

GEORGETOWN-SCOTT COUNTY PARKS & RECREATION
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Georgetown-Scott County Parks & Recreation

Opinion

We have audited the accompanying financial statements of the governmental activities of the Georgetown-Scott County Parks & Recreation, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization'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 of the Georgetown-Scott County Parks & Recreation, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Georgetown-Scott County Parks & Recreation, and to meet our 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 opinion.

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 Georgetown-Scott County Parks & Recreation'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 Responsibility 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, 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 Georgetown-Scott County Parks & Recreation'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 Georgetown-Scott County Parks & Recreation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of changes in benefits and assumptions- pension, schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the schedule of changes in benefits and assumptions- OPEB on pages 3 through 6, and pages 27 through 33 be presented to supplement the basic financial statements. Such 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. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023 on our consideration of the Georgetown-Scott County Parks & Recreation'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 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 Georgetown-Scott County Parks & Recreation's internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
February 28, 2023

GEORGETOWN-SCOTT COUNTY PARKS & RECREATION MANAGEMENT'S DISCUSSION AND ANALYSIS

The Georgetown-Scott County Parks & Recreation's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal year ended June 30, 2022. Please read this MD&A in conjunction with the Organization's Financial Statements, which follow.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Organization. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The government-wide financial statements provide both long-term and short-term information about the Organization's overall financial status. The fund financial statements focus on the current operational activity of the Organization, reporting the Organization's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Organization's accountability.

Government-Wide Statements

The government-wide statements report information about the Organization as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Organization's finances is "Is the Organization as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Organization's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Organization and the changes in them. One can think of the Organization's net position – the difference between assets and liabilities – as a way to measure the Organization's financial position. Over time, increases or decreases in the Organization's net position are one indicator of whether the Organization is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we look at the Organization's overall activity.

Governmental activities – most of the Organization's basic services are reported here including property taxes, grants and other income which finance most of these activities.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Organization's funds. The fund financial statements provide more information about the Organization's funds and current year detail operations and not the Organization as a whole.

The Organization's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Organization. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

Financial Analysis of the Organization as a Whole

Below is an analysis of the comparative statement of net position for the years ending June 30, 2022 and 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 1,028,787	\$ 676,568	\$ 352,219
Other assets	1,697,530	1,348,055	349,475
Deferred outflows	552,952	676,568	(123,616)
Long-term liabilities	2,067,666	2,978,010	(910,344)
Current liabilities	250,319	153,507	96,812
Deferred inflows	904,796	345,067	559,729
Invested in fixed assets	1,028,787	637,326	391,461
Unrestricted net position	(972,299)	(1,451,961)	479,662

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Variance</u>
Intergovernmental transfers	\$ 3,219,549	\$ 2,445,983	\$ 773,566
Program revenues	421,056	192,520	228,536
Membership revenues	582,143	463,640	118,503
Grants and donations	16,021	-	16,021
Interest income	672	413	259
Other revenues	25,261	149	25,112
Total revenues	<u>4,264,702</u>	<u>3,102,705</u>	<u>1,161,997</u>
Personnel expenses	2,047,766	1,714,945	332,821
Program supplies	230,064	127,206	102,858
Repairs and maintenance	339,415	149,257	190,158
Utilities and telephone	304,624	237,071	67,553
Insurance	80,131	82,931	(2,800)
Office supplies	67,221	46,218	21,003
Professional fees	31,744	19,399	12,345
Software and support	48,456	30,892	17,564
Marketing and advertising	16,856	10,556	6,300
Travel	50,206	26,305	23,901
Miscellaneous	14,340	13,928	412
Staff education	13,597	7,473	6,124
Depreciation	149,159	143,802	5,357
Total expenditures	<u>3,393,579</u>	<u>2,609,983</u>	<u>783,596</u>
Change in net position	<u>\$ 871,123</u>	<u>\$ 492,722</u>	<u>\$ 378,401</u>

The Organization's main source of revenue is intergovernmental support from the City of Georgetown and Scott County Fiscal Court, which is approximately 75.49% of the Organization's total revenue. Other income sources include revenue generating activity through rentals, facility usage, and program participation. The personnel expense represents 60.34% of total operating expenditures. Personnel expenditures increased about 19.41% from the previous year. This increase is due to the impact of COVID-19 on the operations of the Organization in the prior year. The Organization contributions to CERS were approximately 9.67% of the personnel expenses coming in at \$231,489.

