

GEORGETOWN-SCOTT COUNTY PARKS AND RECREATION
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JUNE 30, 2019

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Welch & Company, CPAs, PSC
114 West Main Street
Georgetown, Kentucky 40324

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Georgetown-Scott County Parks and Recreation

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Georgetown-Scott County Parks and Recreation, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the organization'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, each major fund, and the aggregate remaining fund information of the Georgetown-Scott County Parks and Recreation, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 18 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.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
Georgetown, Kentucky
January 20, 2020

GEORGETOWN-SCOTT COUNTY PARKS AND RECREATION
STATEMENT OF NET POSITION
June 30, 2019

	<u>2019</u>
Assets	
Cash	\$ 913,361
Capital Assets, Net	<u>559,040</u>
Total Assets	<u>1,472,401</u>
 Liabilities	
Accounts Payable	248,023
Accrued Payroll Liabilities	406,898
Net Pension Liability (See Note 7)	<u>315,904</u>
Total Liabilities	<u>970,825</u>
 Fund Balances/Net Position	
 Fund Balances:	
Unassigned	(57,464)
 Net Position:	
Net Investment in Capital Assets	559,040
 Total Net Position	<u><u>\$ 501,576</u></u>

See Accompanying Notes to the Basic Financial Statements.

GEORGETOWN-SCOTT COUNTY PARKS AND RECREATION
STATEMENT OF ACTIVITIES
June 30, 2019

	<u>2019</u>
<u>Functions/Programs</u>	
Expenses	
Operations and operating projects	\$ 3,225,217
Depreciation	111,205
Program revenues	
Operating revenue	<u>1,248,811</u>
Net program expense	<u>(2,087,611)</u>
General Revenues	
Interest	<u>483</u>
Total general revenues	<u>483</u>
Other Financing Sources (Uses)	
Operating transfers in	<u>2,191,960</u>
Change in net position	104,832
Net position, beginning of year	<u>396,744</u>
Net position, end of year	<u><u>\$ 501,576</u></u>

See accompanying notes to the basic financial statements.

GEORGETOWN-SCOTT COUNTY PARS AND RECREATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>2019</u>
Assets	
Cash	\$ 913,361
Total Assets	<u><u>\$ 913,361</u></u>
Liabilities	
Accounts Payable	248,023
Accrued Payroll Liabilities	406,898
Net Pension Liability (see Note 7)	315,904
Total Liabilities	<u><u>\$ 970,825</u></u>
Fund Balance	
Unassigned	(57,464)
Total Fund Balance	<u><u>\$ (57,464)</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 913,361</u></u>
Unassigned Fund Balance	\$ (57,464)
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 funds, net of accumulated depreciation of \$1,797,198.	 <u>\$ 559,040</u>
 Net position of governmental activities	 <u><u>\$ 501,576</u></u>

See Accompanying Notes to the Basic Financial Statements.

GEORGETOWN-SCOTT COUNTY PARKS AND RECREATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>
Revenues	
Program Revenue	\$ 1,248,811
City/County Operating Transfers	2,191,960
Interest Income	<u>483</u>
Total revenues	<u>\$ 3,441,254</u>
Expenditures	
Salaries	1,534,975
Payroll taxes/Benefits (see Note 7)	545,083
General and administrative	286,932
Pavilion	492,117
Ed Davis	28,783
Youth Sports	4,610
Suffoletta Family Aquatic Center	106,505
Parks Maintenance	49,896
Insurance	145,113
Other Programs	31,203
Capital Outlay	<u>249,334</u>
Total expenditures	<u>\$ 3,474,551</u>
Excess revenues over expenditures	<u>\$ (33,297)</u>
Fund balance, July 1 2018	<u>\$ (24,167)</u>
Fund balance, June 30, 2019	<u><u>\$ (57,464)</u></u>

See accompanying notes to the basic financial statements.

