\$ 33,734</u></b>	<b><u>\$ -0-</u></b>	<b><u>(323,466)</u></b>
General revenues					
Property tax					92,628
Franchise tax					13,273
Other taxes					6,425
Insurance premium tax					85,571
Occupational tax					43,857
Licenses and permits					2,079
Interest income					824
Contributions					25,901
Miscellaneous					<u>5,260</u>
Total general revenues					<u>275,818</u>
<b>Change in net position</b>					<b>(47,648)</b>
Net position, beginning of year					<u>1,800,137</u>
<b>Net position, end of year</b>					<b><u>\$1,752,489</u></b>

**CITY OF PARK CITY, KENTUCKY**  
**BALANCE SHEET – GOVERNMENTAL FUND**  
**June 30, 2020**

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 203,724
Prepaid insurance	561
Accounts receivable, net	12,045
Taxes receivable, net	660
Restricted cash and cash equivalents	12,301
Restricted certificate of deposit	34,514
<b>Total assets</b>	<b><u>\$ 263,805</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 24,166
Payroll taxes payable	2,422
Accrued wages	1,415
<b>Total liabilities</b>	<b><u>28,003</u></b>
<b>Fund balances</b>	
Nonspendable	
Prepaid items	561
Restricted	46,815
Unassigned	188,426
<b>Total fund balances</b>	<b><u>235,802</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 263,805</u></b>

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

Total fund balances – total governmental fund	\$ 235,802
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 fund.	1,721,449
Some liabilities are not due and payable in the current period, and therefore, are not reported in the fund:	
Net pension liability	(75,394)
Net OPEB liability	(18,031)
Net deferred outflows and inflows related to pensions	22,772
Net deferred outflows and inflows related to OPEB	2,208
Notes payable	(133,868)
Accrued interest on notes payable	(2,449)
<b>Net position of governmental activities</b>	<b><u>\$ 1,752,489</u></b>



**CITY OF PARK CITY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –**  
**GOVERNMENTAL FUND**  
**Year Ended June 30, 2020**

	<u>General Fund</u>
<b>Revenues</b>	
Taxes	\$ 241,754
Contributions	25,901
Intergovernmental revenue	33,734
Charges for services	15,876
Licenses and permits	2,079
Interest received	824
Other revenues	<u>5,258</u>
<b>Total revenues</b>	<b>325,426</b>
<b>Expenditures</b>	
General government	101,031
Public safety	
Police	15,000
Fire	48,551
Highways and streets	66,667
Cemetery	1,493
Parks and recreation	4,425
Capital outlay	38,190
Debt service	
Principal	27,413
Interest	<u>5,645</u>
<b>Total expenditures</b>	<b>308,415</b>
<b>Excess of revenues over expenditures</b>	<b>17,011</b>
<b>Other financing sources</b>	
Issuance of debt	<u>11,445</u>
<b>Total other financing sources</b>	<b>11,445</b>
<b>Net change in fund balances</b>	<b>28,456</b>
Fund balances, beginning of year	<u>207,346</u>
<b>Fund balances, end of year</b>	<b><u>\$ 235,802</u></b>

**CITY OF PARK CITY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –**  
**GOVERNMENTAL FUND (*Continued*)**  
**Year Ended June 30, 2020**

Net change in fund balance – total governmental fund	\$ 28,456
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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 depreciation expense exceeded capital outlays in the current period.	(64,310)
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The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of a governmental fund. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	15,968
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The promissory note receivable is not available to pay for current period expenditures and therefore is deferred in the governmental fund.	(10,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental fund:	
Pension expense	(17,004)
OPEB expense	(758)

<b>Change in net position of governmental activities</b>	<b><u>\$ (47,648)</u></b>
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**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 the 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 existences 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.

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020**

**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 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 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.

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The 2018 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, accordingly 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 December 1, 2020, 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.

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020 were covered by federal depository insurance. The book balance of the City's deposits was \$250,522 and the bank balance was \$252,542. Cash on hand was \$17.