Capital Asset Activity

Capital funding for FY 2022 included land improvements at multiple ballfields with field conditioner. Equipment purchases included replacement of three (3) treadmills as well as a CrossFit type fitness equipment, diving block replacements on the Pavilion pool deck, LED replacement at the Pavilion, two (2) off road utility vehicles, two (2) zero turn mowers, a seeder a bob cat skid loader and one scoreboard replacement at Sutton field. Initially GSC Parks was funded \$80,000 for a Comprehensive Masterplan and \$40,000 for financial software. It was determined that the best move was to complete an Operations Masterplan as a first step. Doing an Operations Masterplan initially freed up money in the capital budget to utilize on the financial software which was an \$82,200 investment. GSC Parks had utilized Quickbooks for financial tracking and reporting. The capability of Quickbooks no longer met the need of the department. Quickbooks limitations failed to provide accurate financial reporting.

In March, GSC Parks received emergency capital funding to removed the observation decks from the natatorium and initial funding to replace the HVAC system in several areas of the Pavilion. The major components of the HVAC system included two (2) Dectrons and two (2) Aon units. The Dectrons controlled the air quality in the natatorium and the pool temperatures. These units were the original units to the facility. Their life expectancy was 12 – 15 years. Our amazing facility maintenance team was able to extend their life beyond 21 years. However, as the air quality was declining through the life of the units, structural damage to the supports of the observation decks was discovered during assessment of the declining units. The failing safety of the observation decks was identified, and both were removed. The replacement of the HVAC and removal of the observation decks is anticipated to be over 1.6 million. Work began in April. The Scott County Fiscal Court choose to make an initial investment in their FY 2021-2022 budget, rolling over the rest of their half of the contribution in the FY 2022-2023 budget. The City of Georgetown chose to contribute their half of the investment in the FY 2022-2023 budget. Both entities will contribute equally to the project.

Although additional land improvements are not included in the GSC Parks budget, major construction occurred at Lisle Road Soccer Complex and Brooking Park pulling track funded solely by Scott County Fiscal Court. Improvements at Lisle Road Soccer Complex included the regrading of four (2) soccer fields, a concessions/bathroom/storage building, 210 car parking lot. Construction completion is anticipated to be complete in spring 2023. Brooking Park pulling track received upgrades to the announcer box at the pulling track.

Budget Highlights

GSC Parks presents it's anticipated budget to the Scott County Fiscal Court mid-March to request funding support. After review by Scott County Fiscal Court, the budget is then submitted to the City of Georgetown. After adjustments are made, GSC Parks adopts an annual budget at the June Board meeting after it has been presented in both April and May for discussion. The budget is devised through a cooperative team of Scott County Fiscal Court, the City of Georgetown, Board members, Management staff, plus the Bookkeeper/Administrative Assistant. Several meetings are held prior to the June Board meeting, and goals for the next year are established by the staff and possible expenditures related to those goals are identified. The Operating Budget includes proposed expenses and the means of financing them. The Organization's operating budget is amended during the year if unusual events occur. A current Fiscal Year budget comparison for the current month and year to date is presented to management and the Board of Trustees as interim financial statements; however, they are not reported on, nor shown, on the financial statements section of this report. A procurement policy has been established by the City of Georgetown and adopted by the GSC Parks Board to give direction to larger spending amounts.

The Organization has operated on a zero-balance budget so that at the end of the fiscal year each budget category reverts back to the new balance for the new year. Each year the Organization staff has worked diligently to keep the overall budget in line with the projected budget. Some categories may be over, but in general the overall amounts are taken to the Board of Trustees for approval before the purchase is made. Please note that this budget comparison is prior to any audit adjustments purposes.