GEORGETOWN-SCOTT COUNTY PARKS AND RECREATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the statement of activities are different because :

	2019
Net change in fund balances of governmental funds	\$ (33,297)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$249,334) exceeds depreciation (\$111,205) in the current period.	
	138,129
Changes in net position of governmental funds	<u>104,832</u>

See accompanying notes to the basic financial statements.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Georgetown-Scott County Parks and Recreation (Parks and Recreation) complies with generally accepted accounting principles (GAAP) in the United States of America. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Basis of Accounting/Measurement Focus Financial Statement Presentation

The accounts of Parks and Recreation are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A. Government-Wide Financial Statements

Parks and Recreation's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for Parks and Recreation.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of Parks and Recreation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

B. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. Parks and Recreation has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by Parks and Recreation, are City and County funds. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which Parks and Recreation is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Parks and Recreation has not classified any items as being Nonspendable as of June 30, 2019.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Parks and Recreation has not classified any items as being Restricted as of June 30, 2019.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Parks and Recreation did not have any committed resources as of June 30, 2019.
- **Assigned:** This classification includes amounts that are constrained by Parks and Recreation's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Executive Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. Parks and Recreation did not have any assigned resources as of June 30, 2019.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding which represents the portion of the General Fund balance that has been established by Ordinance, to be used for specific purposes. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. As of June 30, 2019, there were no governmental fund balances with negative balances.

Parks and Recreation would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of Parks and Recreation.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	30 years
Equipment and Fixtures	3 - 10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

Compensated Leave

Upon termination, employees of Parks and Recreation with over one year of service shall be paid in a lump sum for accrued and unused compensated absences. As of June 30, 2019, the liability for compensated absences is \$287,054.

Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character:	Current (further classified by function)
Debt Service	
Capital Outlay	

In the fund financial statements, governmental funds report expenditures of financial resources.

Use of Estimates

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

NOTE 2-DEPOSITS

Parks and Recreation maintains three separate bank accounts with each account maintained for an individual function. Parks and Recreation maintains a sweep type bank account. Funds are transferred from interest bearing accounts to cover checks as they are presented for payment. Excess funds are transferred to interest bearing accounts to maximize interest earnings.

It is Parks and Recreation's objective for deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The table presented below is designed to disclose the level of custody credit risk assumed by the Georgetown-Scott County Parks and Recreation based upon how its deposits were insured or secured with collateral at June 30, 2019. The categories of credit risk are defined as follows:

Category 1-Insured by FDIC or collateralized with securities held by Parks and Recreation or by its agent in its name.

Category 2-Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in Parks and Recreation's name.

Category 3-Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in Parks and Recreation's name; or collateralized with written or approved collateral agreement.

As of June 30, 2019, \$250,000 of the Commission's deposits were classified as Category 1 deposits. The remaining \$663,361 were classified as Category 2 deposits.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

NOTE 3-CAPITAL ASSETS

A summary of changes in Capital Assets as of June 30:

	Balance At June 30, 2018	Additions	Disposals	Balance At June 30, 2019
Capital Assets	\$ 2,106,904	\$ 249,334	\$ -0-	\$ 2,356,238
Less accumulated depreciation	(1,685,993)	(111,205)	-0-	(1,797,198)
Net	<u>\$ 420,911</u>	<u>\$ 138,129</u>	<u>\$ -0-</u>	<u>\$ 559,040</u>

NOTE 4-COMMITMENTS

Parks and Recreation maintains contractual relationships relating to services provided for the benefit of Parks and Recreation. These commitments include annual contractual obligations for maintenance services. All contracts are current.

NOTE 5-RELATED PARTY TRANSACTIONS

There were no related party transaction for the fiscal year ending June 30, 2019.

NOTE 6-DEFICIT OPERATING BALANCES

There are no funds of Parks and Recreation that currently have a deficit fund balance.

NOTE 7-RETIREMENT BENEFITS

These notes are from the Audited statement of June 30, 2017. The actuarial data for the year ending June 30, 2019 has not been released as of the date of this report.

Parks and Recreation participates in the County Employees Retirement System (CERS) retirement plan. CERS is a cost-sharing multiple employer defined benefit pension plan (the Plan) that covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in CERS. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments are provided at the discretion of the General Assembly of the Commonwealth of Kentucky.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

For the fiscal years ended June 30, 2017, plan members were required to contribute 5% of their creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute 61.565(3), normal contribution and past service contribution rates shall be determined by the Board of Trustees (the Board) of Kentucky Retirement Systems based on an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined based on a subsequent actuarial valuation that amended contribution rates necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board.

