

**CITY OF PARK HILLS, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2013**

**CITY OF PARK HILLS, KENTUCKY**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2013**

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**CITY OF PARK HILLS, KENTUCKY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2013**

**List of City Officials**

Don Catchen, Mayor

Greg Claypole

Steve Elkins

L.F. Skip Fangman

Monty O'Hara

Pamela Spoor

Kathy Zembrodt

**Administration and Departments**

Julie Alig, Clerk/Treasurer

Cody Stanley, Police Chief

Regis Huth, Fire Chief

Jay Bayer, City Engineer

Dennis Finke, Public Works

Todd McMurtry, Attorney



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

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Park Hills, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *-Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *-Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *-Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City of Park Hills, Kentucky as of June 30, 2013 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.





## Other Matters

### ***-Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4–5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The budgetary comparison schedules on pages 23-24 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

### ***-Supplementary Information***

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2014 on our consideration of the City of Park Hills, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Park Hills, Kentucky's internal control over financial reporting and compliance.

*Van Gorder, Walker & Co., Inc.*

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
January 9, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### **Reporting on the City as a Whole**

The Statement of Net Position and Statement of Activities

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

The assets of the City exceeded its liabilities at June 30, 2013 by \$5,122,931.

Effective July 1, 2003 the City's infrastructure has been historically valued and will be included in the investment in capital assets shown in the Statement of Net Position.

Assets	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 377,293	\$ 219,369
Capital assets	4,048,639	4,420,537
Restricted assets	955,805	946,707
Total Assets	<u>5,381,737</u>	<u>5,586,613</u>
Liabilities		
Current liabilities	96,916	160,083
Long term liabilities	161,890	181,407
Total Liabilities	<u>258,806</u>	<u>341,490</u>
Net Position		
Invested in capital assets, net of depreciation	3,873,700	4,117,823
Designated future expenditures	890,398	946,707
Unrestricted	358,833	180,593
Total Net Position	<u>\$ 5,122,931</u>	<u>\$ 5,245,123</u>

One of the most important questions asked about the City's finances is whether the financial position has improved or deteriorated as a result of the year's operations. Governmental activities decreased the City's net position by \$122,192. This includes the excess of revenues over expenditures as well as depreciation expense of \$858,433.

General Revenues	<u>2013</u>	<u>2012</u>
Property taxes	\$ 475,292	\$ 465,186
Municipal insurance taxes	468,920	431,300
Road taxes	296,453	294,872
Fire Truck/Economic Dev. taxes	150,988	152,193
Licenses and permits	341,308	328,406
Other revenues	<u>100,595</u>	<u>119,441</u>
Total General Revenues	<u>1,833,556</u>	<u>1,791,398</u>
Expenses, net of program revenues		
General and administrative	148,350	180,871
Public safety	643,953	529,616
Public works	751,554	662,479
Building and utilities	50,786	75,739
Contracted services	354,093	328,805
Interest expense	<u>7,012</u>	<u>26,790</u>
Total Expenditures, net	<u>1,955,748</u>	<u>1,804,300</u>
Decrease in Net Position	<u>\$ (122,192)</u>	<u>\$ (12,902)</u>

## THE CITY'S FUNDS

The City maintains its budget and daily operations on a current financial resources focus, known as "fund accounting". The City's funds consist of the general fund, road tax fund, and four special revenue funds. The Statement of Revenues, Expenditures and Changes in Fund Balances reflects an excess of fund revenues over fund expenditures in the amount of \$126,060. The special revenue Municipal Road Aid, Road Tax and Vehicle Fee funds are all to be used only to replace, maintain or improve the City's roads. The Fire Truck/Economic Development fund collects taxes to pay for a new aerial ladder truck for the City and for various economic development projects around the City. The sanitation fund is included in Debt Service funds and is used for payment of sewer line repairs assessed by Sanitation District No. 1.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Very Truly Yours;