Budget Highlights (Continued)

A summarized comparison of budget highlights is listed below:

Budget Comparison for 2021 – 2022

	<u>Budgeted</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 4,357,870	\$ 4,264,702	\$ (93,168)
Personnel expenses	2,447,850	2,274,765	173,085
Program supplies	160,300	230,064	(69,764)
Repairs and maintenance	279,500	339,415	(59,915)
Utilities and telephone	301,300	304,624	(3,324)
Insurance	95,500	80,131	15,369
Office supplies	50,500	67,221	(16,721)
Professional fees	21,000	31,744	(10,744)
Software and support	32,000	48,456	(16,456)
Marketing and advertising	25,500	16,856	8,644
Travel	53,600	50,206	3,394
Miscellaneous	1,800	14,340	(12,540)
Staff education	10,800	13,597	(2,797)
Capital outlay	<u>878,220</u>	<u>540,620</u>	<u>337,600</u>
Total Budgeted	<u>\$ -</u>	<u>\$ 252,663</u>	<u>\$ 252,663</u>

Economic Factors and Next Year's Budget

The COVID pandemic remains to have an impact on the overall financial stability of Georgetown Scott County Parks and Recreation. To remain a competitive employer in Scott County, GSC Parks raised the starting pay for part-time staff from minimum wage of \$7.25 to \$12.00 for operations staff and \$15.00 an hour for maintenance staff. These payrate increases were not initially budgeted for. Although there were significant increases in part-time pay, it is still challenging to compete with other employers in Scott County. In July 2021, after GSC Parks passed their budget, the City of Georgetown raised the low end of the paygrades for its full-time employees. This adjustment left almost half of the GSC Parks full-time staff outside of the minimum in their pay scale and as much as \$20,000 below the median pay rates of City of Georgetown employees in equal positions. It is anticipated that in the next fiscal year, GSC Parks will need to make adjustments to full-time pay to be consistent with the City of Georgetown paygrades and the median salaries. In addition, the Pavilion annual memberships have not recovered to pre-Covid numbers. The board of directors approved pricing adjustments to all levels of entry fees for the Pavilion to make membership and usage more competitive and to attract more users.

Contacting the Organization Management

The financial report is designed to provide the citizens of Scott County and its creditors with a general overview of the Organization's finances and to demonstrate the Organization's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Kimberly Rice or the Treasurer for the GSC Parks Board, Erik Flaig.

Georgetown-Scott County Parks & Recreation
Statement of Net Position
June 30, 2022

Assets	
Cash and cash equivalents	\$ 1,422,187
Accounts receivable	135,572
Prepaid insurance and expenses	139,771
Fixed Assets:	
Depreciable buildings, property and equipment, net of depreciation	<u>1,028,787</u>
Total Fixed Assets	<u>1,028,787</u>
Total Assets	2,726,317
Deferred Outflows of Resources:	
Subsequent pension & OPEB contributions	231,489
Deferred outflows related to pensions	97,614
Deferred outflows related to OPEB	<u>223,849</u>
Total Deferred Outflows of Resources	<u>552,952</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,279,269</u>
Liabilities:	
Accounts payable	\$ 127,836
Accrued payroll liabilities	40,972
Deferred membership dues	76,511
Current portion of compensated absences	5,000
Long-Term Obligations:	
Compensated absences	75,140
Net pension liability	1,532,484
Net OPEB liability	<u>460,042</u>
Total Liabilities	2,317,985
Deferred Inflows of Resources:	
Deferred inflows related to pensions	557,940
Deferred inflows related to OPEB	<u>346,856</u>
Total Deferred Inflows of Resources	904,796
Net Position:	
Unrestricted	(972,299)
Invested in fixed assets	<u>1,028,787</u>
Total Net Position	<u>56,488</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,279,269</u>

