

**CITY OF PARK HILLS, KENTUCKY**

**FINANCIAL STATEMENTS**

**June 30, 2004**

**CITY OF PARK HILLS, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**June 30, 2004**

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# **CITY OF PARK HILLS, KENTUCKY**

## **List of City Officials**

**June 30, 2004**

### **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

Ricardo D. Smith, Police Chief

Regis Huth, Fire Chief

Jay Bayer, City Engineer

Ed Jody, Building and Zoning

Dennis Finke, Public Works

Bob Winter, Attorney



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

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities of the City of Park Hills, Kentucky (City), as of and for the year ended June 30, 2004, which collectively comprises the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Park Hills, Kentucky as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2004, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison/combining information on pages 4 through 6 and 24 through 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation



of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Park Hills, Kentucky basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Van Gorder, Walker & Co., Inc.  
Covington, Kentucky  
September 13, 2004

**CITY OF PARK HILLS, KENTUCKY****Statement of Net Assets****June 30, 2004**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 430,620
Taxes receivable	21,169
Waste collection receivable	2,761
Other accounts receivable	104,449
Intergovernmental receivable	1,531
Accrued interest	3,495
Due to other funds	317
Prepaid expenses	8,273
Restricted Assets: Cash-Creighton Fund	96,087
Capital assets:	
Land and improvements	11,495
Infrastructure, net of depreciation	6,197,230
Building and improvements, net of depreciation	120,000
Machinery and equipment, net of depreciation	116,744
<b>TOTAL ASSETS</b>	<b>7,114,171</b>
<b>LIABILITIES</b>	
Accounts payable	5,027
Other current liabilities	4,903
Deferred revenues	44,290
Due from other funds	317
Long-term liabilities:	
Capital lease payable	99,226
Notes payable	110,260
<b>TOTAL LIABILITIES</b>	<b>264,023</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,235,983
Designated	178,199
Unrestricted	435,966
<b>TOTAL NET ASSETS</b>	<b>\$ 6,850,148</b>

# CITY OF PARK HILLS, KENTUCKY

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Legislative and administrative	\$ 260,453	\$ 20,654	\$ 2,000	\$ -	\$ (237,799)
Public safety	560,555	28,521	110,183	29,855	(391,996)
Public works	384,294	-	44,817	-	(339,477)
Contracted services	856,804	144,721	-	-	(712,083)
Total Primary Government	\$ 2,062,106	\$ 193,896	\$ 157,000	\$ 29,855	(1,681,355)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					372,428
Insurance premium and franchise taxes, levied for general purposes					215,474
Licenses and permit fees:					
Payroll/gross receipts license fees					206,545
Road tax revenues					334,650
Vehicle sticker license					23,262
Licenses					3,670
Sanitation surcharge					16,399
Miscellaneous					8,906
Investment earnings					8,399
Total general revenues and special items:					1,189,733
Change in net assets					(491,622)
Net assets, beginning					7,341,770
Net assets, ending					\$ 6,850,148

See accompanying notes

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>BALANCE SHEET - GOVERNMENTAL FUNDS</b> <b>June 30, 2004</b>
--

	General	Special Revenue	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 270,163	\$ 160,457	\$ 430,620
Receivables:			
Taxes	14,810	6,359	21,169
Waste	2,761	-	2,761
Accounts	95,297	9,152	104,449
Accrued interest	3,495	-	3,495
Intergovernmental receivable	1,531	-	1,531
Due from other funds	-	317	317
Prepaid expenses	8,273	-	8,273
Restricted assets:			
Cash-Creighton Fund	96,087	-	96,087
<b>TOTAL ASSETS</b>	<b>\$ 492,417</b>	<b>\$ 176,285</b>	<b>\$ 668,702</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 5,027	\$ -	\$ 5,027
Other current liabilities	4,903	-	4,903
Due other funds	317	-	317
Deferred revenues	37,931	6,359	44,290
<b>TOTAL LIABILITIES</b>	<b>48,178</b>	<b>6,359</b>	<b>54,537</b>
<b>FUND BALANCES</b>			
Designated for debt service	-	84,060	84,060
Designated for road repairs	-	85,866	85,866
Reserved for prepaid expenditures	8,273	-	8,273
Unreserved, undesignated	435,966	-	435,966
<b>TOTAL FUND BALANCES</b>	<b>444,239</b>	<b>169,926</b>	<b>614,165</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 492,417</b>	<b>\$ 176,285</b>	<b>\$ 668,702</b>

See accompanying notes.