*Julie Alig*  
Park Hills City Clerk/Treasurer

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Statement of Net Position</b> <b>June 30, 2013</b>
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<b>ASSETS</b>	<b>Governmental Activities</b>
Current Assets	
Cash and cash equivalents	\$ 235,301
Taxes receivable	123,456
Other accounts receivable	18,536
Total Current Assets	<u>377,293</u>
Capital Assets	
Land and improvements	109,671
Infrastructure	11,565,978
Building and improvements	245,405
Machinery and equipment	655,033
Vehicles	892,189
Less: accumulated depreciation	<u>(9,419,637)</u>
Net Capital Assets	<u>4,048,639</u>
Restricted Assets	
Creighton Fund	78,681
Special Revenue Funds cash	877,124
Total Restricted Assets	<u>955,805</u>
<b>TOTAL ASSETS</b>	<b><u>5,381,737</u></b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	67,179
Accrued salaries and benefits	6,091
Current portion of debt	23,646
Total Current Liabilities	<u>96,916</u>
Long Term Liabilities	
Compensated absences	10,597
Capital leases payable	151,293
Total Long Term Liabilites	<u>161,890</u>
<b>TOTAL LIABILITIES</b>	<b><u>258,806</u></b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,873,700
Designated	890,398
Unrestricted	358,833
<b>TOTAL NET POSITION</b>	<b><u>\$ 5,122,931</u></b>

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



**CITY OF PARK HILLS, KENTUCKY**

**Statement of Activities**

**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		Governmental Activities
Primary Government					
Governmental Activities					
Legislative and administrative	\$ 184,854	\$ 36,418	\$ 86	\$ -	\$ (148,350)
Public safety	789,073	112,643	32,477	-	(643,953)
Public works	1,092,826	161,212	74,631	105,429	(751,554)
Building and utilities	50,786	-	-	-	(50,786)
Contracted services	354,093	-	-	-	(354,093)
Interest expense	7,012	-	-	-	(7,012)
<b>Total Governmental Activities</b>	<b>\$ 2,478,644</b>	<b>\$ 310,273</b>	<b>\$ 107,194</b>	<b>\$ 105,429</b>	<b>(1,955,748)</b>

General Revenues

Taxes

Property taxes	475,292
Insurance premium and franchise taxes	468,920
Road tax revenues	296,453
Fire Truck/Economic Development tax	150,988
Licenses and permit fees	
Payroll/gross receipts license fees	283,265
Vehicle sticker license	26,420
Licenses	31,623
Miscellaneous	12,158
Gain on sale of fixed assets	17,250
Investment earnings	71,187

Total general revenues and special items 1,833,556

Change in net position (122,192)

Net position, beginning 5,245,123

Net position, ending \$ 5,122,931

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Balance Sheet - Governmental Funds</b> <b>June 30, 2013</b>
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	<u>General Fund</u>	<u>Road Tax Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 235,301	\$ -	\$ -	\$ 235,301
Receivables				
Accounts	15,653	-	-	15,653
Taxes	123,456	-	-	123,456
Waste	1,558	-	-	1,558
Intergovernmental	1,325	-	-	1,325
Restricted assets				
Special Revenue Funds cash	-	565,115	312,009	877,124
Creighton Fund	78,681	-	-	78,681
<b>TOTAL ASSETS</b>	<u>\$ 455,974</u>	<u>\$ 565,115</u>	<u>\$ 312,009</u>	<u>\$ 1,333,098</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,772	\$ 59,913	\$ 5,496	\$ 67,181
Accrued salaries and benefits	6,089	-	-	6,089
<b>TOTAL LIABILITIES</b>	<u>7,861</u>	<u>59,913</u>	<u>5,496</u>	<u>73,270</u>
<b>FUND BALANCES</b>				
Restricted	78,681	505,202	259,259	843,142
Committed	-	-	47,254	47,254
Unassigned	369,432	-	-	369,432
<b>TOTAL FUND BALANCES</b>	<u>448,113</u>	<u>505,202</u>	<u>306,513</u>	<u>1,259,828</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 455,974</u>	<u>\$ 565,115</u>	<u>\$ 312,009</u>	<u>\$ 1,333,098</u>

