

CITY OF PARK HILLS, KENTUCKY

FINANCIAL STATEMENTS

June 30, 2003

CITY OF PARK HILLS, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2003

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CITY OF PARK HILLS, KENTUCKY

FINANCIAL STATEMENTS

June 30, 2003

List of Council Members

Michael Hellmann, Mayor

Fred Brunner

Angela Finke

Drew Hollenkamp

Steve Ryan

Evelyn Stubbs

Ted Worland

Administration and Departments

Julie Alig, Clerk/Treasurer

Rick Smith, Police Chief

Michael Amend, Fire Chief

Jay Bayer, City Engineer

Ed Jody, Building and Zoning

Dennis Finke, Public Works

Richard Spoor, Attorney

Bob Winter, Attorney



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the City of Park Hills, Kentucky (City), as of June 30, 2003, and for the year then ended. These general purpose financial statements are the responsibility of the City's 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 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 statements 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, 2003, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued a report dated November 17, 2003, on our consideration of the City of Park Hills, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.

Covington, KY
November 17, 2003

CITY OF PARK HILLS, KENTUCKY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2003

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	General Fixed Assets	General Long-Term Debt	2003	2002
ASSETS							
Cash	\$ 342,754	\$ 450,971	\$ 85,735	\$ -	\$ -	\$ 879,460	\$ 815,804
Receivables:							
Taxes	8,640	3,186	-	-	-	11,826	5,813
Waste	736	-	-	-	-	736	778
Accounts	88,544	3,593	3,041	-	-	95,178	99,912
Accrued interest	7,117	-	-	-	-	7,117	17,619
Intergovernmental receivable	1,554	133,719	-	-	-	135,273	5,772
Due from other funds	-	1,363	-	-	-	1,363	1,914
Prepaid expenses	3,111	-	-	-	-	3,111	2,611
Restricted assets:							
Cash	70,857	-	-	-	-	70,857	43,451
Property and equipment:							
Land and improvements	-	-	-	11,495	-	11,495	11,495
Buildings and improvements	-	-	-	255,927	-	255,927	236,832
Machinery and equipment	-	-	-	710,465	-	710,465	673,563
Amount available in debt service funds	-	-	-	-	88,776	88,776	92,798
Amount to be provided for retirement of general long-term debt	-	-	-	-	506,838	506,838	236,077
TOTAL ASSETS	\$ 523,313	\$ 592,832	\$ 88,776	\$ 977,887	\$ 595,614	\$ 2,778,422	\$ 2,244,439

See accompanying notes.

CITY OF PARK HILLS, KENTUCKY
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2003

	Governmental Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	General Fixed Assets	General Long-Term Debt	2003	2002
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ 17,492	\$ 275,980	-	\$ -	-	\$ 293,472	\$ 181,528
Other current liabilities	15,808	-	-	-	-	15,808	14,349
Due other funds	1,363	-	-	-	-	1,363	1,914
Deferred revenues	20,748	3,186	-	-	-	23,934	37,298
Notes payable	-	-	-	-	132,312	132,312	154,364
Capital lease payable	-	-	-	-	463,302	463,302	174,511
TOTAL LIABILITIES	<u>55,411</u>	<u>279,166</u>	<u>-</u>	<u>-</u>	<u>595,614</u>	<u>930,191</u>	<u>563,964</u>
FUND EQUITY							
Investment in general fixed assets	-	-	-	977,887	-	977,887	921,890
Fund balances:							
Designated for debt service	-	-	88,776	-	-	88,776	92,798
Reserved for prepaid expenditures	3,111	-	-	-	-	3,111	2,611
Reserved for lease proceeds	40,186	-	-	-	-	40,186	123,838
Unreserved, undesignated	424,605	313,666	-	-	-	738,271	539,338
TOTAL FUND EQUITY	<u>467,902</u>	<u>313,666</u>	<u>88,776</u>	<u>977,887</u>	<u>-</u>	<u>1,848,231</u>	<u>1,680,475</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 523,313</u>	<u>\$ 592,832</u>	<u>\$ 88,776</u>	<u>\$ 977,887</u>	<u>\$ 595,614</u>	<u>\$ 2,778,422</u>	<u>\$ 2,244,439</u>

See accompanying notes.