# **CITY OF PARK HILLS, KENTUCKY**

## **Reconciliation of the Statement of Net Assets of Governmental Funds to the Balance Sheet**

**June 30, 2004**

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

Total fund balance per balance sheet	\$ 614,165
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,445,469
Long-term liabilities, including capital leases and notes payable, are not due and payable in the current period and therefore, are not reported in the funds	<u>(209,486)</u>
Net assets of governmental activities	<u>\$ 6,850,148</u>

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>STATEMENT OF REVENUES, EXPENDITURES</b> <b>AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS</b> <b>Year Ended June 30, 2004</b>
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	General	Special Revenue	Total Governmental Funds
REVENUES			
Taxes	\$ 562,952	\$ 333,667	\$ 896,619
Licenses and permits	246,820	23,262	270,082
Intergovernmental	22,991	45,800	68,791
Charges for services	167,112	16,399	183,511
Grants	89,201	-	89,201
Other revenues	58,772	3,508	62,280
TOTAL REVENUES	1,147,848	422,636	1,570,484
EXPENDITURES			
Current:			
General administrative expenses	193,424	11,527	204,951
Police department expenses	430,150	-	430,150
Fire/rescue department	85,758	-	85,758
Public works expenses	89,350	287,079	376,429
Building and utilities	48,002	-	48,002
Contracted Services	223,986	-	223,986
Interest	-	3,868	3,868
Capital outlay	61,730	-	61,730
Debt service	39,111	22,052	61,163
TOTAL EXPENDITURES	1,171,511	324,526	1,496,037
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(23,663)	98,110	74,447
OTHER FINANCING SOURCES (USES)			
Lease Payoff	-	(350,000)	(350,000)
Transfer (to) from other funds	-	19,374	19,374
TOTAL OTHER FINANCING SOURCES	-	(330,626)	(330,626)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(23,663)	(232,516)	(256,179)
FUND BALANCES BEGINNING OF YEAR	467,902	402,442	870,344
FUND BALANCES END OF YEAR	\$ 444,239	\$ 169,926	\$ 614,165



## **CITY OF PARK HILLS, KENTUCKY**

### **Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

**Year Ended June 30, 2004**

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

Net change in fund balance-total governmental funds	\$ (256,179)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$61,730) was less than depreciation expense (\$663,927) in the current period.	(602,197)
The repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. However, the repayment of long-term has no effect on net assets. The amount of principal payments of included in the governmental funds in the current period.	386,128
Transfers of assets between funds do not provide current financial resources and are not reported as transfers in the statement of activities.	<u>(19,374)</u>
Change in net assets of governmental activities	<u><u>\$ (491,622)</u></u>

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Park Hills, Kentucky (City) 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.

### *Government-Wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for all of the non-fiduciary activities of the primary government. Generally, the effect of inter-fund activity has been removed from these statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expense and program revenues associated with a distinct functional activity. Program revenues include: charges for services, which report fees, fines and forfeitures, and other charges to users of the City's services; operating grants and contributions which finance annual operating activities including restricted investment income; and capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than expenditures.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2004</b>
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### *Fund Financial Statements*

Fund financial statements, as applicable, are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

### *Funds Types*

The City reports the following governmental funds:

#### *General Fund*

This fund is the government's primary operating fund. This fund accounts for all financial resources of the general government not accounted for in another fund.

#### *Special Revenue Fund*

This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. Currently, the City maintains special revenue funds for Municipal Road Aid Funds, Road Tax Funds, and Vehicle Fee Funds. These funds are used to account for the receipt and disbursement of funds in accordance with Kentucky Revised Statutes for KMAF and to account for use of vehicle sticker license for road maintenance as stated in the ordinance.

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. If applicable, the proprietary and fiduciary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenues when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon

**CITY OF PARK HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only in the year when payment is due. Major revenue sources where accrual is most likely to occur include property taxes, insurance premium taxes and payroll/ gross receipts license fees.

If applicable, operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

*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 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

**CITY OF PARK HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

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.

*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. Banker's 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, 2004. 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.

**CITY OF PARK HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

FUND	Category			Fair Value
	1	2	3	
General	\$ 366,151	\$ -	\$ -	\$ 366,151
Special Revenue	79,716	-	-	79,716
Debt Service	80,741	-	-	80,741
Totals	<u>\$ 526,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526,608</u>

*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid items.

*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 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, 2004.

*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.

*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/



**CITY OF PARK HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

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.