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

<p><b>CITY OF PARK HILLS, KENTUCKY</b>  <b><i>Reconciliation of the Balance Sheet - Governmental Funds</i></b>  <b><i>to the Statement of Net Position</i></b>  <b>June 30, 2013</b></p>
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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet	\$ 1,259,828
Capital assets of \$13,468,276, less accumulated depreciation of \$9,419,637, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,048,639
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(10,597)
Capital leases payable	<u>(174,939)</u>
Net position of governmental activities	<u>\$ 5,122,931</u>

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Statement of Revenues, Expenditures and</b> <b>Changes in Fund Balance - Governmental Funds</b> <b>For the Year Ended June 30, 2013</b>
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	General	Road Tax	Non-Major	Total
	Fund	Fund	Funds	Governmental
				Funds
<b>REVENUES</b>				
Taxes	\$ 1,180,295	\$ 296,453	\$ 177,407	\$ 1,654,155
Licenses and permits	78,859	-	-	78,859
Charges for services	290,855	-	-	290,855
Intergovernmental	17,272	105,429	74,631	197,332
Grants	15,205	-	-	15,205
Interest income	318	522	247	1,087
Other revenues	101,707	-	17,250	118,957
Transfers from other funds	-	-	30,000	30,000
<b>TOTAL REVENUES</b>	<u>1,684,511</u>	<u>402,404</u>	<u>299,535</u>	<u>2,386,450</u>
<b>EXPENDITURES</b>				
Current				
General administrative expenses	160,075	8,000	7,488	175,563
Police department expenses	591,970	-	-	591,970
Fire/rescue department	99,427	-	-	99,427
Public works expenses	75,627	140,004	90,547	306,178
Building and utilities	50,786	-	-	50,786
Creighton fund	31,051	-	-	31,051
Contracted services	354,093	-	-	354,093
Capital outlay	63,288	423,247	-	486,535
Debt service	29,740	-	105,047	134,787
Transfers to other funds	-	-	30,000	30,000
<b>TOTAL EXPENDITURES</b>	<u>1,456,057</u>	<u>571,251</u>	<u>233,082</u>	<u>2,260,390</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	228,454	(168,847)	66,453	126,060
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>219,659</u>	<u>674,049</u>	<u>240,060</u>	<u>1,133,768</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 448,113</u>	<u>\$ 505,202</u>	<u>\$ 306,513</u>	<u>\$ 1,259,828</u>

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



<p><b>CITY OF PARK HILLS, KENTUCKY</b>  <b><i>Reconciliation of the Statement of Revenues, Expenditures  and Changes in Fund Balances - Governmental Funds  to the Statement of Activities</i></b>  <b>For the Year Ended June 30, 2013</b></p>
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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 126,060
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Capital outlays	486,535
Depreciation expense	(858,433)

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

Principal payments	127,775
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In the current period these amounts are:

Increase in compensated absences	<u>(4,129)</u>
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Change in net position of governmental activities	<u>\$ (122,192)</u>
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The accompanying notes are an integral part of the financial statements.

<p><b>CITY OF PARK HILLS, KENTUCKY</b> <b><i>Notes to Financial Statements</i></b> <b>June 30, 2013</b></p>
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**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 represent 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 position 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.

*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.

<p><b>CITY OF PARK HILLS, KENTUCKY</b> <b><i>Notes to Financial Statements</i></b> <b>June 30, 2013</b></p>
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*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 Funds*

These funds are 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 Aid Road 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 Kentucky Municipal Road Aid Fund and to account for the use of a vehicle sticker license for road maintenance as stated by ordinance. The Debt Service Fund was used to pay for repairs to the sanitary sewer system which was required when the system was acquired by Sanitation District No. 1. The Road Tax Fund is a major fund, all others are non-major funds.