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, 2020, none of the City's bank balance of \$252,542 was exposed to custodial credit risk, detailed as follows:

Insured	\$ 252,542
Collateral held by pledging bank's trust department in the City's name	<u>-0-</u>
<b>Total bank deposits</b>	<b><u>\$ 252,542</u></b>

**NOTE 4. RESTRICTED ASSETS**

The City's restricted assets are as follows at June 30, 2020:

	<u>Cash</u>	<u>Certificate of Deposit</u>
<b>Governmental activities</b>		
Perpetual care of cemetery	\$ -0-	\$ 34,514
Park improvements	<u>12,301</u>	<u>-0-</u>
<b>Total governmental activities</b>	<b><u>12,301</u></b>	<b><u>34,514</u></b>
 <b>Total restricted assets</b>	 <b><u>\$ 12,301</u></b>	 <b><u>\$ 34,514</u></b>

**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 receivable 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.

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 7. CAPITAL ASSETS**

The following is a summary of changes in capital assets of governmental activities for the year ended June 30, 2020:

	Balance 07/01/19	Increase	Decrease	Balance 06/30/20
Capital assets not being depreciated				
Land	\$ 30,815	\$ -0-	\$ -0-	\$ 30,815
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	-0-	-0-	154,069
Capital assets being depreciated				
Buildings and improvements	729,505	-0-	-0-	729,505
Infrastructure	944,819	20,475	-0-	965,294
Furniture, machinery, and equipment	<u>1,055,012</u>	<u>17,715</u>	<u>-0-</u>	<u>1,072,727</u>
Total capital assets being depreciated	2,729,336	38,190	-0-	2,767,526
Less: accumulated depreciation				
Buildings and improvements	(58,343)	(8,881)	-0-	(67,224)
Infrastructure	(539,722)	(38,171)	-0-	(577,893)
Furniture, machinery, and equipment	<u>(499,581)</u>	<u>(55,448)</u>	<u>-0-</u>	<u>(555,029)</u>
Total accumulated depreciation	<u>(1,097,646)</u>	<u>(102,500)</u>	<u>-0-</u>	<u>(1,200,146)</u>
<b>Capital assets, net</b>	<b><u>\$ 1,785,759</u></b>	<b><u>\$ (64,310)</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 1,721,449</u></b>

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 16,083
Fire	46,719
Highways and streets	37,793
Parks and recreation	<u>1,905</u>
Total depreciation	<u>\$ 102,500</u>



**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 8. LONG-TERM DEBT**

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

	<b>Balance 07/01/19</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 06/30/20</b>	<b>Current Portion</b>
(1) Peoples Bank	\$ 96,288	\$ -0-	\$ (14,446)	\$ 81,842	\$ 15,060
(2) Peoples Bank	4,136	-0-	(2,437)	1,699	1,699
(3) Kentucky State Bank	5,397	-0-	(5,397)	-0-	-0-
(4) South Central Bank	44,015	-0-	(4,371)	39,644	4,509
(5) South Central Bank	<u>-0-</u>	<u>11,445</u>	<u>(762)</u>	<u>10,683</u>	<u>2,705</u>
<b>Total</b>	<b><u>\$ 149,836</u></b>	<b><u>\$ 11,445</u></b>	<b><u>\$ (27,413)</u></b>	<b><u>\$ 133,868</u></b>	<b><u>\$ 23,973</u></b>

(1) The City borrowed \$171,500 to purchase a new fire truck for \$196,500. The interest rate is 4.25%, and the annual payment is \$18,542.08. The note will mature on January 8, 2025 when the final annual payment is made. Total interest expense for the year was \$4,686. The loan is secured by the purchased fire truck.

(2) The City borrowed \$11,300 to purchase a Kubota tractor. Monthly payments are \$203.07, and the loan bears interest of 3%. Total interest expense for the year was \$156. The loan is secured by the purchased tractor and matures on March 8, 2021.

(3) The City financed a portion of a lawn mower acquisition from Kentucky State Bank for \$9,295. The interest rate is 3.7%, and the monthly payment is \$208.63 for forty-eight months. Total interest expense for the year was \$246. The loan is secured by a mower and matures on September 20, 2021.

(4) 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 \$502.25. Total interest expense for the year was \$1,606. The loan is secured by real estate and matures on December 20, 2027.

(5) The City financed a 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. Total interest expense for the year was \$91. The loan is secured by the mower and matures on March 25, 2024.