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

Georgetown-Scott County Parks & Recreation
Statement of Activities
For The Year Ended June 30, 2022

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government
Governmental activities				
Cultural and recreations	\$ (3,393,579)	1,003,199	16,021	\$ (2,374,359)
		General Revenues:		
		Intergovernmental transfers	\$ 3,219,549	
		Interest income	672	
		Other income	25,261	
		Total general revenues	3,245,482	
		Change in net position	871,123	
		Net position - beginning	(814,635)	
		Net position - ending	\$ 56,488	

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

Georgetown-Scott County Parks & Recreation
Balance Sheet
Governmental Fund
June 30, 2022

	<u>Governmental Fund</u>
Assets	
Cash and cash equivalents	\$ 1,422,187
Accounts receivable	135,572
Prepaid insurance and expenses	139,771
Total Assets	<u>\$ 1,697,530</u>
Liabilities	
Accounts payable	\$ 127,836
Accrued payroll liabilities	40,972
Deferred membership dues	76,511
Compensated absences	5,000
Total Liabilities	<u>\$ 250,319</u>
Fund Balances	
Nonspendable	\$ 139,771
Unassigned	1,307,440
Total Fund Balances	<u>\$ 1,447,211</u>
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund	\$ 1,028,787
Deferred outflows, inflows, and net pension and OPEB liabilities related to the implementation of GASB 68 and 75 which are not receivable or payable in the current period and therefore, are not reported in the fund	(2,344,370)
Certain liabilities (including compensated absences) are not due and payable in the current period and therefore, are not reported in the fund	<u>(75,140)</u>
Net position of governmental activities	<u>\$ 56,488</u>

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

Georgetown-Scott County Parks & Recreation
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For The Year Ended June 30, 2022

	Governmental Fund
Revenues	
Intergovernmental transfers	\$ 3,219,549
Program revenues	421,056
Membership revenues	582,143
Grants and donations	16,021
Interest income	672
Other revenues	25,261
	4,264,702
Total Revenues	4,264,702
Expenditures	
Personnel expenses	2,274,765
Program supplies	230,064
Repairs and maintenance	339,415
Utilities and telephone	304,624
Insurance	80,131
Office supplies	67,221
Professional fees	31,744
Software and support	48,456
Marketing and advertising	16,856
Travel	50,206
Miscellaneous expenses	14,340
Staff education	13,597
	3,471,419
Total Current Expenditures	3,471,419
Operating capital outlays	540,620
	4,012,039
Total Expenditures	4,012,039
Net change in fund balance	252,663
Fund balance - beginning	1,194,548
Fund balance - ending	\$ 1,447,211

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

Georgetown-Scott County Parks & Recreation
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balance of Governmental Fund to the Statement of Activities
 For The Year Ended June 30, 2022

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	252,663
<p>Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.</p>		
Capital Outlay		540,620
Depreciation Expense		(149,159)
<p>Governmental Funds report pension and OPEB related expenses of \$247,032. However, the Statement of Net Position reports pension and OPEB expenses calculated pursuant to GASB 68 and 75 of \$16,060.</p>		
		230,972
<p>Government Funds report expense as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded more expenses than the fund accounting due to accrued compensated absences.</p>		
		(3,973)
Change in Net Position of Governmental Activities	\$	871,123

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

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Georgetown-Scott County Parks & Recreation was created as a joint venture between the City of Georgetown, Kentucky and Scott County, Kentucky to operate the local parks and recreation pursuant to K.R.S. 97.035 et. seq. and K.R.S. 97.010 et. seq. The Organization was created to provide all Scott County residents with access to public parks and facilities, and to establish, equip, maintain and administer a countywide park and recreation system. The affairs of the Organization district shall be operated by a Board of Trustees as set forth by K.R.S. 97.010.