*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.
- 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.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2004</b>
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### 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, 2004, 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, 2003	Additions	Deletions	June 30, 2004
Land	\$ 11,495	\$ -	\$ -	\$ 11,495
Buildings and Improvements	255,927	-	-	255,927
Infrastructure	12,077,000	1,295	-	12,078,295
Machinery and Equipment	710,465	41,339	-	751,804
Subtotal	13,054,887	42,634	-	13,097,521
Accumulated Depreciation	(5,988,125)	(663,927)		(6,652,052)
Assets less depreciation	<u>\$ 7,066,762</u>	<u>\$ (621,293)</u>	<u>\$ -</u>	<u>\$ 6,445,469</u>

### 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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>June 30, 2004</b>
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Scenic Drive. The loan face amount was \$350,000, with an interest rate of 4%, was paid in full at its maturity date in November, 2003.

Annual lease payment requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	33,106	2,086	35,192
Totals	<u>\$ 99,226</u>	<u>\$ 15,347</u>	<u>\$ 114,573</u>

*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:

Year Ending	Principal
2005	\$ 22,052
2006	22,052
2007	22,052
2008	22,052
2009	22,052
Total	<u>\$ 110,260</u>

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

**CITY OF PARK HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

The following changes occurred in the General Long-Term Debt Account Group during the year ended June 30, 2004:

	Balance June 30, 2002	New Issues	Principal Payments	Balance June 30, 2003
Note-dated July 1, 1995	\$ 132,312	\$ -	\$ 22,052	\$ 110,260
Capital leases	463,302	-	364,076	99,226
Totals	<u>\$ 595,614</u>	<u>\$ -</u>	<u>\$ 386,128</u>	<u>\$ 209,486</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, 2004, 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, 2004, participating employers contributed 6.34% of each

**CITY OF PARK HILLS, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2004 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, 2004, 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, 2004 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, 2004 was 16.28% of creditable compensation. 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
2004	\$	55,764	100%
2003	\$	70,549	100%
2002	\$	70,550	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.

**CITY OF PARK HILLS, KENTUCKY****NOTES TO FINANCIAL STATEMENTS****June 30, 2004****NOTE K - GASB 34**

State and local governmental entities were required to change their financial reporting with the adoption of GASB Statement No. 34. The City has adopted this Statement as of July 1, 2003. The new financial reporting model requires 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

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GENERAL AND SPECIAL REVENUE FUNDS BUDGET AND ACTUAL

Year Ended June 30, 2004

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 559,537	\$ 562,952	\$ 3,415	\$ 333,349	\$ 333,667	\$ 318
Licenses and permits	234,532	235,166	634	24,100	23,262	(838)
Intergovernmental	22,991	22,991	-	44,943	45,800	857
Charges for services	166,139	167,112	973	15,000	16,399	1,399
Building and zoning fees	11,302	11,654	352	-	-	-
Grants	91,701	89,201	(2,500)	-	-	-
Other revenues	57,448	58,772	1,324	23,927	3,508	(20,419)
TOTAL REVENUES	1,143,650	1,147,848	4,198	441,319	422,636	(18,683)
EXPENDITURES						
Current:						
Administrative expenses	193,340	193,424	(84)	11,000	11,527	(527)
Police department expenses	443,059	430,150	12,909	-	-	-
Fire/rescue department	178,545	85,758	92,787	-	-	-
Public works expenses	80,713	89,350	(8,637)	291,766	287,079	4,687
Building and utilities	50,754	48,002	2,752	-	-	-
Contract Services	227,690	223,986	3,704	1,741	3,868	(2,127)
Capital outlay	111,084	61,730	49,354	-	-	-
Debt service	-	39,111	(39,111)	22,052	22,052	-
TOTAL EXPENDITURES	1,285,185	1,171,511	113,674	326,559	324,526	2,033
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(141,535)	(23,663)	117,872	114,760	98,110	(16,650)
OTHER FINANCING SOURCES						
Lease proceeds	-	-	-	(353,868)	(350,000)	3,868
Carryover from prior year	10,000	-	(10,000)	398,749	19,374	379,375
TOTAL OTHER FINANCING SOURCES	10,000	-	(10,000)	44,881	(330,626)	383,243
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(131,535)	(23,663)	107,872	159,641	(232,516)	(392,157)
FUND BALANCES AT BEGINNING OF YEAR	467,902	467,902	-	406,464	402,442	-
FUND BALANCES AT END OF YEAR	\$ 336,367	\$ 444,239	\$ 107,872	\$ 566,105	\$ 169,926	\$ (392,157)

