

CITY OF PARK HILLS, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2002

CITY OF PARK HILLS, KENTUCKY

FINANCIAL STATEMENTS

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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet-All Fund Types and Account Groups.....	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General, Special Revenue and Debt Service Funds.....	5
Notes to Financial Statements.....	6
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SUPPORTING SCHEDULES	
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual.....	15
Schedule of Revenues-Budget and Actual.....	16
Schedule of Expenditures-Budget and Actual.....	17
Special Revenue Funds:	
Combining Balance Sheet-All Special Revenue Funds.....	20
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-All Special Revenue Funds.....	21
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	23



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council City of Park Hills, Kentucky

We have audited the accompanying general purpose financial statements of the City of Park Hills, Kentucky, as of and for the year then ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Park Hills, Kentucky management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

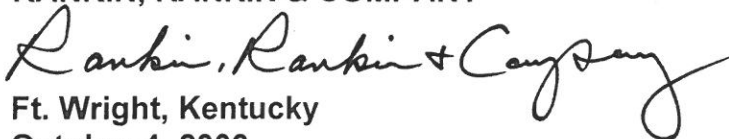
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Park Hills, Kentucky, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Park Hills, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2002 on our consideration of the City of Park Hills' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

RANKIN, RANKIN & COMPANY


Ft. Wright, Kentucky
October 4, 2002

CITY OF PARK HILLS, KENTUCKY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

	Governmental Fund Types				Account Groups		Totals	
	General	Special Revenue	Debt Service	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	2002	2001
ASSETS								
Cash	\$ 442,051	\$ 284,065	\$ 89,688	\$ -	-	\$	\$ 815,804	\$ 1,261,056
Receivables:								
Taxes	2,955	2,858	-	-	-		5,813	2,115
Waste	778	-	-	-	-		778	486
Accrued interest	17,619	-	-	-	-		17,619	-
Accounts	93,513	3,289	3,110	-	-		99,912	100,725
Intergovernmental receivable	1,803	3,969	-	-	-		5,772	76,412
Due from other funds	1,914	-	-	-	-		1,914	-
Prepaid expenses	2,611	-	-	-	-		2,611	2,114
Restricted cash	43,451	-	-	-	-		43,451	-
Property and equipment:								
Land and improvements	-	-	-	11,495	-		11,495	11,495
Buildings and improvements	-	-	-	236,832	-		236,832	236,832
Machinery and equipment	-	-	-	673,563	-		673,563	615,496
Amount available in debt service funds	-	-	-	-	92,798		92,798	94,889
Amount to be provided for retirement of:								
General long-term debt	-	-	-	-	236,077		236,077	325,666
TOTAL ASSETS	\$ 606,695	\$ 294,181	\$ 92,798	\$ 921,890	\$ 328,875	\$	\$ 2,244,439	\$ 2,727,286

CITY OF PARK HILLS, KENTUCKY

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

	Governmental Fund Types				Account Groups			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	General Fixed Assets	General Long-Term Debt			2002	2001
LIABILITIES AND FUND EQUITY									
LIABILITIES									
Accounts payable	\$ 48,901	\$ 132,627	\$ -	\$ -	\$ -			\$ 181,528	\$ 48,887
Other current liabilities	14,349	-	-	-	-			14,349	14,474
Due to other funds	-	1,914	-	-	-			1,914	-
Deferred revenues	34,440	2,858	-	-	-			37,298	91,415
Note payable	-	-	-	-	154,364			154,364	176,416
Lease payable	-	-	-	-	174,511			174,511	244,139
TOTAL LIABILITIES	97,690	137,399	-	-	328,875			563,964	575,331
FUND EQUITY									
Investment in general fixed assets	-	-	-	921,890	-			921,890	863,823
Fund balances:									
Designated for debt service	-	-	92,798	-	-			92,798	94,889
Reserved for prepaid expenditures	2,611	-	-	-	-			2,611	2,114
Reserved for lease proceeds	123,838	-	-	-	-			123,838	141,679
Unreserved, undesignated	382,556	156,782	-	-	-			539,338	1,049,450
TOTAL FUND EQUITY	509,005	156,782	92,798	921,890	-			1,680,475	2,151,955
TOTAL LIABILITIES AND FUND EQUITY	\$ 606,695	\$ 294,181	\$ 92,798	\$ 921,890	\$ 328,875			\$ 2,244,439	\$ 2,727,286