In 2009, the City established a fund for the acquisition of a fire truck and for economic development and property acquisition. This fund will receive a portion of revenues from the Ad Valorem property tax and will end, per ordinance, in fiscal year 2014.

During fiscal year 2013, the City added four reserve funds for each of the City's major functional areas. The Administration, Police, Fire, and Public Works Reserve Funds will serve to hold funds allocated to those purposes from excess City funds.

*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 Board (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 are reported 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. 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 enough thereafter to pay liabilities of

<p><b>CITY OF PARK HILLS, KENTUCKY</b> <b><i>Notes to Financial Statements</i></b> <b>June 30, 2013</b></p>
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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 are generally 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 resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.



<p><b>CITY OF PARK HILLS, KENTUCKY</b> <b><i>Notes to Financial Statements</i></b> <b>June 30, 2013</b></p>
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*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 certificates of deposit with an initial maturity date within three months of the date acquired. The City maintains no other 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. Banker's acceptances.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2013. The categories are described as follows:

Category 1 - Insured or 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.

<p><b>CITY OF PARK HILLS, KENTUCKY</b>  <b>Notes to Financial Statements</b>  <b>June 30, 2013</b></p>
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Fund	Category			Fair Value
	1	2	3	
General Fund	\$ 235,301	\$ -	\$ -	\$ 235,301
Special Revenue	955,805	-	-	955,805
Total	<u>\$ 1,191,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,191,106</u>

Interest Rate Risk – In accordance with City policy, interest rate risk is limited by investing in only certificates of deposit with the highest rate of return and with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure the preservation of capital in its portfolio.

Credit Risk – The City limits its investments to certificates of deposit issued by banks within the Commonwealth of Kentucky; these certificates have no credit rating applied.

Concentration of Credit Risk – The City has no policy which limits the concentration of credit risk.

Custodial Credit Risk – For deposits, this is the risk that, in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository has pledged securities, in conjunction with the FDIC insurance, in an amount at least equal to the amount of City funds on deposit at all times. As of June 30, 2013, the City's deposits are entirely insured with FDIC insurance and/or collateralized with securities held by the financial institutions on the City's behalf.

*Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2013 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 expenditures 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. An increase in expenditure of \$4,130 is recorded in the government-wide financial statements for this liability. No liability is recorded for non-vested accumulating rights to receive sick pay benefits. At June 30, 2013 the liability for compensated absences is \$10,597.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2013</b>
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*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*

Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

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

*Nonspendable* fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses to be nonspendable.

*Restricted* fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as state government restrictions or the funds restricted by the will of the City's voters. These include residual balances from the Kentucky Municipal Aid Road, Road Tax, Vehicle Fee, and the Fire Truck/Economic Development Funds.

*Committed* fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint.

*Assigned* fund balances consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. The City has no balances that are considered to be *assigned*.

*Unassigned* fund balances consist of all residual funds not included in nonspendable, restricted, committed, or assigned fund balances.

*Inter-fund 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 inter-fund transactions, except reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2013</b>
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*Comparative Data*

Comparative total data for the prior year has 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.

**NOTE C – RECEIVABLES**

Property values are assessed as of January 1. Taxes are levied on July 1 and are due and payable on or before September 30. 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 collectability is improbable.