The annual requirements of the notes payable at June 30, 2020 are as follows:

<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 23,973	\$ 5,265	\$ 29,238
2022	23,167	4,245	27,412
2023	24,096	3,316	27,412
2024	24,376	2,448	26,824
2025	22,854	1,542	24,396
2026 - 2029	<u>15,402</u>	<u>826</u>	<u>16,228</u>
	<b><u>\$ 133,868</u></b>	<b><u>\$ 17,642</u></b>	<b><u>\$ 151,510</u></b>

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**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.

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.

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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 KRS 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 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 with non-hazardous duty positions participating in CERS on or before August 31, 2008 (Tier 1) were required to contribute 5% of their annual creditable compensation. For plan members with non-hazardous duty positions who began participating on or after September 1, 2008 but before January 1, 2014 (Tier 2), contribution rates were 6% 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 with non-hazardous duty positions 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. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund, which is not credited to the members' account and is not refundable. Employers contribute 4% of non-hazardous creditable compensation into member's hypothetical account.

For the year ended June 30, 2020, the City contributed 24.06% (19.30% for the pension fund and 4.76% for the OPEB) of each 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 \$5,419 for the year ended June 30, 2020.

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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

At June 30, 2020, the City reported a liability of \$75,394 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 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, 2020, the City's proportionate share was 0.001072%, while at June 30, 2019, the proportionate share was 0.001049%. For the year ended June 30, 2020, the City recognized pension expense of \$17,004 in addition to its pension fund contributions of \$5,419. At June 30, 2020, 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	\$ 1,925	\$ 319
Changes of assumptions	7,631	-0-
Difference between projected and actual earnings on plan investments	1,447	2,663
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,332	-0-
Company contributions subsequent to the measurement date	5,419	-0-
	<u>\$ 25,754</u>	<u>\$ 2,982</u>

The \$5,419 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, 2021. 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,	
2021	\$ 13,105
2022	3,231
2023	930
2024	87
	<u>\$ 17,353</u>

Positive amounts above 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, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the measurement period ending June 30, 2019, using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2018), but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investments, trends, and inflation and updated the following actuarial assumptions, which were used in performing the actuarial valuation as of June 30, 2019.

Inflation	2.30%
Salary increases	3.30%, average, including inflation
Payroll growth rate	2.00%
Investment rate of return	6.25%, net of pension plan expense, including inflation

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired member was a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a four-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 rates of return 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
U.S. equity	18.75%	4.30%
International equity	18.75%	4.80%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	2.60%
Core bonds	13.50%	1.35%
Cash and cash equivalents	1.00%	0.20%
Real estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real return	<u>15.00%</u>	4.10%
	<b>100.00%</b>	

**Discount Rate**

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the current rate and 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:

	<b>Discount Rate</b>	<b>Proportionate Share of Net Pension Liability</b>
1% decrease	5.25%	\$ 94,297
Current discount rate	6.25%	75,394
1% increase	7.25%	59,639

**CITY OF PARK CITY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2020**

**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 year of earned service without regard to a maximum dollar amount.

**Contributions**

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, 2020 was 4.76% of covered payroll. Contributions to the Insurance Fund from the City were \$1,337 for the year ended June 30, 2020. 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 2019. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2020, the City's proportion was 0.001072%.

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2017 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	3.05%, average
Investment rate of return	6.25%
Healthcare cost trend rates (Pre-65)	Initial trend starting at 7.25% at January 1, 2019 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 5.10% at January 1, 2019 and gradually decreasing to ultimate trend rate of 4.05% over a period of 11 years.

**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 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%, average
Investment rate of return	6.25%
Healthcare cost trend rates (Pre-65)	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to ultimate trend rate of 4.05% over a period of 10 years.
Healthcare cost trend rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired member was a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a four-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 rates of return 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
U.S. equity	18.75%	4.30%
International equity	18.75%	4.80%
Private equity	10.00%	6.65%
Specialty credit/high yield	15.00%	2.60%
Core bonds	13.50%	1.35%
Cash and cash equivalents	1.00%	0.20%
Real estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real return	<u>15.00%</u>	4.10%
	<b>100.00%</b>	

**CITY OF PARK CITY, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2020**

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.68%. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13% as reported in Fidelity's "20-Year Municipal GO AA Index" as of June 30, 2019. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in KRS contribute the actuarially determined contribution rate, which is determined used a closed funding period (24 years as of June 30, 2019).