CITY OF PARK HILLS, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 2002

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	2002	2001
REVENUES					
Taxes	\$ 443,285	\$ 289,734	\$ -	\$ 733,019	\$ 737,648
Licenses and permits	273,489	20,978	-	294,467	266,783
Intergovernmental	103,984	50,407	-	154,391	106,546
Charges for services	132,009	-	17,735	149,744	147,183
Fines and forfeits	2,480	-	-	2,480	1,270
Interest	13,663	12,219	2,226	28,108	74,870
Miscellaneous	129,526	-	-	129,526	5,921
TOTAL REVENUES	1,098,436	373,338	19,961	1,491,735	1,340,221
EXPENDITURES					
Current					
General government	190,124	9,150	-	199,274	157,379
Police	441,267	-	-	441,267	379,155
Fire	68,765	-	-	68,765	66,259
Public works	193,537	840,351	-	1,033,888	562,837
Building	27,319	-	-	27,319	25,994
Capital outlay	118,854	-	-	118,854	145,706
Debt service	244,459	-	22,052	266,511	38,712
TOTAL EXPENDITURES	1,284,325	849,501	22,052	2,155,878	1,376,042
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(185,889)	(476,163)	(2,091)	(664,143)	(35,821)
OTHER FINANCING SOURCES					
Transfer in	-	-	-	-	2,615
Transfer out	-	-	-	-	(2,615)
Lease proceeds	134,596	-	-	134,596	232,960
TOTAL OTHER FINANCING SOURCES	134,596	-	-	134,596	232,960
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(51,293)	(476,163)	(2,091)	(529,547)	197,139
FUND BALANCES-BEGINNING OF YEAR	560,298	632,945	94,889	1,288,132	1,090,993
FUND BALANCES-END OF YEAR	\$ 509,005	\$ 156,782	\$ 92,798	\$ 758,585	\$ 1,288,132

See accompanying notes.

CITY OF PARK HILLS, KENTUCKY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-

GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS

BUDGET AND ACTUAL

Year Ended June 30, 2002

	General Fund			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Taxes	\$ 431,301	\$ 443,285	11,984	\$ 289,499	289,734	235	\$ -	-	\$ -
Licenses and permits	264,185	273,489	9,304	30,000	20,978	(9,022)	-	-	-
Intergovernmental	118,001	103,984	(14,017)	46,438	50,407	3,969	-	-	-
Charges for services	131,220	132,009	789	-	-	-	17,000	17,735	735
Fines and forfeits	1,700	2,480	780	-	-	-	-	-	-
Interest	14,000	13,663	(337)	13,671	12,219	(1,452)	2,387	2,226	(161)
Miscellaneous	121,662	129,526	7,864	-	-	-	-	-	-
TOTAL REVENUES	1,082,069	1,098,436	16,367	379,608	373,338	(6,270)	19,387	19,961	574
EXPENDITURES									
Current									
General government	204,727	190,124	14,603	16,500	9,150	7,350	-	-	-
Police	454,445	441,267	13,178	-	-	-	-	-	-
Fire	78,024	68,765	9,259	-	-	-	-	-	-
Public works	202,718	193,537	9,181	994,989	840,351	154,638	-	-	-
Building	30,148	27,319	2,829	-	-	-	-	-	-
Capital outlay	197,843	118,854	78,989	-	-	-	-	-	-
Debt service	109,554	244,459	(134,905)	-	-	-	22,000	22,052	(52)
TOTAL EXPENDITURES	1,277,459	1,284,325	(6,866)	1,011,489	849,501	161,988	22,000	22,052	(52)
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(195,390)	(185,889)	9,501	(631,881)	(476,163)	155,718	(2,613)	(2,091)	522
OTHER FINANCING SOURCES									
Lease proceeds	-	134,596	134,596	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	134,596	134,596	-	-	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES	(195,390)	(51,293)	144,097	(631,881)	(476,163)	155,718	(2,613)	(2,091)	522
FUND BALANCE-BEGINNING OF YEAR	560,298	560,298	-	632,945	632,945	-	94,889	94,889	-
FUND BALANCE-END OF YEAR	\$ 364,908	\$ 509,005	144,097	\$ 1,064	156,782	155,718	\$ 92,276	\$ 92,798	\$ 522