**NOTE D – FIXED ASSETS**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets. All fixed assets are valued at historical cost or



<p><b>CITY OF PARK HILLS, KENTUCKY</b>  <b>Notes to Financial Statements</b>  <b>June 30, 2013</b></p>
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historical estimated cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The City has elected to capitalize assets with a cost of \$1,000 or more. Capital assets are depreciated using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net assets. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 years
Building improvements	10-20 years
Infrastructure	25-40 years
Vehicles	5-10 years
Machinery and equipment	3-5 years

Depreciation expense was charged to government functions as follows:

Governmental Activities	
Administration	\$ 9,098
Public safety	62,687
Public works	13,274
Infrastructure	<u>773,374</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 858,433</u></u>

The following is a summary of the changes in fixed assets during the fiscal year:

	June 30, 2012	Additions	Deletions	June 30, 2013
Land and improvements	\$ 109,671	\$ -	\$ -	\$ 109,671
Buildings and improvements	245,405	-	-	245,405
Infrastructure	11,142,731	423,247	-	11,565,978
Vehicles	952,799	31,659	(92,269)	892,189
Machinery and equipment	623,404	31,629	-	655,033
Subtotal	13,074,010	486,535	(92,269)	13,468,276
Accumulated depreciation	<u>(8,653,473)</u>	<u>(858,433)</u>	<u>92,269</u>	<u>(9,419,637)</u>
Total assets, net	<u>\$ 4,420,537</u>	<u>\$ (371,898)</u>	<u>\$ -</u>	<u>\$ 4,048,639</u>

**NOTE E – GENERAL LONG TERM DEBT**

*Capital Lease – Building Improvements/Equipment*

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. Terms of the lease-purchase agreement are 10 years at an interest rate of 5.95%. This lease was refinanced in April 2002 at a 4.57% interest rate. The City executed a lease agreement in May of 2005 for the refinancing of the April 2002 obligation and for the purchase of real property in the City of Park Hills at a total cost of \$250,000. Terms of the lease-purchase agreement are 10 years at an annual interest rate of 4.5%. The maturity date of this lease is December 15, 2015. In March 2012,

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2013</b>
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this lease was refunded at the Bank of Kentucky for \$172,638 with annual interest rate of 2.87% with a term of 5 years with a balloon payment in March of 2017. The balance at June 30, 2012 was \$160,956.

Annual lease payment requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 9,664	\$ 4,556	\$ 14,220
2015	9,949	4,271	14,220
2016	10,232	3,988	14,220
2017	131,111	2,780	133,891
Totals	<u>\$ 160,956</u>	<u>\$ 15,595</u>	<u>\$ 176,551</u>

*Capital Lease – Fire Truck*

In June 2009, the City executed a lease-purchase agreement for the purchase of a fire truck at a total cost of \$440,000. Terms of the lease-purchase agreement were 5 years at an interest rate of 5.88%. In March 2012, the City refinanced this lease with the Bank of Kentucky with an 8 month term and an interest rate of 2.28% per year. The balance was paid in full at June 30, 2013.

*Promissory Note Payable*

On December 12, 2006, the City Council passed Ordinance No. 13, which approved the purchase of land for \$300,000. A promissory note with the property's former owners, with an interest rate of 3.0% per annum, was signed on December 18, 2006 to begin both principal and interest payment three years from the date of the note, on December 18, 2009. The payment of this note has been the subject of several lawsuits against the City. During the year ended June 30, 2012, this property was sold for \$306,000 and the existing note was paid in full with the proceeds of the sale.

*Cruiser Lease Payable*

On May 16, 2012 the City entered into a 24 month capital lease for the purchase of a police cruiser at a total cost of \$30,000. The lease involves a \$1,293 monthly payment at 3.25% per annum. The balance on this lease at June 30, 2013 was \$13,983.

Annual lease payment requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 13,983	\$ 1,539	\$ 15,522
Totals	<u>\$ 13,983</u>	<u>\$ 1,539</u>	<u>\$ 15,522</u>

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Notes to Financial Statements</b> <b>June 30, 2013</b>
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*Summary of General Long-Term Debt*

The following changes occurred in the General Long-Term Debt Account Group during the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Principal Payments	Balance June 30, 2013
BoK Building Lease	\$ 170,343	\$ -	\$ (9,387)	\$ 160,956
BoK Fire Truck Lease	103,583	-	(103,583)	-
BoK Fire 1 Cruiser Lease	28,788	-	(14,805)	13,983
	<u>\$ 302,714</u>	<u>\$ -</u>	<u>\$ (127,775)</u>	<u>\$ 174,939</u>

Of the \$174,939 General Long-Term Debt Account Group balance at June 30, 2013, \$23,646 is a current liability due within one year of June 30, 2013 and \$151,293 is a long-term liability, due in more than one year from the date of these financial statements.