Basis of Presentation

The financial statements of the Georgetown-Scott County Parks & Recreation District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the Organization’s taxing district as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The Organization has only one such governmental fund that accounts for the daily operating activity of the Organization. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the Organization. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Organization by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgeting

The Organization follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Revenues

In the government-wide statements, revenues are recognized when they become available. Available revenues include intergovernmental transfers expected to be collected within sixty days after year-end. These transfers are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. Additionally, as all capital assets are directly utilized in the Organization’s operating activities, an expense for capital outlays has been reported in the fund financial statements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2022 was \$149,159.

Fund Balance

As of June 30, 2012, the Organization implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Organization. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2022, fund balances are comprised of the following:

	<u>General Fund</u>
Nonspendable	\$ 139,771
Unassigned	\$ 1,307,440

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plan

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the benefits, and retirement expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions and OPEB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Organization’s cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity’s name, (2) collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name). The Organization’s categorization as of June 30, 2022 was as follows:

Category 1	\$	250,000
Category 2	\$	1,220,755
Category 3	\$	-

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Buildings and improvements	\$ 1,006,606	\$ 80,881	\$ -	\$ 1,087,487
Equipment	1,439,545	459,739	-	1,899,284
Vehicles	266,850	-	-	266,850
Construction in Progress	2,660	-	-	2,660
Total at historical cost	<u>2,715,661</u>	<u>540,620</u>	<u>-</u>	<u>3,256,281</u>
Less accumulated depreciation	<u>2,078,335</u>	<u>149,159</u>	<u>-</u>	<u>2,227,494</u>
Capital assets – net	<u>\$ 637,326</u>	<u>\$ 391,461</u>	<u>\$ -</u>	<u>\$ 1,028,787</u>

NOTE 4 – COMPENSATED ABSENCES

It is the Organization’s policy to compensate all employees for certain absences not used at the end of their employment. As of June 30, 2022, the liability for these absences was \$80,140 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 5 – DEFERRED MEMBERSHIP DUES

The Organization sells memberships to the Pavilion to allow citizens to access the facilities and the pool. Some of these memberships are purchased semi-annually or annually. As of June 30, 2022, \$76,511 worth of membership payments were received for services to be provided after the end of the fiscal year.

NOTE 6 – LONG-TERM LIABILITIES

The Organization has long-term liabilities related to the aforementioned compensated absences and their involvement in the Kentucky County Employee Retirement System (CERS).

The following is a summary of the long-term liabilities as of June 30, 2022:

	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>
Payable at June 30, 2021	\$ 76,167	\$ 2,211,208	\$ 695,635
Increase in liability	3,973	-	-
(Decrease) in liability	-	(678,724)	(235,593)
Payable at June 30, 2022	<u>\$ 80,140</u>	<u>\$ 1,532,484</u>	<u>\$ 460,042</u>

NOTE 7 – INTERGOVERNMENTAL TRANSFERS

The Organization receives funds from the City of Georgetown and Scott County to allow them to continue to operate the park and recreation services on their behalf. The transfers for the year ended June 30, 2022, consisted of \$1,697,476 from Scott County and \$1,522,073 from the City of Georgetown. These funds make up a majority of the revenues of the Organization. The amount of the funds to be transferred is determined annually by the board of trustees of both the City of Georgetown and Scott County’s during their annual budget determination. The contract is automatically renewed annually.

NOTE 8 – RETIREMENT PLAN

The Organization’s employees are provided with the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or at least 4 years of service and 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

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

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

All current employees participating in County Employees Retirement Systems (CERS) are eligible for healthcare benefits provided by KRS in conjunction with their pension service benefits described. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS.

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

At June 30, 2022, the Organization reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the Organization as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the Organization were as follows on the next page.

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Organization's proportionate share of the CERS net pension liability	\$	1,532,484
Commonwealth's proportionate share of the CERS net pension liability associated with the Organization		6,374,251,904
	\$	6,375,784,388

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Organization's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the Organization's proportion was 0.024036%.