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Park Hills, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City of Park Hills operates under a Mayor and Council form of government. The government is governed by an elected mayor and six council members. As required by generally accepted accounting principles these financial statements present the primary government. The City has no component units or entities for which the government is considered to be financially accountable.

Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Fund Types

Governmental funds are used to account for all the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The general fund is used to account for all activities of the general government not accounted for in some other fund.

General Fixed Assets and General Long-Term Debt Account Groups

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, except the Capital Projects Fund which uses a cash basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are taxes, interest and charges for services. Fines and licenses and permits are not susceptible to accrual because generally, they are not measurable until received in cash.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds except the Debt Service Fund. All annual appropriations continue in effect until a new budget is adopted.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

Cash and Investments

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Bankers acceptances.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items.

Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. There was no liability at June 30, 2002.

Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Non-recurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with City code, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

The City had one budget amendment during the year.

NOTE C-DEPOSITS

The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2002, the depository bank had securities pledged to fully collateralize the bank balance.

NOTE D-RECEIVABLES

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately July 1 and are due August 31. On September 1, the bill becomes delinquent and penalties and interest may be assessed by the City. An adjustment is made at June 30 to recognize property taxes levied during the year which are still receivable at year end. A deferred revenue account is established for delinquent taxes to the extent that their collectibility is improbable.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE E-FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group during the year ended June 30, 2002.

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
Land & improvements	\$ 11,495	\$ -	\$ -	\$ 11,495
Building	236,832	-	-	236,832
Equipment	615,496	58,067	-	673,563
Totals	\$ 844,769	\$ 58,067	\$ -	\$ 921,890

NOTE F-GENERAL LONG TERM DEBT

General Long-term debt consists of the following:

Capital Leases

The City executed a lease-purchase agreement in August 1998 for a police cruiser at a cost of \$20,319. Terms of the lease-purchase agreement are for 48 months at 5.50% subject to annual appropriations of funds to fulfill the agreement.

The City executed a lease-purchase agreement in November 1998 for a dump truck and equipment at a cost of \$44,984. Terms of the lease-purchase are for 48 months at 5.5% subject to annual appropriations of funds to fulfill the agreement.

The City executed a lease-purchase agreement in October 2000 for the purchase of property at a cost of \$82,960. Terms of the lease-purchase are for 24 months at 5.95% subject to annual appropriations of funds to fulfill the agreement.

The City executed a lease-purchase agreement in July 2000 for the purchase of equipment and renovations to the City Building. The lease-purchase was for \$150,000 for 10 years at a rate of interest of 5.95%. This lease was refinanced in April 2002 at a rate of 4.57%.

Note Payable

The City entered into a 0% ten year note payable in the amount of \$220,520 in accordance with a Municipal Merger Agreement with the Sanitation District. The repayment of the note began on January 1, 2000 and will continue to be made in equal annual installments until January 1, 2009.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

During the year June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
Lease payable	\$ 138,681	\$ -	\$ 138,681	\$ -
Lease payable	-	134,596	7,839	126,757
Lease payable	82,960	-	40,282	42,678
Lease payable	16,104	-	11,967	4,137
Lease payable	6,394	-	5,455	939
Note payable	176,416	-	22,052	154,364
	<u>\$ 420,555</u>	<u>\$ 134,596</u>	<u>\$ 226,276</u>	<u>\$ 328,875</u>

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2002 follows:

Year Ending June 30,	Lease	Lease	Lease	Lease	Note Payable
2003	\$ 4,184	\$ 945	\$ 19,095	\$ 45,218	\$ 22,052
2004	-	-	19,095	-	22,052
2005	-	-	19,095	-	22,052
2006	-	-	19,095	-	22,052
2007	-	-	19,095	-	22,052
2008-2011	-	-	57,289	-	44,104
Total	4,184	945	152,764	45,218	154,364
Less interest portion	<u>(47)</u>	<u>(6)</u>	<u>(26,007)</u>	<u>(2,540)</u>	<u>-</u>
Total	<u>\$ 4,137</u>	<u>\$ 939</u>	<u>\$ 126,757</u>	<u>\$ 42,678</u>	<u>\$ 154,364</u>

NOTE G-CONTINGENT LIABILITIES

The city is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not result in a liability to the City.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE H-EMPLOYEE RETIREMENT SYSTEMS

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. 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 (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2002, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of 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 on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2002, participating employers contributed 6.41% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2002 was 6.41% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2002, plan members were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of 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 on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2002, participating employers contributed 16.28% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2002 was 16.28% of creditable compensation.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City the current and previous two years is as follows:

Year		Required Contribution	Percentage Contributed
2002	\$	70,550	100%
2001	\$	67,219	100%
2000	\$	66,063	100%

NOTE I-CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE J-RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has effectively managed risk through various employee education and prevention programs.

NOTE K-REPORTING CLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to 2002 report classification.

NOTE L-GASB 34

State and local government entities must change their financial reporting with the adoption of GASB Statement No. 34. The City must adopt this Statement no later than July 1, 2003. The new financial reporting model calls for financial statements integrated with government-wide reporting and enhanced fund reporting. It also requires a section for management's discussion and analysis (MD&A) and the reporting of the City's infrastructure and depreciation.

CITY OF PARK HILLS, KENTUCKY**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL**

Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
Taxes	\$ 431,301	\$ 443,285	11,984	\$ 449,652
Licenses and permits	264,185	273,489	9,304	246,148
Intergovernmental	118,011	103,984	(14,027)	53,797
Charges for services	131,220	132,009	789	131,775
Fines and forfeits	1,700	2,480	780	1,270
Interest	14,000	13,663	(337)	28,503
Miscellaneous	121,662	129,526	7,864	5,921
TOTAL REVENUES	1,082,079	1,098,436	16,357	917,066
EXPENDITURES				
Current				
General government	204,727	190,124	14,603	151,893
Police	454,445	441,267	13,178	379,155
Fire	78,024	68,765	9,259	66,259
Public works	202,718	193,537	9,181	189,397
Building	30,148	27,319	2,829	25,994
Capital outlay	197,843	118,854	78,989	123,654
Debt service	109,554	244,459	(134,905)	38,712
TOTAL EXPENDITURES	1,277,459	1,284,325	(6,866)	975,064
EXCESS(DEFICIT) OF REVENUES OVER(UNDER) EXPENDITURES	(195,380)	(185,889)	9,491	(57,998)
OTHER FINANCING SOURCES				
Transfer in	-	-	-	2,615
Lease proceeds	-	134,596	(134,596)	232,960
TOTAL OTHER FINANCING SOURCES	-	134,596	(134,596)	235,575
EXCESS(DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	(195,380)	(51,293)	144,087	177,577
FUND BALANCE BEGINNING OF YEAR	560,298	560,298	-	382,721
FUND BALANCE END OF YEAR	\$ 364,918	\$ 509,005	144,087	\$ 560,298