**NOTE F – EMPLOYEE RETIREMENT SYSTEM**

*County Employees Retirement System (CERS)*

The City participates in the County Employees Retirement System of Kentucky (“Plan”). The Plan is a cost-sharing, multi-employer public retirement plan created by and operating under Kentucky law. It is a defined benefit plan that covers substantially all regular employees of the City. The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The Plan provides for retirement, disability and death benefits. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

Participating non-hazardous employees contribute 5% (8% for hazardous duty employees) of their creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus 1% of un-funded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The City contributed 19.55% (37.60% for hazardous duty employees) of the non-hazardous duty employee’s compensation during the fiscal year ended June 30, 2013.

The City of Park Hills’ made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2013.

<p><b>CITY OF PARK HILLS, KENTUCKY</b>  <b>Notes to Financial Statements</b>  <b>June 30, 2013</b></p>
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The required contribution and the actual percentage contributed by the City for the current and previous five years is as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 127,981	100%
2012	119,211	100%
2011	134,357	100%
2010	111,009	100%
2009	102,584	100%
2008	121,379	100%

**NOTE G – 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 H – 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.

The City is currently involved in litigation with its former police chief, who is claiming unlawful sexual harassment, unlawful sex discrimination, and the failure to provide a statutory pre-termination due process hearing. The City plans to vigorously defend this charge. In the event of an unfavorable outcome, no estimate of a potential financial contingency has been made. The City's insurance carrier has denied coverage for this claim and the City is considering litigation against said carrier for relief of any costs, fees, and damages.

**NOTE I – RESTATEMENT OF PRIOR YEAR BALANCES**

The "Memo Only" balances for 2012 have been restated to break out the Road Tax Fund from the Combined Balance Sheet and the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds. The Road Tax Fund information was reclassified as a major fund on the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance for the year ended June 30, 2013.

**NOTE J – SUBSEQUENT EVENTS**

Management has evaluated events through January 9, 2014, the date on which the financial statements were available for issue. The City has no events subsequent to June 30, 2013 through January 9, 2014 to disclose.