# CITY OF PARK HILLS, KENTUCKY

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### BUDGET AND ACTUAL-SUMMARY

Year Ended June 30, 2004

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
Taxes	\$ 559,537	\$ 562,952	\$ 3,415	\$ 525,183
Licenses and permits	245,834	246,820	986	245,916
Intergovernmental	22,991	22,991	-	42,570
Charges for services	166,139	167,112	973	142,937
Grant	91,701	89,201	(2,500)	
Other revenues	57,448	58,772	1,324	74,398
TOTAL REVENUES	1,143,650	1,147,848	4,198	1,031,004
EXPENDITURES				
General administrative expenses	193,340	193,424	(84)	165,431
Police department expenses	443,059	430,150	12,909	423,577
Fire/rescue department expenses	178,545	85,758	92,787	72,149
Public works expenses	80,713	89,350	(8,637)	203,880
Building and utilities	50,754	48,002	2,752	42,543
Contract Services	227,690	223,986	3,704	-
Capital outlay	111,084	61,730	49,354	69,160
Debt service	-	39,111	(39,111)	95,367
TOTAL EXPENDITURES	1,285,185	1,171,511	113,674	1,072,107
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(141,535)	(23,663)	117,872	(41,103)
OTHER FINANCING SOURCES				
Carryover from prior years	10,000	-	(10,000)	-
Lease proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES	10,000	-	(10,000)	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER)EXPENDITURES	(131,535)	(23,663)	107,872	(41,103)
FUND BALANCE BEGINNING OF YEAR	467,902	467,902	-	509,005
FUND BALANCE END OF YEAR	\$ 336,367	\$ 444,239	\$ 107,872	\$ 467,902

# CITY OF PARK HILLS, KENTUCKY

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### BUDGET AND ACTUAL-DETAILED

Year Ended June 30, 2004

	2004			2003
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
TAXES				
Property taxes	\$ 374,537	\$ 372,426	\$ (2,111)	\$ 358,225
Payroll/gross receipts taxes	185,000	190,526	5,526	166,958
TOTAL TAXES	559,537	562,952	3,415	525,183
LICENSES AND PERMITS				
Occupational license	15,000	16,020	1,020	15,399
Municipal insurance tax	185,157	185,157	-	178,840
Franchise fees	30,000	30,319	319	28,845
Yard sale permits	300	295	(5)	355
Animal licenses	600	725	125	885
Beer and liquor licenses	3,475	2,650	(825)	2,650
Building and zoning fees	11,302	11,654	352	18,942
TOTAL LICENSES AND PERMITS	245,834	246,820	986	245,916
INTERGOVERNMENTAL				
Base court, admin and coal severance	4,991	4,694	(297)	21,418
Police incentive pay	18,000	18,297	297	21,152
TOTAL INTERGOVERNMENTAL	22,991	22,991	-	42,570
CHARGES FOR SERVICES				
Trash collection fees	144,615	144,721	106	115,019
Police protection	1,758	1,758	-	2,420
Rescue squad receipts	19,766	20,633	867	25,498
TOTAL CHARGES FOR SERVICES	166,139	167,112	973	142,937
OTHER REVENUES				
Police fines	5,700	6,130	430	6,850
Interest income	4,380	4,891	511	7,524
Insurance claim	6,714	6,164	(550)	15,980
Creighton-Fire Dept. vehicle	29,733	29,855	122	29,317
Grants	91,701	89,201	(2,500)	-
Miscellaneous	10,921	11,732	811	14,727
TOTAL OTHER REVENUES	149,149	147,973	(1,176)	74,398
TOTAL REVENUES	1,143,650	1,147,848	4,198	1,031,004
EXPENDITURES				
General administration expenses	193,340	193,424	(84)	165,431
Police department expenses	443,059	430,150	12,909	423,577
Fire/rescue department expenses	178,545	85,758	92,787	72,149
Public works expenses	80,713	89,350	(8,637)	203,880
Building and utilities	50,754	48,002	2,752	42,543
Contract Services	227,690	223,986	3,704	
Capital outlay	111,084	61,730	49,354	69,160
Debt service		39,111	(39,111)	95,367
TOTAL EXPENDITURES	1,285,185	1,171,511	113,674	1,072,107
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(141,535)	(23,663)	117,872	(41,103)
OTHER FINANCING SOURCES				
Carry over from prior year	10,000	-	(10,000)	-
FUND BALANCE BEGINNING OF YEAR	467,902	467,902	-	509,005
FUND BALANCE END OF YEAR	\$ 336,367	\$ 444,239	\$ 107,872	\$ 467,902