CITY OF PARK HILLS, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL
Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
TAXES				
Property taxes	\$ 337,901	\$ 340,594	\$ ✓ 2,693	\$ 330,944
Payroll taxes	93,400	102,691	✓ 9,291	118,708
TOTAL TAXES	431,301	443,285	11,984	449,652
LICENSES AND PERMITS				
Occupational licenses	12,875	12,404	✓ (471)	13,982
Gross receipts	47,860	55,090	✓ 7,230	46,200
Insurance premium license fees	170,000	172,201	✓ 2,201	154,572
Franchise fees	23,990	24,260	✓ 270	19,570
Yard sales	175	165	(10)	235
Dog licenses	660	705	✓ 45	557
Beer and liquor licenses	3,425	3,450	✓ 25	3,425
Building and zoning fees	5,200	5,214	✓ 14	7,607
TOTAL LICENSES AND PERMITS	264,185	273,489	9,304	246,148
INTERGOVERNMENTAL				
Base court revenue	5,369	5,369	✓ -	5,369
Police grant revenue	21,875	21,859	✓ (16)	26,707
State grant	70,000	55,991	✓ (14,009)	-
Coal severance pay	52	49	✓ (3)	45
Police incentive pay	20,715	20,716	✓ 1	21,676
TOTAL INTERGOVERNMENTAL	118,011	103,984	(14,027)	53,797
CHARGES FOR SERVICES				
Waste collection	102,840	102,646	✓ (194)	103,226
Police protection	3,380	3,379	✓ (1)	2,005
EMS fees	25,000	25,984	✓ 984	26,544
TOTAL CHARGES FOR SERVICES	131,220	132,009	789	131,775
FINES AND FORFEITS				
Penalties-tickets	1,700	2,480	✓ 780	1,270
TOTAL FINES AND FORFEITS	1,700	2,480	✓ 780	1,270
INTEREST	14,000	13,663	✓ (337)	28,503
MISCELLANEOUS				
Contributions	100,000	107,835	✓ 7,835	-
Miscellaneous	21,662	21,691	29	5,921
TOTAL MISCELLANEOUS	121,662	129,526	7,864	5,921
TOTAL REVENUES	\$ 1,082,079	\$ 1,098,436	\$ 16,357	\$ 917,066

CITY OF PARK HILLS, KENTUCKY

GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
EXPENDITURES				
GENERAL GOVERNMENT				
Salaries	\$ 67,500	\$ 65,293	\$ 2,207	\$ 52,471
Mayor and council pay	5,400	5,400	-	5,350
FICA	4,700	4,668	32	4,190
Medical insurance	3,202	3,742	(540)	2,652
Pension contribution	4,300	4,020	280	2,999
Workers' compensation	300	163	137	289
Disability insurance	815	815	-	1,078
Life insurance	300	279	21	285
Dental/vision insurance	300	325	(25)	258
St. E employee plan	225	225	-	225
Advertising	6,000	5,624	376	3,912
County dispatching	13,500	13,222	278	13,222
Audit fee	3,700	3,700	-	3,500
Legal fees	41,915	34,219	7,696	21,933
Building/inspector retainer	1,500	1,500	-	1,500
Memberships	3,500	3,349	151	2,416
Engineering	4,000	3,790	210	4,200
Postage	500	327	173	493
PVA fees	6,300	6,154	146	6,125
Refunds	1,500	1,058	442	361
Training	1,300	1,023	277	1,321
Dog authority	-	-	-	3,800
Insurance	2,250	2,149	101	2,087
Office supplies	3,500	3,369	131	2,673
Building permit/inspection fees	3,600	3,650	(50)	3,276
Payroll fees	2,200	2,254	(54)	2,091
NKAPC consulting fees	250	-	250	-
Equipment maintenance	1,300	1,246	54	1,225
Newsletter	4,000	2,988	1,012	1,595
Internet fees	3,870	3,870	-	-
WEB design	3,500	3,000	500	-
Civic association	1,500	665	835	-
Billing fees	3,500	3,903	(403)	4,278
Zoning property maintenance	2,500	2,514	(14)	1,390
Expense account	1,500	1,448	52	610
Miscellaneous	500	172	328	88
TOTAL GENERAL GOVERNMENT	204,727	190,124	14,603	151,893
POLICE				
Salaries - clerk	\$ 21,700	\$ 17,577	\$ 4,123	\$ 19,750
Salaries - officers	217,950	208,445	9,505	202,753
Overtime and holidays	25,800	28,351	(2,551)	21,912
FICA	18,835	18,473	362	17,243
Medical insurance	40,315	39,059	1,256	28,919
Pension contribution	41,210	39,447	1,763	38,721