CITY OF PARK HILLS, KENTUCKY

COMBINED STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES

Year Ended June 30, 2003

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	2003	2002
REVENUES					
Taxes	\$ 525,183	\$ 301,359	\$ -	\$ 826,542	\$ 733,019
Licenses and permits	245,916	22,606	-	268,522	294,467
Intergovernmental	42,570	41,463	-	84,033	154,391
Charges for services	142,937	-	16,842	159,779	149,744
Other revenues	74,398	2,365	1,188	77,951	160,114
TOTAL REVENUES	1,031,004	367,793	18,030	1,416,827	1,491,735
EXPENDITURES					
Current:					
General administrative expenses	165,431	13,177	-	178,608	199,274
Police department expenses	423,577	-	-	423,577	441,267
Fire/rescue department	72,149	-	-	72,149	68,765
Public works expenses	203,880	547,732	-	751,612	1,033,888
Building and utilities	42,543	-	-	42,543	27,319
Capital outlay	69,160	-	-	69,160	118,854
Debt service	95,367	-	22,052	117,419	266,511
TOTAL EXPENDITURES	1,072,107	560,909	22,052	1,655,068	2,155,878
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(41,103)	(193,116)	(4,022)	(238,241)	(664,143)
OTHER FINANCING SOURCES (USES)					
Lease proceeds	-	350,000	-	350,000	134,596
TOTAL OTHER FINANCING SOURCES	-	350,000	-	350,000	134,596
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(41,103)	156,884	(4,022)	111,759	(529,547)
FUND BALANCES BEGINNING OF YEAR	509,005	156,782	92,798	758,585	1,288,132
FUND BALANCES END OF YEAR	\$ 467,902	\$ 313,666	\$ 88,776	\$ 870,344	\$ 758,585

CITY OF PARK HILLS, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-GENERAL AND SPECIAL REVENUE FUNDS
BUDGET AND ACTUAL
Year Ended June 30, 2003

	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	\$ 479,161	\$ 525,183	\$ 46,022	\$ 319,499	\$ 301,359	\$ (18,140)	\$ -	\$ -	\$ -
Licenses and permits	216,825	245,916	29,091	-	22,606	22,606	-	-	-
Intergovernmental	118,011	42,570	(75,441)	46,438	41,463	(4,975)	-	-	-
Charges for services	133,436	142,937	9,501	-	-	-	17,000	16,842	(158)
Other revenues	137,046	74,398	(62,648)	13,671	2,365	(11,306)	2,387	1,188	(1,199)
TOTAL REVENUES	1,084,479	1,031,004	(53,475)	379,608	367,793	(11,815)	19,387	18,030	(1,357)
EXPENDITURES									
Current:									
Administrative expenses	124,192	165,431	(41,239)	9,000	13,177	(4,177)	-	-	-
Police department expenses	458,445	423,577	34,868	-	-	-	-	-	-
Fire/rescue department	84,124	72,149	11,975	-	-	-	-	-	-
Public works expenses	80,768	203,880	(123,112)	843,689	547,732	295,957	-	-	-
Building and utilities	39,548	42,543	(2,995)	-	-	-	-	-	-
Capital outlay	284,954	69,160	215,794	-	-	-	-	-	-
Debt service	205,428	95,367	110,061	-	-	-	22,000	22,052	(52)
TOTAL EXPENDITURES	1,277,459	1,072,107	205,352	852,689	560,909	291,780	22,000	22,052	(52)
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(192,980)	(41,103)	151,877	(473,081)	(193,116)	279,965	(2,613)	(4,022)	(1,409)
OTHER FINANCING SOURCES									
Lease proceeds	-	-	-	-	350,000	350,000	-	-	-
Carryover from prior year	192,980	-	(192,980)	473,081	-	473,081	2,613	-	2,613
TOTAL OTHER FINANCING SOURCES	192,980	-	(192,980)	473,081	350,000	823,081	2,613	-	2,613
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	-	(41,103)	(41,103)	-	156,884	156,884	-	(4,022)	(4,022)
FUND BALANCES AT BEGINNING OF YEAR	509,005	509,005	-	156,782	156,782	-	92,798	92,798	-
FUND BALANCES AT END OF YEAR	\$ 509,005	\$ 467,902	\$ (41,103)	\$ 156,782	\$ 313,666	\$ 156,884	\$ 92,798	\$ 88,776	\$ (4,022)

See accompanying notes.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Park Hills, Kentucky (City), have been prepared in con-formity 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 and the collection and disbursement of earmarked monies (special revenue funds). The general fund is used to account for all activities of the City not accounted for in some other fund. Activities accounted for in the Fire Protection Fee Special Revenue Fund and the Rehab Special Revenue Fund are subject only to restrictions imposed by the City.

