

CITY OF PARK HILLS, KENTUCKY

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

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CITY OF PARK HILLS, KENTUCKY

CITY OFFICIALS

For the Year Ended June 30, 2015

List of City Officials

Matt Mattone, Mayor

Greg Claypole

Steve Elkins

L.F. "Skip" Fangman

Monty O'Hara

Pamela Spoor

Kathy Zembrodt

Administration and Departments

Julie Alig, Clerk/Treasurer

Cody Stanley, Police Chief

John Scott Rigney, Fire Chief

Jay Bayer, City Engineer

Dan VonHandorf, Public Works

Todd McMurtry, Attorney



Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and
Members of the Council
City of Park Hills, Kentucky**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Park Hills, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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 an opinion 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 opinion.

-Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Park Hills, Kentucky as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

-Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4–5, the budgetary comparison schedules on pages 26-27 and the pension disclosure on page 28 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.

-Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining non-major fund financial statements are supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2016 on our consideration of the City of Park Hills, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City of Park Hills, Kentucky's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky

January 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) is required supplementary information per the Government Accounting Standards Board (GASB) that provides management with the opportunity to provide both short and long term analysis of the City of Park Hills' financial activities. The MD&A should be read in conjunction with the City's basic financial statements, which begin on page 6.

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The City's fund financial statement provides more detail on the operations of the City than the government wide statements.

REPORTING ON THE CITY AS A WHOLE

The Statement of Net Position and Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting and report the City's net position and changes in them. The City's basic services are considered to be governmental activities and include general government, public safety and public works. Property taxes, insurance premium taxes and payroll taxes/gross receipts license fees finance most of these services. The assets of the City exceeded its liabilities at June 30, 2015 by \$4,484,598.

	2015	2014
Assets		
Current and other assets	\$ 630,931	\$ 583,553
Capital assets	4,449,783	4,018,391
Restricted assets	368,870	297,821
Total Assets	5,449,584	4,899,765
Deferred Outflows of Resources	138,616	-
Total Assets and Deferred Outflows	5,588,200	4,899,765
Liabilities		
Current liabilities	143,740	23,741
Long term liabilities	886,089	152,667
Total Liabilities	1,029,829	176,408
Deferred Inflows of Resources	73,773	-
Total Liabilities and Deferred Inflows	1,103,602	176,408
Net Position		
Net investment in capital assets	4,281,794	3,867,099
Designated future expenditures	436,597	374,346
Unrestricted	(233,793)	481,912
Total Net Position	<u>\$ 4,484,598</u>	<u>\$ 4,723,357</u>

One of the most important questions asked about the City's finances is whether the financial position has improved or deteriorated as a result of the year's operations. In fiscal year 2015, governmental activities increased the City's net position by \$476,506, compared to a decrease of \$399,574 in 2014. The 2015 increase in net position includes a non-cash depreciation expense of \$342,990.

These amounts are detailed in the Statement of Activities as follows:

General Revenues	2015	2014
Property taxes	\$ 465,243	\$ 465,818
Municipal insurance taxes	538,395	432,930
Road taxes	286,354	292,956
Licenses and permits	318,216	339,904
Other revenues	19,893	17,968
Total General Revenues	<u>1,628,101</u>	<u>1,549,576</u>
Expenses, net of program revenues		
General and administrative	333,242	170,899
Public safety	703,265	646,938
Public works	(306,635)	707,119
Building and utilities	52,754	44,623
Contracted services	364,334	376,088
Interest expense	4,635	3,483
Total Expenditures, net	<u>1,151,595</u>	<u>1,949,150</u>
Increase (Decrease) in Net Position	<u>\$ 476,506</u>	<u>\$ (399,574)</u>

THE CITY'S FUNDS

The City maintains its budget and daily operations on a current financial resources focus, known as "fund accounting". The City's funds consist of the general fund, the road tax fund, and six special revenue funds. The Statement of Revenues, Expenditures and Changes in Fund Balances reflects an excess of fund revenues and other financing sources over fund expenditures and other financing uses in the amount of \$22,504. This excess includes \$774,382 in capital outlays, of which \$677,806 were outlays for road replacement. The Administration, Police and Public Works Reserve funds are committed to special purpose expenditures for each of these governmental functions.