CITY OF PARK HILLS, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
(POLICE - Continued)				
Disability insurance	3,000	1,484	1,516	2,737
Life insurance	1,250	981	269	1,427
Dental/vision insurance	4,190	4,316	(126)	3,525
St. E employee plan	175	175	-	175
Workers' compensation	7,600	6,987	613	5,872
Weapons/ammunition	2,957	3,786	(829)	-
Memberships	300	305	(5)	80
Uniforms	1,920	1,510	410	1,999
Training	1,000	1,443	(443)	225
Maintenance - vehicle	9,400	10,281	(881)	9,841
Radio maintenance	1,100	1,094	6	1,573
Cellular phones	900	1,916	(1,016)	467
Insurance	9,553	9,448	105	8,398
Office supplies	3,000	3,475	(475)	3,975
Equipment purchase	7,990	7,990	-	2,012
Motor fuel and lubricants	5,750	6,114	(364)	7,551
Speed computer maintenance	50	110	(60)	-
Pension benefit	28,500	28,500	-	-
TOTAL POLICE	454,445	441,267	13,178	379,155
FIRE				
Salaries	19,000	21,181	(2,181)	18,029
FICA	1,645	1,576	69	1,368
Pension	1,200	-	1,200	-
St. E employee plan	575	575	-	575
Worker's compensation	600	571	29	869
Sickness benefit	4,918	4,918	-	-
Professional fees	5,200	5,200	-	5,200
Shot requirements	915	920	(5)	-
Medical director	1,000	935	65	935
Training	2,500	765	1,735	850
New member physicals	1,000	-	1,000	-
Pagers	2,400	2,543	(143)	945
Radio maintenance	4,200	1,694	2,506	2,000
Maintenance - vehicles	6,100	5,041	1,059	7,274
Maintenance - equipment	2,250	521	1,729	1,123
Gas and oil	2,000	2,015	(15)	1,330
Insurance	10,221	10,043	178	11,048
Supplies	2,800	2,866	(66)	2,943
Firefighting equipment	-	-	-	4,841
Conventions/memberships	2,500	2,422	78	2,882
Fire prevention and education	500	-	500	-
Fire department anniversary	5,000	4,979	21	-
Miscellaneous	1,500	-	1,500	4,047
TOTAL FIRE	78,024	68,765	9,259	66,259

CITY OF PARK HILLS, KENTUCKY

GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
PUBLIC WORKS				
Salaries	\$ 42,400	\$ 39,692	\$ 2,708	\$ 36,416
Salaries - overtime	1,500	517	983	1,119
FICA	2,910	2,750	160	2,716
Medical insurance	9,400	6,990	2,410	8,295
Pension contributions	2,560	2,386	174	2,662
Disability insurance	835	834	1	834
Life insurance	225	397	(172)	221
Dental/vision insurance	860	-	860	27
St. E employee plan	25	25	-	25
Workers' compensation	1,800	1,703	97	1,483
Uniforms	500	481	19	500
Maintenance - equipment	1,000	814	186	1,408
Rental - equipment	2,000	2,386	(386)	1,087
Utilities - street	8,700	9,429	(729)	8,478
Utilities - traffic	2,500	2,550	(50)	1,221
Telephone	600	507	93	633
Insurance	3,853	3,768	85	2,895
Equipment	-	-	-	2,262
Building supplies	1,400	1,575	(175)	979
Video and film	2,000	53	1,947	35
Maintenance - vehicle	1,500	1,585	(85)	417
Gas and oil	1,400	1,160	240	1,583
Sewer maintenance	1,500	1,476	24	2,895
Leaf collection	9,250	9,250	-	9,250
Waste collection	104,000	103,209	791	101,956
TOTAL PUBLIC WORKS	202,718	193,537	9,181	189,397
BUILDING				
Utilities	10,000	9,710	290	10,532
Insurance	5,548	5,426	122	4,127
Telephone	8,500	8,138	362	7,588
Supplies	1,500	758	742	1,232
Water and sewage	800	594	206	437
Maintenance agreement	1,800	1,442	358	1,400
Repairs and maintenance	2,000	1,251	749	678
TOTAL BUILDING	30,148	27,319	2,829	25,994
CAPITAL OUTLAY	197,843	118,854	78,989	123,654
DEBT SERVICE				
Principal	69,628	204,224	(134,596)	27,811
Interest	39,926	40,235	(309)	10,901
TOTAL DEBT SERVICE	109,554	244,459	(134,905)	38,712
TOTAL EXPENDITURES	\$ 1,277,459	\$ 1,284,325	\$ (6,866)	\$ 975,064