For the year ended June 30, 2022, the Organization recognized pension expense of \$10,935 related to CERS. At June 30, 2022, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 17,597	\$ (14,874)
Changes of assumptions	20,567	-
Difference between projected and actual earnings	59,449	(263,701)
Changes in proportionate share and differences between contributions and proportionate share of contributions	-	(279,365)
Contributions made subsequent to the measurement date	181,841	-
	\$ 279,454	\$ (557,940)

The \$181,841 reported as deferred outflows of resources related to pensions resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30,	Increase (decrease) in pension expense
2022	\$ (180,712)
2023	(162,195)
2024	(53,457)
2025	(63,963)
Total	\$ (460,327)

S

Actuarial assumptions—The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of plan investment expense, including inflation

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 8 – RETIREMENT PLAN (CONTINUED)

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

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 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 is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	<u>4.55%</u>
Total	100.00%	7.30%

Discount rate—The projection of cash flows used to determine the discount rate of 6.25% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of the Organization’s proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the Organization, calculated using the discount rates selected by each pension system, as well as what the Organization’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	Organization’s proportionate share of net
1% decrease	5.25%	\$ 1,965,483
Current discount rate	6.25%	\$ 1,532,484
1% increase	7.25%	\$ 1,174,187

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Other Post-Employment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the Organization reported a liability for its proportionate share of the OPEB liability for CERS. The amount recognized by the Organization as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the Organization were as follows:

Library's proportionate share of the CERS net OPEB liability	\$	460,042
Commonwealth's proportionate share of the CERS net OPEB liability associated with the Library		1,913,989,925
		1,914,449,967
	\$	1,914,449,967

The net OPEB liability for each plan was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The Organization's proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the Organization's proportion was 0.024036%.

For the year ended June 30, 2022, the Organization recognized OPEB expense of \$5,125 related to CERS. At June 30, 2022, the Organization reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 72,341	\$ 137,353
Changes of assumptions	121,965	428
Difference between projected and actual earnings	23,178	95,145
Changes in proportionate share and differences between contributions and proportionate share of contributions	6,365	113,930
Contributions made subsequent to the measurement date	49,648	-
	\$ 273,497	\$ 346,856

The \$49,648 reported as deferred outflows of resources related to OPEBs resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEBs will be recognized in OPEB expense as follows:

Fiscal year ending June 30,	Increase (decrease) in OPEB expense
2023	\$ (17,619)
2024	(28,505)
2025	(31,133)
2026	(45,750)
2027	-
2028 and thereafter	-
Total	\$ (123,007)

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 8 – RETIREMENT PLAN (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:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare Cost Trend Rate	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

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

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 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 is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	<u>4.55%</u>
Total	100.00%	7.30%

Discount rate— Single discount rates of 5.20% for the CERS non-hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Georgetown-Scott County Parks & Recreation
Notes to Financial Statements
June 30, 2022

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Sensitivity of the Organization’s proportionate share of net OPEB liability to changes in the discount rate—The following table presents the net OPEB liability of the Organization, calculated using the discount rates selected by each OPEB system, as well as what the Organization’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	Organization’s proportionate share of net
1% decrease	4.20%	\$ 631,635
Current discount rate	5.20%	\$ 460,042
1% increase	6.20%	\$ 319,222

Sensitivity of the Organization’s proportionate share of net OPEB liability to changes in the healthcare cost trend rate—The following table presents the net OPEB liability of the Organization, calculated using the current healthcare cost trend rate selected by each OPEB system, as well as what the Organization’s 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 rate.

	Organization’s proportionate share of net
1% decrease	\$ 331,176
Current healthcare cost trend rate	\$ 460,042
1% increase	\$ 615,586

OPEB plan fiduciary net position—Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of CERS.

NOTE 9 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the Organization also carries commercial insurance for all other risks of loss such as worker’s compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through February 28, 2023, the date this report became available for issuance.

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 Board of Trustees
Georgetown-Scott County Parks & Recreation
Georgetown, 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 of Georgetown-Scott County Parks & Recreation, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Georgetown-Scott County Parks & Recreation's basic financial statements, and have issued our report thereon dated February 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Georgetown-Scott County Parks & Recreation'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 Georgetown-Scott County Parks & Recreation's internal control. Accordingly, we do not express an opinion on the effectiveness of Georgetown-Scott County Parks & Recreation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2022-1).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Georgetown-Scott County Parks & Recreation'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*.