The following information is required by GASB 68 for cost-sharing multiple employer defined benefit pension plans and shows the data from the last received report for the year ending June 30, 2017:

Net pension liability	<u>315,904</u>
Deferred Outflows of Resources	
Difference between Expected and actual experience	2,270
Net difference between projected and actual investment earnings on pension plan investments	144,965
Change of assumptions	337,756
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>58,082</u>
Total Deferred Outflows of Resources	<u>543,073</u>
Deferred Inflows of Resources	205,661
Pension Expense	
Proportionate share of plan pension expense	311,855
Deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	<u>4,049</u>
Total Pension Expense at 06/30/2017	315,904
Pension Liability Expensed as of 06/30/2019	<u>(315,904)</u>
Current Portion of Pension Expense	<u>0</u>

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

An actuarial valuation determined the total pension liability as of June 30, 2017, using standard roll-forward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	4.98 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

- a) **Discount rate:** The discount rate used to measure the total pension liability was 5.25%
- b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.
- c) **Long term rate of return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.
- d) **Municipal bond rate:** the discount rate determination does not use a municipal bond rate.
- e) **Periods of projected benefit payments:** projected future benefit payments for all current plan members were projected through 2117.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

- (f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic 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
Combined Equity	44%	5.40%
Combined Fixed Income	19	1.50
Real Return (Diversified Inflation Strategies)	10	3.50
Real Estate	5	4.50
Absolute Return (Diversified Hedge Funds)	10	4.25
Private Equity	10	8.50
Cash Equivalent	2	-0.25
Total	100%	

- (g) **Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System, calculated using the discount rate of percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate for non-hazardous and (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate for hazardous:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Non-Hazardous			
System's net pension liability	\$7,596,602,000	\$6,038,637,000	\$4,734,181,000

Paragraph 80(a): This paragraph requires disclosure of the employer's proportionate share of the collective NPL and if an employer has a special funding situation, the portion of the non-employer contributing entities' proportionate share of the collective NPL that is associated with the employer. These amounts are shown in Schedule B.

Paragraph 80(b): This paragraph requires disclosure of the employer's proportion of the collective NPL and the change in the proportion since the prior measurement date. These amounts are shown in Schedule B.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

Paragraph 80(c): June 30, 2016 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2017, using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. Please refer to the GASB Statement No. 67 Report for the CERS as of June 30, 2017, for the roll forward procedure used to determine the TPL as of June 30, 2017.

Paragraphs 80(d)-(e): Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have not been updated.

Paragraph 80(f): There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Paragraph 80(g): Please see Section V of the report for the development of the collective Pension expense. PE for each employer is shown in Schedule B.

Paragraph 80(h): Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows. As noted in the previous section, the amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. The table below provide a summary of the deferred inflows and outflows as of the Measurement Date. The allocation of deferred inflows and outflows is provided in Schedule B.

	Non-Hazardous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$7,260,004	\$148,582,009
Changes of assumptions	1,080,093,815	0
Net difference between projected and actual earnings on plan investments	463,574,916	391,176,280
Employer contributions subsequent to the Measurement Date	<u>99,364,266</u>	<u>\$95,010,701</u>
Total	<u>\$1,650,293,001</u>	<u>\$634,768,990</u>

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

Paragraph 80(i): The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Amounts to be recognized in Fiscal Years Following the Reporting Date		
	Non-Hazardous	Hazardous
Year 1	\$449,136,236	\$228,200,775
Year 2	444,320,262	252,616,049
Year 3	197,227,088	93,790,386
Year 4	(75,159,603)	(24,411,831)
Year 5	0	0
Thereafter	0	0

Paragraph 80(j): The amount of revenue recognized for the support provided by non-employ contributing entities for the participating employers. There are no non-employer contributing entities.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, listed below:

2017

- The assumed investment rate of return was decreased from 7.5% to 6.25%.
- The price inflation assumption was reduced from 3.25% to 2.3%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service and a 0.95% decrease in the health care cost trend rates.
- Payroll growth assumption was reduced from 4% to 2%.
- 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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years 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.