The City's General Fund received \$54,189 more revenue than was budgeted, and expended \$49,211 less than was budgeted. The City's Road Tax Fund received \$20,815 less revenue than was budgeted, and expended \$76,439 more than was budgeted.

GASB 68 PENSION LIABILITY RECOGNITION

As of June 30, 2015, the City is required, by Governmental Accounting Standards Board Statement No. 68, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the City is a participant. Due to this requirement, the 2014 Statement of Net Position above was restated by (\$708,175) to include the beginning balance of the net pension liability at June 30, 2014. The net pension liability, \$727,356, the deferred outflow of resources, \$138,616, and the deferred inflow of resources, \$73,773, on the Statement of Net Position at June 30, 2015 are a function of this required reporting. Detailed information on this pension recognition can be found in Note F in the Notes to the Financial Statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Julie Alig, the City's Treasurer at The City of Park Hills, 1106 Amsterdam Road, Park Hills, Kentucky, or (859) 431-6252.

CITY OF PARK HILLS, KENTUCKY**Statement of Net Position****June 30, 2015**

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 502,552
Taxes receivable	109,149
Other accounts receivable	19,230
Total Current Assets	630,931
Capital Assets	
Land and improvements	90,818
Assets being depreciated	14,957,109
Less: accumulated depreciation	(10,598,144)
Net Capital Assets	4,449,783
Restricted Assets	
Creighton Fund	34,758
Special Revenue Funds cash	334,112
Total Restricted Assets	368,870
TOTAL ASSETS	5,449,584
DEFERRED OUTFLOWS OF RESOURCES	
Pension contribution for fiscal year 2015	138,616
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,588,200
LIABILITIES	
Current Liabilities	
Accounts payable	110,103
Accrued salaries and benefits	6,702
Current portion of debt	26,935
Total Current Liabilities	143,740
Long Term Liabilities	
Compensated absences	17,679
Capital leases payable	141,054
Net pension liability	727,356
Total Long Term Liabilities	886,089
TOTAL LIABILITIES	1,029,829
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to pensions	73,773
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,103,602
NET POSITION	
Net investment in capital assets	4,281,794
Restricted for:	
Road funds	334,697
Department funds	67,142
Creighton fund	34,758
Unrestricted	(233,793)
TOTAL NET POSITION	\$ 4,484,598

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

CITY OF PARK HILLS, KENTUCKY

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs Primary Government Governmental Activities	Program Revenues			Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Legislative and administrative	\$ 353,513	\$ 20,271	\$ -	\$ -
Public safety	877,097	108,380	65,452	-
Public works	360,523	168,313	76,451	422,394
Building and utilities	52,754	-	-	-
Contracted services	364,934	600	-	-
Interest expense	4,635	-	-	-
Total Governmental Activities	\$ 2,013,456	\$ 297,564	\$ 141,903	\$ 422,394
				(1,151,595)

General Revenues	
Taxes	
Property taxes	465,243
Insurance premium and franchise taxes	538,395
Road tax revenues	286,354
Licenses and permit fees	
Payroll/gross receipts license fees	281,954
Vehicle sticker license	3,417
Licenses	32,845
Miscellaneous	16,151
Gain on sale of fixed assets	3,500
Investment earnings	242
Total general revenues and special items	1,628,101
Change in net position	476,506
Net position, beginning	4,723,357
Prior period adjustment	(715,265)
Net position, ending	\$ 4,484,598

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

CITY OF PARK HILLS, KENTUCKY**Balance Sheet - Governmental Funds**

June 30, 2015

	General Fund	Road Tax Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 360,780	\$ 141,772	\$ -	\$ 502,552
Receivables				
Accounts	10,428	-	6,074	16,502
Taxes	109,149	-	-	109,149
Waste	654	-	-	654
Intergovernmental	2,074	-	-	2,074
Due from other funds	520	-	-	520
Restricted assets				
Special Revenue Funds cash	-	-	334,112	334,112
Creighton Fund	34,758	-	-	34,758
TOTAL ASSETS	<u>\$ 518,363</u>	<u>\$ 141,772</u>	<u>\$ 340,186</u>	<u>\$ 1,000,321</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 29,984	\$ 80,119	\$ -	\$ 110,103
Accrued salaries and benefits	6,702	-	-	6,702
Due to other funds	520	-	-	520
TOTAL LIABILITIES	<u>37,206</u>	<u>80,119</u>	<u>-</u>	<u>117,325</u>
FUND BALANCES				
Restricted	34,758	61,653	273,044	369,455
Committed	-	-	67,142	67,142
Unassigned	446,399	-	-	446,399
TOTAL FUND BALANCES	<u>481,157</u>	<u>61,653</u>	<u>340,186</u>	<u>882,996</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 518,363</u>	<u>\$ 141,772</u>	<u>\$ 340,186</u>	<u>\$ 1,000,321</u>