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, 2003

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 governmental 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. 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. All annual appropriations continue in effect until a new budget is adopted.

CITY OF PARK HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2003

Encumbrances

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 Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

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.

The City's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2003. The categories are described as follows:

Category 1-Insured and registered, with securities held by the entity or its agent in the entity name.

Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3-Uninsured and unregistered, with securities held by the counterparty, or its trust department agent but not in the entity's name.

FUND	Category			Fair Value
	1	2	3	
General	\$ 342,754	\$ -	\$ -	\$ 342,754
Special Revenue	450,971	-	-	450,971
Debt Service	85,735	-	-	85,735
Totals	<u>\$ 879,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,460</u>

CITY OF PARK HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2003

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003 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.

Restricted Assets

Certain cash accounts have been classified as restricted assets to indicate that they have been earmarked for a specific use.

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 nonvested accumulating rights to receive sick pay benefits. There was no liability at June 30, 2003.

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.

CITY OF PARK HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2003

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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. Nonrecurring 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 has not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

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.

CITY OF PARK HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2003

- 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.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the council.

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, 2003, the depository bank had securities pledged to fully collateralize the bank balance.

NOTE D-RECEIVABLES

Property values are assessed as of January 1. Taxes are levied on July 1 and are due and payable on or before August 31. The City bills and collects its own property taxes. 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.

NOTE E-FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year.

	June 30, 2002	Additions	Deletions	June 30, 2003
Land and improvements	\$ 11,495	\$ -	\$ -	\$ 11,495
Building and improvements	236,832	19,095	-	255,927
Equipment	673,563	36,902	-	710,465
Totals	\$ 921,890	\$ 55,997	\$ -	\$ 977,887

CITY OF PARK HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2003

NOTE F-GENERAL LONG TERM DEBT

General long-term debt consists of the following:

Capital Leases

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

On June 30, 2003, the City executed a lease-purchase agreement through Fifth Third Bank for the financing of the roadway and storm sewer project on Cecilia Avenue and Scenic Drive. The loan face amount is \$350,000, bears an interest rate at prime, currently 4%, and is due November 13, 2003.

Annual lease payment requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 364,077	\$ 10,197	\$ 374,274
2005	17,727	4,368	22,095
2006	15,408	3,688	19,096
2007	16,120	2,975	19,095
2008	16,865	2,230	19,095
Thereafter	33,105	2,086	35,191
	<u>\$ 463,302</u>	<u>\$ 25,544</u>	<u>\$ 488,846</u>

CITY OF PARK HILLS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2003

Note Payable

The City executed a 0% ten-year \$220,520 note effective July 1, 1995 with the Sanitation District in accordance with a Municipal Merger Agreement. The City is to make annual equal payments to the District in the amount of \$22,052 beginning on January 1, 2000. Annual debt service requirements are as follows:

<u>Year Ending</u>	<u>Principal</u>
2,004	\$ 22,052
2,005	22,052
2,006	22,052
2,007	22,052
2,008	22,052
2,009	<u>22,052</u>
Thereafter	\$ <u>132,312</u>

The Sanitation District is collecting the fee on a quarterly basis based upon water usage in Park Hills to satisfy this debt obligation.

The following changes occurred in the General Long-Term Debt Account Group during the year ended June 30, 2003:

	<u>Balance June 30, 2002</u>	<u>New Issues</u>	<u>Principal Payments</u>	<u>Balance June 30, 2003</u>
Note-dated July 1, 1995	\$ 154,364	\$ -	\$ 22,052	\$ 132,312
Capital leases	<u>174,511</u>	<u>350,000</u>	<u>61,209</u>	<u>463,302</u>
Totals	\$ <u>328,875</u>	\$ <u>350,000</u>	\$ <u>83,261</u>	\$ <u>595,614</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.

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 adjustments (COLA) are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2003, 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 proceeding 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, 2003, participating employers contributed 6.34% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2003 was 6.34% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2003, 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 proceeding 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, 2003 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, 2003 was 16.28% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

CITY OF PARK HILLS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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

<u>Year</u>		<u>Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$	70,549	100%
2002	\$	70,550	100%
2001	\$	67,219	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 governments. 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 2003 reporting classification.