CITY OF PARK HILLS, KENTUCKY
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
June 30, 2002

	Municipal Aid	Vehicle Fee Fund	Road Tax Fund	Totals	
				2002	2001
ASSETS					
Cash	\$ 8,513	\$ 91,670	\$ 183,882	\$ 284,065	\$ 666,229
Intergovernmental receivable	3,969	-	-	3,969	4,602
Taxes receivable	-	-	2,858	2,858	2,115
Accounts receivable	-	3,289	-	3,289	2,101
TOTAL ASSETS	<u>\$ 12,482</u>	<u>\$ 94,959</u>	<u>\$ 186,740</u>	<u>\$ 294,181</u>	<u>\$ 675,047</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 5,972	\$ -	\$ 126,655	\$ 132,627	\$ 39,987
Due to other funds	-	1,914	-	1,914	-
Deferred revenue	-	-	2,858	2,858	2,115
TOTAL LIABILITIES	<u>5,972</u>	<u>1,914</u>	<u>129,513</u>	<u>137,399</u>	<u>42,102</u>
FUND BALANCE					
Unreserved, undesignated	<u>6,510</u>	<u>93,045</u>	<u>57,227</u>	<u>156,782</u>	<u>632,945</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,482</u>	<u>\$ 94,959</u>	<u>\$ 186,740</u>	<u>\$ 294,181</u>	<u>\$ 675,047</u>

CITY OF PARK HILLS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-
ALL SPECIAL REVENUE FUNDS
Year Ended June 30, 2002

	Municipal Aid	Vehicle Fee Fund	Road Tax Fund	Totals	
				2002	2001
REVENUES					
Taxes	\$ -	\$ -	\$ 289,734	\$ 289,734	\$ 287,900
Licenses	-	20,978	-	20,978	20,635
Intergovernmental	50,407	-	-	50,407	52,749
Interest	1,339	1,795	9,085	12,219	40,934
TOTAL REVENUES	51,746	22,773	298,819	373,338	402,218
EXPENDITURES					
Current					
General government	150	4,000	5,000	9,150	5,486
Public works	116,669	2,600	721,082	840,351	373,440
TOTAL EXPENDITURES	116,819	6,600	726,082	849,501	378,926
EXCESS(DEFICIT) OF REVENUES OVER(UNDER) EXPENDITURES	(65,073)	16,173	(427,263)	(476,163)	23,292
FUND BALANCES - BEGINNING OF YEAR	71,583	76,872	484,490	632,945	609,653
FUND BALANCES- END OF YEAR	\$ 6,510	\$ 93,045	\$ 57,227	\$ 156,782	\$ 632,945

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the City of Park Hills, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 4, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Park Hills, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under Government Auditing Standards.

Budget

The City adopts and amends a budget on a departmental basis. The City's actual expenditures exceeded budgeted amounts in the debt service department of the general fund. In accordance with Kentucky Revised Statutes, the City's actual expenditures should not exceed budgeted appropriations.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Park Hills, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Park Hills, Kentucky's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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Lack of Segregation of Duties

Segregation of duties is a necessary part of any system of internal control. Segregating the process of executing a transaction from the process of recording the transaction is essential. We noted that due to the size of the city and budget considerations, most of the executing and recording of transactions are performed by the same person.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the finance committee, management, others within the organization, the Mayor and Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

RANKIN, RANKIN & COMPANY

A handwritten signature in cursive script that reads 'Rankin, Rankin & Company'.

**Ft. Wright, Kentucky
October 4, 2002**