**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 5.68%, 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 (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<b>Discount Rate</b>	<b>Proportionate Share of Net OPEB Liability</b>
1% decrease	4.68%	\$ 24,154
Current discount rate	5.68%	18,031
1% increase	6.68%	12,986

**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:

	<b>Proportionate Share of Net OPEB Liability</b>
1% decrease	\$ 13,409
Current discount rate	18,031
1% increase	23,634



**CITY OF PARK CITY, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$758 in addition to its Insurance Fund contributions of \$1,337. At June 30, 2020, 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	\$ -0-	\$ 5,440
Changes of assumptions	5,335	36
Difference between projected and actual earnings on plan investments	119	920
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,840	27
Company contributions subsequent to the measurement date	1,337	-0-
	<u>\$ 8,631</u>	<u>\$ 6,423</u>

The \$1,337 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, 2021. 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,	
2021	\$ 274
2022	274
2023	528
2024	40
2025	(196)
Thereafter	(49)
	<u>\$ 871</u>

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

## **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, 2020**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Property tax	\$ 51,000	\$ 59,870	\$ 60,644	\$ 774
Occupational tax	44,000	43,841	43,857	16
Vehicle tax	9,000	9,000	9,017	17
Net profit tax	5,500	3,587	3,709	122
Intergovernmental	505,954	89,421	21,690	(67,731)
Franchise tax	14,500	13,307	13,273	(34)
Licenses and permits	71,500	87,420	85,571	(1,849)
Interest income	50	140	824	684
Parks	7,250	5,860	5,759	(101)
Miscellaneous	<u>23,050</u>	<u>46,461</u>	<u>69,038</u>	<u>22,577</u>
<b>Total revenues</b>	<b>731,804</b>	<b>358,907</b>	<b>313,382</b>	<b>(45,525)</b>
<b>Expenditures</b>				
General government	275,105	150,996	101,031	49,965
Police	15,000	15,000	15,000	-0-
Fire	75,242	76,310	48,551	27,759
Highways and streets	34,389	5,629	66,667	(61,038)
Cemetery	10,200	9,076	1,493	7,583
Parks and recreation	8,500	8,097	4,425	3,672
Capital outlays	12,505	25,504	18,360	7,144
Miscellaneous	<u>300,694</u>	<u>21,753</u>	<u>33,058</u>	<u>(11,305)</u>
<b>Total expenditures</b>	<b>731,635</b>	<b>312,365</b>	<b>288,585</b>	<b>23,780</b>
<b>Excess of revenues over expenditures</b>	<b>169</b>	<b>46,542</b>	<b>24,797</b>	<b>(21,745)</b>
<b>Other financing sources</b>				
Issuance of debt	<u>-0-</u>	<u>-0-</u>	<u>11,445</u>	<u>11,445</u>
<b>Total other financing sources</b>	<b>-0-</b>	<b>-0-</b>	<b>11,445</b>	<b>11,445</b>
<b>Excess of revenues over expenditures and other financing sources</b>	<b>169</b>	<b>46,542</b>	<b>36,242</b>	<b>(10,300)</b>
Fund balance, beginning of year	<u>213,485</u>	<u>213,485</u>	<u>213,485</u>	<u>-0-</u>
<b>Fund balance, end of year</b>	<b>\$ 213,654</b>	<b>\$ 260,027</b>	<b>\$ 249,727</b>	<b>\$ (10,300)</b>

**CITY OF PARK CITY, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL – GENERAL FUND (Continued)**  
**Year Ended June 30, 2020**

**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.	\$ 313,382
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**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 increase in accounts receivable and taxes receivable.	<u>12,044</u>
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds.	<u>\$ 325,426</u>
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**Expenditures**