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

CITY OF PARK HILLS, KENTUCKY***Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position*****June 30, 2015**

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

Total fund balance per balance sheet	\$ 882,996
Capital assets of \$15,047,927, less accumulated depreciation of \$10,598,144, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,449,783
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reportable in the funds:	
Deferred outflows of resources	138,616
Deferred inflow of resources	(73,773)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(17,679)
Capital leases payable	(167,989)
Net pension liability	<u>(727,356)</u>
Net position of governmental activities	<u><u>\$ 4,484,598</u></u>

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

CITY OF PARK HILLS, KENTUCKY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Road Tax Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,237,385	\$ 286,354	\$ 3,417	\$ 1,527,156
Licenses and permits	81,052	-	-	81,052
Charges for services	296,964	-	-	296,964
Intergovernmental	22,465	422,394	76,451	521,310
Interest income	132	38	72	242
Other revenues	56,738	-	6,500	63,238
Transfers from other funds	-	-	7,459	7,459
TOTAL REVENUES	1,694,736	708,786	93,899	2,497,421
EXPENDITURES				
Current				
General administrative expenses	322,894	11,000	15,487	349,381
Police department expenses	645,926	-	-	645,926
Fire/rescue department	108,033	-	-	108,033
Public works expenses	88,281	5,873	8,853	103,007
Building and utilities	52,754	-	-	52,754
Creighton fund	81,102	-	-	81,102
Contracted services	364,934	-	-	364,934
Capital outlay	96,576	677,806	-	774,382
Debt service	21,442	-	-	21,442
Transfers to other funds	7,459	-	-	7,459
TOTAL EXPENDITURES	1,789,401	694,679	24,340	2,508,420
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(94,665)	14,107	69,559	(10,999)
OTHER FINANCING SOURCES (USES)				
Proceeds from lease	33,503	-	-	33,503
TOTAL OTHER FINANCING SOURCES (USES)	33,503	-	-	33,503
EXCESS (DEFICIT) OF REVENUES and OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES and OTHER FINANCING USES	(61,162)	14,107	69,559	22,504
FUND BALANCES				
BEGINNING OF YEAR	542,319	54,636	270,627	867,582
PRIOR PERIOD ADJUSTMENT	-	(7,090)	-	(7,090)
FUND BALANCES END OF YEAR	\$ 481,157	\$ 61,653	\$ 340,186	\$ 882,996

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

CITY OF PARK HILLS, KENTUCKY***Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities*****For the Year Ended June 30, 2015**

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

Net change in fund balance - total governmental funds	\$ 22,504
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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. In the current period these amounts are:

Capital outlays	774,382
Depreciation expense	(342,990)

Governmental funds report pension contributions as expenditures, however, in the
statement of activities, the cost of the pension benefits earned, net of employer
contributions, is reported as pension expense:

Pension contributions	138,616
Costs of benefits earned	(92,954)

The issuance of long-term debt provides current financial resources to governmental
funds, while the repayment of the principal of long-term debt consumes the current
financial resources of the governmental funds. However, the issuance and repayment
of long-term debt has no effect on net position. The amounts of debt proceeds and
principal payments are included in the governmental funds in the current period.

Principal payments	16,807
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Other financing sources, such as a proceeds from a lease, are considered revenues
in the funds, however, they are recorded as long term debt on the Statement of Net
Position.

	(33,503)
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Some expenses reported in the statement of activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in governmental
funds. In the current period these amounts are:

Increase in compensated absences	<u>(6,356)</u>
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Change in net position of governmental activities	<u>\$ 476,506</u>
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The accompanying notes are an integral part of the financial statements.