NOTE L-GASB 34

State and local governmental 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 BALANCES

BUDGET AND ACTUAL-SUMMARY

Year Ended June 30, 2003

	2003			2002
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
Taxes	\$ 479,161	\$ 525,183	\$ 46,022	\$ 498,375
Licenses and permits	216,825	245,916	29,091	218,399
Intergovernmental	118,011	42,570	(75,441)	103,984
Charges for services	133,436	142,937	9,501	132,009
Other revenues	137,046	74,398	(62,648)	145,669
TOTAL REVENUES	<u>1,084,479</u>	<u>1,031,004</u>	<u>(53,475)</u>	<u>1,098,436</u>
EXPENDITURES				
General administrative expenses	124,192	165,431	(41,239)	190,124
Police department expenses	458,445	423,577	34,868	441,267
Fire/rescue department expenses	84,124	72,149	11,975	68,765
Public works expenses	80,768	203,880	(123,112)	193,537
Building and utilities	39,548	42,543	(2,995)	27,319
Capital outlay	284,954	69,160	215,794	118,854
Debt service	205,428	95,367	110,061	244,459
TOTAL EXPENDITURES	<u>1,277,459</u>	<u>1,072,107</u>	<u>205,352</u>	<u>1,284,325</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(192,980)</u>	<u>(41,103)</u>	<u>151,877</u>	<u>(185,889)</u>
OTHER FINANCING SOURCES				
Carryover from prior years	192,980	-	(192,980)	
Lease proceeds	-	-	-	134,596
TOTAL OTHER FINANCING SOURCES	<u>192,980</u>	<u>-</u>	<u>(192,980)</u>	<u>134,596</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER)EXPENDITURES	<u>-</u>	<u>(41,103)</u>	<u>(41,103)</u>	<u>(51,293)</u>
FUND BALANCE BEGINNING OF YEAR	<u>509,005</u>	<u>509,005</u>	<u>-</u>	<u>560,298</u>
FUND BALANCE END OF YEAR	<u>\$ 509,005</u>	<u>\$ 467,902</u>	<u>\$ (41,103)</u>	<u>\$ 509,005</u>

CITY OF PARK HILLS, KENTUCKY

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL-DETAILED

Year Ended June 30, 2003

	2003			2002
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
TAXES	\$	\$	\$	\$
Property taxes	337,901	358,225	20,324	340,594
Payroll/gross receipts taxes	141,260	166,958	25,698	157,781
TOTAL TAXES	479,161	525,183	46,022	498,375
LICENSES AND PERMITS				
Occupational license	12,875	15,399	2,524	12,404
Municipal insurance tax	170,000	178,840	8,840	172,201
Franchise fees	23,990	28,845	4,855	24,260
Yard sale permits	175	355	180	165
Animal licenses	660	885	225	705
Beer and liquor licenses	3,425	2,650	(775)	3,450
Building and zoning fees	5,700	18,942	13,242	5,214
TOTAL LICENSES AND PERMITS	216,825	245,916	29,091	218,399
INTERGOVERNMENTAL				
Base court, grants and coal severance	98,861	21,418	(77,443)	83,268
Police incentive pay	19,150	21,152	2,002	20,716
TOTAL INTERGOVERNMENTAL	118,011	42,570	(75,441)	103,984
CHARGES FOR SERVICES				
Trash collection fees	102,840	115,019	12,179	102,646
Police protection	5,596	2,420	(3,176)	3,379
Rescue squad receipts	25,000	25,498	498	25,984
TOTAL CHARGES FOR SERVICES	133,436	142,937	9,501	132,009
OTHER REVENUES				
Police fines	1,700	6,850	5,150	2,480
Interest income	14,000	7,524	(6,476)	13,663
Insurance claim	7,567	15,980	8,413	-
Creighton-Fire Dept. vehicle	100,000	29,317	(70,683)	107,835
Miscellaneous	13,779	14,727	948	21,691
TOTAL OTHER REVENUES	137,046	74,398	(62,648)	145,669
TOTAL REVENUES	1,084,479	1,031,004	(53,475)	1,098,436
EXPENDITURES				
General administration expenses	124,192	165,431	(41,239)	190,124
Police department expenses	458,445	423,577	34,868	441,267
Fire/rescue department expenses	84,124	72,149	11,975	68,765
Public works expenses	80,768	203,880	(123,112)	193,537
Building and utilities	39,548	42,543	(2,995)	27,319
Capital outlay	284,954	69,160	215,794	118,854
Debt service	205,428	95,367	110,061	244,459
TOTAL EXPENDITURES	1,277,459	1,072,107	205,352	1,284,325
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(192,980)	(41,103)	151,877	(185,889)
OTHER FINANCING SOURCES				
Carry over from prior year	192,980	-	(192,980)	-
Lease proceeds	-	-	-	134,596
FUND BALANCE BEGINNING OF YEAR	509,005	509,005	-	560,298
FUND BALANCE END OF YEAR	\$ 509,005	\$ 467,902	\$ (41,103)	\$ 509,005