- The assumed rates of Retirement, Withdrawal and Disability were updated to reflect experience more accurately.

Georgetown-Scott County Parks and Recreation
Notes To Financial Statements
June 30, 2019

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on an annual basis beginning with the fiscal year ending 2018, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Remaining amortization period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.3 percent
Salary increase	4.98, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

NOTE 10-EVALUATION OF SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through January 20, 2020, the date which the financial statements were available to be issued.

GEORGETOWN-SCOTT COUNTY PARKS AND RECREATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budget Basis	Final Budget Positive (Negative)
Revenues				
Program Revenues	1,407,545	1,407,545	1,248,811	(158,734)
City/County Funds	2,269,705	2,269,705	2,191,960	(77,745)
Interest income	-	-	483	483
Total revenues	<u>3,677,250</u>	<u>3,677,250</u>	<u>3,441,254</u>	<u>(235,996)</u>
Expenditures				
Salaries	1,699,035	1,699,035	1,534,975	164,060
Payroll taxes/Benefits	663,465	663,465	545,083	118,382
General and administrative	213,400	213,400	286,932	(73,532)
Pavilion	377,400	377,400	492,117	(114,717)
Ed Davis	27,900	27,900	28,783	(883)
Youth Sports	3,750	3,750	4,610	(860)
Suffoletta Family Aquatic Center	94,500	94,500	106,505	(12,005)
Parks Maintenance	86,000	86,000	49,896	36,104
Insurance	147,500	147,500	145,113	2,387
Other Programs	25,000	25,000	31,203	(6,203)
Capital Outlay	339,300	339,300	249,334	89,966
Total expenditures	<u>3,677,250</u>	<u>3,677,250</u>	<u>3,474,551</u>	<u>202,699</u>
Excess revenue over expenditures	<u>-</u>	<u>-</u>	<u>(33,297)</u>	<u>(33,297)</u>
Fund Balance, July 1, 2018	<u>396,744</u>	<u>396,744</u>	<u>396,744</u>	<u>-</u>
Fund Balance, June 30, 2019	<u>\$ 396,744</u>	<u>\$ 396,744</u>	<u>\$ 363,447</u>	<u>\$ (33,297)</u>

See accompanying notes to the basic financial statements.

**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***

Independent Auditor's Report

The Board of Directors
Georgetown-Scott County Parks and 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, each major fund, and the aggregate remaining fund information of the Georgetown-Scott County Parks and Recreation as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Georgetown-Scott County Parks and Recreation's basic financial statements, and have issued our report thereon dated January 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Georgetown-Scott County Parks and Recreation'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 Georgetown-Scott County Parks and Recreation's internal control. Accordingly, we do not express an opinion on the effectiveness of Georgetown-Scott County Parks and 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Georgetown-Scott County Parks and 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 that are required to be reported under *Government Auditing Standards*.

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

Parks and Recreation's response to the finding identified in our audit is described in the accompanying "Schedule of Findings and Response." We did not audit Parks and Recreation's response 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 result 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.

Welch & Company, CPAs, PSC

Georgetown, Kentucky

January 20, 2020

**Georgetown-Scott County Parks and Recreation
SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2019**

Finding 2019-1

Neither those charged with governance nor the individual who performs the accounting functions have been educated or trained so that they may prepare financial statements in accordance with generally accepted accounting principles.

Criteria: In order for those charged with governance and Management to make financial decisions affecting the organization, accurate and timely financial statements need to be available.

Cause: Management and the individual who performs the accounting functions have not received an accounting education or training in preparation of financial statements in accordance with generally accepted accounting principles.

Effect: The financial statements that those charged with governance and management receives are not prepared in accordance with generally accepted accounting principles.

Recommendation: No recommendation is made.

Management Response: Georgetown-Scott County Parks and Recreation is a small organization and as such does not have the resources to hire a CPA. The operating budget is small and until the economy begins to improve and more income is generated, they are limited in their selection. The bookkeeper has received some limited software and accounting training for regular and routine transactions. If unusual or difficult to record transactions are encountered, advice from a CPA is sought.