Georgetown-Scott County Parks & Recreation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Georgetown-Scott County Parks & Recreation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Georgetown-Scott County Parks & Recreation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC

Richmond, Kentucky

February 28, 2023

GEORGETOWN-SCOTT COUNTY PARKS & RECREATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

FINDINGS- FINANCIAL STATEMENT AUDIT

2022-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

At present the Organization does not have an individual with the required expertise for financial accounting and reporting necessary to successfully apply generally accepted accounting principles in regard to recording the entity's financial transactions and in drafting the financial statements and related disclosures.

Effect:

The Organization did not have effective procedures in place to ensure that all accruals and adjustments that are needed have been appropriately recorded. Additionally, the Organization's staff or contracted personnel did not collectively possess a full working knowledge of generally accepted accounting principles.

Organization Response and Corrective Action Plan:

Management is aware of the deficiency caused by having no certified public accountant on staff. Supervision by the Board of Trustees, and enhanced oversight by the Treasurer, remains an integral part of the Organization's financial procedure.

We did not audit the Organization's response and, accordingly, we express no opinion on it.

Georgetown-Scott County Parks & Recreation
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues				
Intergovernmental transfers	\$ 3,312,220	\$ 3,312,220	\$ 3,219,549	\$ (92,671)
Program revenues	449,500	449,500	421,056	(28,444)
Membership revenues	590,350	590,350	582,143	(8,207)
Grants and donations	5,500	5,500	16,021	10,521
Interest income	-	-	672	672
Other revenues	300	300	25,261	24,961
Total Revenues	<u>4,357,870</u>	<u>4,357,870</u>	<u>4,264,702</u>	<u>(93,168)</u>
Expenditures				
Personnel expenses	2,447,850	2,447,850	2,274,765	173,085
Program supplies	160,300	160,300	230,064	(69,764)
Repairs and maintenance	279,500	279,500	339,415	(59,915)
Utilities and telephone	301,300	301,300	304,624	(3,324)
Insurance	95,500	95,500	80,131	15,369
Office supplies	50,500	50,500	67,221	(16,721)
Professional fees	21,000	21,000	31,744	(10,744)
Software and support	32,000	32,000	48,456	(16,456)
Marketing and advertising	25,500	25,500	16,856	8,644
Travel	53,600	53,600	50,206	3,394
Miscellaneous expenses	1,800	1,800	14,340	(12,540)
Staff education	10,800	10,800	13,597	(2,797)
Total Current Expenditures	<u>3,479,650</u>	<u>3,479,650</u>	<u>3,471,419</u>	<u>8,231</u>
Operating capital outlays	<u>878,220</u>	<u>878,220</u>	<u>540,620</u>	<u>337,600</u>
Total Expenditures	<u>4,357,870</u>	<u>4,357,870</u>	<u>4,012,039</u>	<u>345,831</u>
Net change in fund balance	-	-	252,663	252,663
Fund balance - beginning	<u>1,194,548</u>	<u>1,194,548</u>	<u>1,194,548</u>	
Fund balance - ending	<u>\$ 1,194,548</u>	<u>\$ 1,194,548</u>	<u>\$ 1,447,211</u>	

See Independent Auditor's Report.

Georgetown-Scott County Parks & Recreation
Schedule of Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.024036%	0.028827%	0.031031%	0.032472%	0.031271%	0.029520%	0.031872%	0.031020%
Proportionate share of the net pension liability	\$ 1,532,484	\$ 2,211,208	\$ 2,182,424	\$ 1,977,641	\$ 1,830,397	\$ 1,453,453	\$ 1,370,347	\$ 1,006,410
Covered employee payroll	\$ 858,955	\$ 613,930	\$ 738,534	\$ 782,723	\$ 804,812	\$ 761,376	\$ 675,264	\$ 746,344
Share of the net pension liability as a percentage of its covered employee payroll	178.41%	360.17%	295.51%	252.66%	227.43%	190.90%	202.94%	134.85%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.34%	53.32%	55.50%	59.97%	66.80%

*Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.*

See Independent Auditor's Report.