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 288,585
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**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 increase in accounts payable, payroll taxes payable, accrued wages, and prepaid insurance.	<u>19,830</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds.	<u>\$ 308,415</u>
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**CITY OF PARK CITY, KENTUCKY**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net pension liability	0.001072%	0.001049%	0.000907%	0.000000%	0.000857%	0.000262%				
Proportionate share of the net pension liability	\$ 75,394	\$ 63,887	\$ 53,089	\$ -0-	\$ 36,831	\$ 8,500				
Covered employee payroll in year of measurement	\$ 28,080	\$ 27,040	\$ 26,000	\$ 22,080	\$ -0-	\$ 19,987				
Share of the net pension liability (asset) as a % of its covered payroll	268.50%	236.27%	204.19%	-0-	-0-	42.53%				
Plan fiduciary net position as a % of total pension liability	49.87%	53.21%	52.23%	55.50%	59.97%	66.80%				

**SCHEDULE OF PENSION CONTRIBUTIONS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 5,419	\$ 4,386	\$ 3,765	\$ 3,081	\$ -0-	\$ 2,548				
Actual contribution	5,419	4,386	3,765	3,081	-0-	2,548				
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-				
Covered employee payroll	\$ 28,080	\$ 27,040	\$ 26,000	\$ 22,080	\$ -0-	\$ 19,987				
Contributions as a % of covered employee payroll	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**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of net OPEB liability	0.001072%	0.001049%	0.000907%							
Proportionate share of the net OPEB liability	\$ 18,031	\$ 18,625	\$ 18,234							
Covered employee payroll in year of measurement	\$ 28,080	\$ 27,040	\$ 26,000							
Share of the net OPEB liability (asset) as a % of its covered payroll	64.21%	68.88%	70.13%							
Plan fiduciary net position as a % of total OPEB liability	72.02%	78.06%	65.94%							

**SCHEDULE OF OPEB CONTRIBUTIONS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,337	\$ 1,422	\$ 1,222							
Actual contribution	1,337	1,422	1,222							
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-							
Covered employee payroll	\$ 28,080	\$ 27,040	\$ 26,000							
Contributions as a % of covered employee payroll	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, 2020**

**Administration**

Wages	\$ 36,054
Legal and professional fees	16,585
Insurance	14,187
Utilities and telephone	12,836
Office supplies	8,191
Dues	4,064
Building maintenance	3,892
Payroll taxes	2,825
Miscellaneous	1,084
Training	768
Travel	545

**Total administration** **101,031**

**Police**

Contract services	15,000
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**Total police** **15,000**

**Fire**

Insurance	13,124
Supplies	11,340
Repairs and maintenance	7,031
Gas and oil	4,353
Utilities and telephone	4,127
Miscellaneous	3,811
Training incentives	2,400
Training and education	2,365

**Total fire** **48,551**

**Highways and streets**

Wages	28,080
Repairs and maintenance	11,208
Utilities	10,840
Retirement	6,756
Supplies	4,228
Gas and oil	3,348
Payroll taxes	2,207

**Total highways and streets** **66,667**

**Cemetery**

Maintenance	1,493
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**Total cemetery** **1,493**



**CITY OF PARK CITY, KENTUCKY**  
**SCHEDULE OF GOVERNMENTAL FUND EXPENDITURES (Continued)**  
**Year Ended June 30, 2020**

<b>Parks and recreation</b>	
Park improvements	\$ 1,931
Bell's Tavern maintenance	1,423
Park pavilion maintenance	<u>1,071</u>
<b>Total parks and recreation</b>	<b><u>4,425</u></b>
 <b>Capital outlays</b>	
Infrastructure	20,475
Furniture, machinery, and equipment	<u>17,715</u>
<b>Total capital outlays</b>	<b><u>38,190</u></b>
 <b>Debt service</b>	
Principal	27,413
Interest	<u>5,645</u>
<b>Total debt service</b>	<b><u>33,058</u></b>
 <b>Total expenditures</b>	<b><u>\$ 308,415</u></b>

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, 2020 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 December 1, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Park City, Kentucky's internal control over financial reporting (internal control) to determine the 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 the City of Park City, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 finding and response as item 2020-01, that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Park City, Kentucky's Response to Finding**

The City of Park City, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The City of Park City, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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*  
December 1, 2020

**CITY OF PARK CITY, KENTUCKY  
SCHEDULE OF FINDING AND RESPONSE  
Year Ended June 30, 2020**

**FINDING – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

**2020-01 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.