CITY OF PARK HILLS, KENTUCKY

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

June 30, 2003

	Municipal Aid Fund	Vehicle Fee Fund	Road Tax Fund	Totals	
				2003	2002
ASSETS					
Cash	\$ 3,696	\$ 8,160	\$ 439,115	\$ 450,971	\$ 284,065
Intergovernmental receivable	4,079	-	129,640	133,719	3,969
Taxes receivable	-	-	3,186	3,186	2,858
Due from other funds	-	-	1,363	1,363	-
Accounts receivable	-	3,593	-	3,593	3,289
TOTAL ASSETS	\$ 7,775	\$ 11,753	\$ 573,304	\$ 592,832	\$ 294,181
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 3,829	\$ 2,187	\$ 269,964	\$ 275,980	\$ 132,627
Due to other funds	-	-	-	-	1,914
Deferred revenue	-	-	3,186	3,186	2,858
TOTAL LIABILITIES	3,829	2,187	273,150	279,166	137,399
FUND BALANCE					
Unreserved, undesignated	3,946	9,566	300,154	313,666	156,782
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,775	\$ 11,753	\$ 573,304	\$ 592,832	\$ 294,181

CITY OF PARK HILLS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-
ALL SPECIAL REVENUE FUNDS
Year Ended June 30, 2003

	Municipal Aid Fund	Vehicle Fee Fund	Road Tax Fund	Totals	
				2003	2002
REVENUES					
Taxes	\$ -	\$ -	\$ 301,359	\$ 301,359	\$ 289,734
Licenses	-	22,606	-	22,606	20,978
Intergovernmental	41,463	-	-	41,463	50,407
Interest income	23	726	1,616	2,365	12,219
TOTAL REVENUES	41,486	23,332	302,975	367,793	373,338
EXPENDITURES					
General government	4,138	4,039	5,000	13,177	9,150
Public works	36,912	3,772	507,048	547,732	840,351
TOTAL EXPENDITURES	41,050	7,811	512,048	560,909	849,501
EXCESS/ (DEFICIENCY) OF REVENUES OVER/(UNDER)EXPENDITURES	436	15,521	(209,073)	(193,116)	(476,163)
OTHER FINANCING SOURCES (USES)					
Lease proceeds	-	-	350,000	350,000	-
Transfers (to) from other funds	(3,000)	(99,000)	102,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,000)	(99,000)	452,000	350,000	-
EXCESS/ (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER)EXPENDITURES	(2,564)	(83,479)	242,927	156,884	(476,163)
FUND BALANCES					
BEGINNING OF YEAR	6,510	93,045	57,227	156,782	632,945
FUND BALANCES END OF YEAR	\$ 3,946	\$ 9,566	\$ 300,154	\$ 313,666	\$ 156,782



**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, 2003, and have issued our report thereon dated November 17, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

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 financial 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 for the information of management. However, this report is a matter of public record and its distribution is not limited.

Van Gorder, Walker & Co., Inc.

A handwritten signature in blue ink that reads 'Van Gorder, Walker & Co., Inc.' in a cursive script.

**Covington, Kentucky
November 17, 2003**



Van Gorder, Walker & Co., Inc.
Certified Public Accountants

January 9, 2004

Julie Alig, City Clerk/Treasurer
City of Park Hills
1106 Amsterdam Road
Park Hills, KY 41015

Hand delivered

Dear Julie:

Enclosed are ten (10) final copies the audited financial statements for the City of Park Hills as of and for the year ended June 30, 2003.

Please feel free to contact me if you have any questions or need any additional information.

Thank you for letting us be of service to the City of Park Hills.

Sincerely yours,

John P. Walker, CPA

Enclosures