# CITY OF PARK HILLS, KENTUCKY

## *Budgetary Comparison Schedule - Budget to Actual - General Fund* For the Year Ended June 30, 2013

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Budgetary fund balance, July 1</b>	\$ 96,694	\$ 122,965	\$ 219,659	\$ 219,659	\$ -
<b>Resources (inflows):</b>					
<b>TAXES</b>					
Property taxes	457,866	20,236	478,102	475,291	(2,811)
Municipal insurance tax	320,000	30,000	350,000	421,739	71,739
Payroll/gross receipts taxes	230,000	38,000	268,000	283,265	15,265
<b>TOTAL TAXES</b>	<u>1,007,866</u>	<u>88,236</u>	<u>1,096,102</u>	<u>1,180,295</u>	<u>84,193</u>
<b>LICENSES AND PERMITS</b>					
Occupational license	15,000	6,000	21,000	27,288	6,288
Franchise fees	46,000	400	46,400	47,181	781
Other fees and licenses	4,575	(220)	4,355	4,390	35
<b>TOTAL LICENSES AND PERMITS</b>	<u>65,575</u>	<u>6,180</u>	<u>71,755</u>	<u>78,859</u>	<u>7,104</u>
<b>INTERGOVERNMENTAL</b>	<u>12,480</u>	<u>4,878</u>	<u>17,358</u>	<u>17,272</u>	<u>(86)</u>
<b>CHARGES FOR SERVICES</b>					
Trash collection fees	164,683	(4,683)	160,000	161,212	1,212
Law enforcement fees, civic duty	17,450	(6,450)	11,000	12,643	1,643
Bromley contract	100,000	-	100,000	100,000	-
Fund administration	17,000	-	17,000	17,000	-
<b>TOTAL CHARGES FOR SERVICES</b>	<u>299,133</u>	<u>(11,133)</u>	<u>288,000</u>	<u>290,855</u>	<u>2,855</u>
<b>OTHER REVENUES</b>					
Creighton revenue	29,000	19,000	48,000	70,100	22,100
Code enforcement board fines	2,000	(900)	1,100	988	(112)
Police fines	6,000	1,300	7,300	6,250	(1,050)
Interest income	300	20	320	318	(2)
Grants	1,481	12,769	14,250	15,205	955
Tax overpayments	1,000	500	1,500	1,493	(7)
Insurance reimbursement	-	1,943	1,943	1,943	-
Loan proceeds	60,000	(60,000)	-	-	-
Duke refund	-	948	948	948	-
Legal fee reimbursement	-	19,400	19,400	19,398	(2)
Miscellaneous	6,000	(5,350)	650	587	(63)
<b>TOTAL OTHER REVENUES</b>	<u>105,781</u>	<u>(10,370)</u>	<u>95,411</u>	<u>117,230</u>	<u>21,819</u>
<b>Amounts available for appropriation</b>	<u>1,587,529</u>	<u>200,756</u>	<u>1,788,285</u>	<u>1,904,170</u>	<u>115,885</u>
<b>Charges to appropriations (outflows):</b>					
General administration expenses	153,012	16,471	169,483	160,075	9,408
Police department expenses	635,500	(32,219)	603,281	591,969	11,312
Fire/rescue department expenses	125,657	(11,031)	114,626	99,427	15,199
Public works expenses	73,000	(11,202)	61,798	57,596	4,202
Building and utilities	62,500	(6,684)	55,816	50,786	5,030
Creighton fund	-	45,774	45,774	31,051	14,723
Contract services	279,546	74,280	353,826	354,093	(267)
Capital improvements	70,720	25,322	96,042	111,060	(15,018)
<b>Total appropriations</b>	<u>1,399,935</u>	<u>100,711</u>	<u>1,500,646</u>	<u>1,456,057</u>	<u>44,589</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ 187,594</u>	<u>\$ 100,045</u>	<u>\$ 287,639</u>	<u>\$ 448,113</u>	<u>\$ 160,474</u>

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

**CITY OF PARK HILLS, KENTUCKY****Budgetary Comparison Schedule - Budget to Actual - Road Tax Fund**

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Budgetary fund balance, July 1</b>	\$ 630,564	\$ 43,485	\$ 674,049	\$ 674,049	\$ -
<b>Resources (inflows):</b>					
Road tax revenue	285,000	11,000	296,000	296,453	453
Interest income	500	50	550	522	(28)
Reimbursement from water/sanitation	-	109,380	109,380	105,429	(3,951)
Transfers from other funds	-	-	-	-	-
<b>Amounts available for appropriation:</b>	<u>916,064</u>	<u>163,915</u>	<u>1,079,979</u>	<u>1,076,453</u>	<u>(3,526)</u>
<b>Charges to appropriations (outflows):</b>					
Street maintenance	911,064	(3,000)	908,064	563,251	344,813
Administration	5,000	3,000	8,000	8,000	-
<b>Total appropriations</b>	<u>916,064</u>	<u>-</u>	<u>916,064</u>	<u>571,251</u>	<u>344,813</u>
<b>Budgetary fund balance, June 30</b>	<u>\$ -</u>	<u>\$ 163,915</u>	<u>\$ 163,915</u>	<u>\$ 505,202</u>	<u>\$ 341,287</u>