**CITY OF PARK HILLS, KENTUCKY****COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS**

June 30, 2004

	Municipal Aid Fund	Vehicle Fee Fund	Road Tax Fund	Debt Service Fund	Totals	
					2004	2003
ASSETS						
Cash	\$ 21,556	\$ 23,084	\$ 35,076	\$ 80,741	\$ 160,457	\$ 450,971
Intergovernmental receivable	-	-	-	-	-	133,719
Taxes receivable	-	-	6,359	-	6,359	3,186
Due from other funds	-	-	317	-	317	1,363
Accounts receivable	3,941	1,892	-	3,319	9,152	3,593
TOTAL ASSETS	<u>\$ 25,497</u>	<u>\$ 24,976</u>	<u>\$ 41,752</u>	<u>\$ 84,060</u>	<u>\$ 176,285</u>	<u>\$ 592,832</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,980
Deferred revenue	-	-	6,359	-	6,359	3,186
TOTAL LIABILITIES	-	-	6,359	-	6,359	279,166
FUND BALANCE						
Designated	-	-	-	84,060	84,060	
Unreserved, undesignated	25,497	24,976	35,393	-	85,866	313,666
TOTAL FUND BALANCE	<u>25,497</u>	<u>24,976</u>	<u>35,393</u>	<u>84,060</u>	<u>169,926</u>	<u>313,666</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,497</u>	<u>\$ 24,976</u>	<u>\$ 41,752</u>	<u>\$ 84,060</u>	<u>\$ 176,285</u>	<u>\$ 592,832</u>

**CITY OF PARK HILLS, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-**  
**ALL SPECIAL REVENUE FUNDS**  
Year Ended June 30, 2004

	Municipal Aid Fund	Vehicle Fee Fund	Road Tax Fund	Debt Service Fund	Totals	
					2004	2003
REVENUES						
Taxes	\$ -	\$ -	\$ 333,667	\$ -	\$ 333,667	\$ 301,359
Licenses	-	23,262	-	-	23,262	22,606
Intergovernmental	44,817	-	983	-	45,800	41,463
Charges for services	-	-	-	16,399	16,399	-
Interest income	124	178	2,269	937	3,508	2,365
TOTAL REVENUES	44,941	23,440	336,919	17,336	422,636	367,793
EXPENDITURES						
General government	2,527	4,000	5,000	-	11,527	13,177
Public works	20,863	4,030	262,186	-	287,079	547,732
Debt service	-	-	-	22,052	22,052	-
Interest	-	-	3,868	-	3,868	-
TOTAL EXPENDITURES	23,390	8,030	271,054	22,052	324,526	560,909
EXCESS/ (DEFICIENCY) OF REVENUES OVER/(UNDER)EXPENDITURES	21,551	15,410	65,865	(4,716)	98,110	(193,116)
OTHER FINANCING SOURCES (USES)						
Lease proceeds (payments)	-	-	(350,000)	-	(350,000)	350,000
Transfers (to) from other funds	-	-	19,374	-	19,374	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(330,626)	-	(330,626)	350,000
EXCESS/ (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER)EXPENDITURES	21,551	15,410	(264,761)	(4,716)	(232,516)	156,884
FUND BALANCES						
BEGINNING OF YEAR	3,946	9,566	300,154	88,776	402,442	156,782
FUND BALANCES END OF YEAR	\$ 25,497	\$ 24,976	\$ 35,393	\$ 84,060	\$ 169,926	\$ 313,666





**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 Honorable Mayor and  
Members of the Council  
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, 2004, and have issued our report thereon dated September 13, 2004. 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 a 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 caused by error or fraud 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. We noted no matters involving the internal control over financial

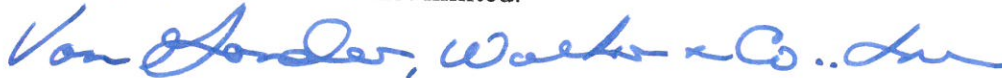
reporting and its operation that we consider material weaknesses. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City'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.

Also, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Park Hills, Kentucky in a separate letter dated September 13, 2004.

This report is intended solely for the information and use of the Mayor and Council members, management and others within the organization and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.



Van Gorder, Walker & Co., Inc.  
Covington, Kentucky  
September 13, 2004