Georgetown-Scott County Parks & Recreation
Schedule of Pension Contributions
For the Years Ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required employer contribution	\$ 181,841	\$ 118,489	\$ 142,538	\$ 126,958	\$ 116,537	\$ 106,212	\$ 83,868	\$ 95,159	\$ 134,431
Contributions relative to contractually required employer contribution	<u>\$ 181,841</u>	<u>\$ 118,489</u>	<u>\$ 142,538</u>	<u>\$ 126,958</u>	<u>\$ 116,537</u>	<u>\$ 106,212</u>	<u>\$ 83,868</u>	<u>\$ 95,159</u>	<u>\$ 134,431</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 858,955	\$ 613,930	\$ 738,534	\$ 782,723	\$ 804,812	\$ 761,376	\$ 675,264	\$ 746,344	\$ 978,390
Employer contributions as a percentage of covered-employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

Notes: *Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above. Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.*

See Independent Auditor's Report.

Georgetown-Scott County Parks & Recreation
 Schedule of Changes in Benefits and Assumptions- Pension
 For the Year Ended June 30, 2022

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final pay rate to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving children have been increased from 10% of the member’s final pay to 50% of the average pay for one child, 65% of the average pay for two children, or 75% of the average pay for three children.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- The assumed rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%

2015

- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four year for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions –The following actuarial methods and assumptions were used to determine contribution effective for the fiscal year ended June 30, 2021:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

See Independent Auditor’s Report.

Georgetown-Scott County Parks & Recreation
Schedule of Proportionate Share of the Net OPEB Liability
For the Years Ended June 30, 2022, 2021, 2020, 2019, 2018, and 2017

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net OPEB liability	0.024036%	0.028827%	0.031031%	0.032472%	0.031271%	0.029520%
Proportionate share of the net OPEB liability	\$ 460,042	\$ 695,635	\$ 521,793	\$ 521,793	\$ 576,507	\$ 628,655
Covered employee payroll	\$ 858,955	\$ 613,930	\$ 738,534	\$ 738,534	\$ 782,723	\$ 761,376
Share of the net OPEB liability as a percentage of its covered employee payroll	53.56%	113.31%	70.65%	70.65%	73.65%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	50.45%	53.54%	52.39%	55.24%

Notes: *Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.*

See Independent Auditor's Report.

Georgetown-Scott County Parks & Recreation
Schedule of OPEB Contributions
For the Years Ended June 30, 2022, 2021, 2020, 2019, 2018, and 2017

	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required employer contribution	\$ 49,648	\$ 29,223	\$ 35,154	\$ 41,171	\$ 37,826	\$ 36,013
Contributions relative to contractually required employer contribution	<u>\$ 49,648</u>	<u>\$ 29,223</u>	<u>\$ 35,154</u>	<u>\$ 41,171</u>	<u>\$ 37,826</u>	<u>\$ 36,013</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 858,955	\$ 613,930	\$ 738,534	\$ 782,723	\$ 804,812	\$ 761,376
Employer contributions as a percentage of covered-employee payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS.

The above contributions only include those contributions allocated directly to the CERS insurance fund.

See Independent Auditor's Report.

Georgetown-Scott County Parks & Recreation
 Schedule of Changes in Benefits and Assumptions- OPEB
 For the Year Ended June 30, 2022

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2021

- The single discount rate was decreased from 5.34% to 5.20%

2020

- The single discount rate was decreased from 5.68% to 5.34%

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The single discount rate was decreased from 5.84% to 5.68%
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- The assumed rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%

Method and assumptions used in calculations of actuarially determined contributions – The following actuarial methods and assumptions were used to determine contribution effective for fiscal year ending June 30, 2021:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.