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

<b>CITY OF PARK HILLS, KENTUCKY</b> <b>Combined Balance Sheet - Non-Major Funds</b> <b>June 30, 2013</b>
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	Municipal Aid Fund	Vehicle Fee Fund	Fire Truck/ Economic Development Fund	Debt Service Fund	Administration Reserve Fund	Police Reserve Fund	Fire Reserve Fund	Public Works Reserve Fund	Totals	
									2013	Restated (Memo Only) 2012
<b>ASSETS</b>										
Restricted cash	\$ 59,110	\$ 84,344	\$ 121,299	\$ 2	\$ 5,000	\$ 20,002	\$ 5,000	\$ 17,252	\$ 312,009	\$ 243,092
Due from other funds	-	-	-	-	-	-	-	-	-	2,040
<b>TOTAL ASSETS</b>	<u>\$ 59,110</u>	<u>\$ 84,344</u>	<u>\$ 121,299</u>	<u>\$ 2</u>	<u>\$ 5,000</u>	<u>\$ 20,002</u>	<u>\$ 5,000</u>	<u>\$ 17,252</u>	<u>\$ 312,009</u>	<u>\$ 245,132</u>
<b>LIABILITIES AND FUND BALANCE</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ 5,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,494	\$ 5,072
Due to other funds	-	-	-	2	-	-	-	-	2	-
<b>TOTAL LIABILITIES</b>	<u>5,494</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,496</u>	<u>5,072</u>
<b>FUND BALANCE</b>										
Restricted	53,616	84,344	121,299	-	5,000	20,002	5,000	17,252	306,513	238,018
Committed	-	-	-	-	-	-	-	-	-	2,042
<b>TOTAL FUND BALANCE</b>	<u>53,616</u>	<u>84,344</u>	<u>121,299</u>	<u>-</u>	<u>5,000</u>	<u>20,002</u>	<u>5,000</u>	<u>17,252</u>	<u>306,513</u>	<u>240,060</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 59,110</u>	<u>\$ 84,344</u>	<u>\$ 121,299</u>	<u>\$ 2</u>	<u>\$ 5,000</u>	<u>\$ 20,002</u>	<u>\$ 5,000</u>	<u>\$ 17,252</u>	<u>\$ 312,009</u>	<u>\$ 245,132</u>

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

**CITY OF PARK HILLS, KENTUCKY**  
**Combined Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Non-Major Funds**  
**For the Year Ended June 30, 2013**

	Municipal Aid Fund	Vehicle Fee Fund	Fire Truck/ Economic Development Fund	Debt Service Fund	Administration Reserve Fund	Police Reserve Fund	Fire Reserve Fund	Public Works Reserve Fund	Totals	
									2013	Restated (Memo Only) 2012
<b>Revenues</b>										
Taxes	\$ -	\$ 26,419	\$ 150,988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,407	\$ 179,485
Intergovernmental	74,631	-	-	-	-	-	-	-	74,631	65,804
Charges for services	-	-	-	-	-	-	-	-	-	19,200
Grant	-	-	-	-	-	-	-	-	-	124,000
Sale of assets	-	-	-	-	-	-	-	17,250	17,250	-
Interest income	71	84	88	-	-	2	-	2	247	128
Transfers from other funds	-	-	-	-	5,000	20,000	5,000	-	30,000	-
<b>Total Revenues</b>	<b>74,702</b>	<b>26,503</b>	<b>151,076</b>	<b>-</b>	<b>5,000</b>	<b>20,002</b>	<b>5,000</b>	<b>17,252</b>	<b>299,535</b>	<b>388,617</b>
<b>Expenditures</b>										
General government	-	4,488	3,000	-	-	-	-	-	7,488	9,000
Public works	90,547	-	-	-	-	-	-	-	90,547	106,991
Debt service	-	-	105,045	2	-	-	-	-	105,047	234,362
Transfers to other funds	-	30,000	-	-	-	-	-	-	30,000	-
<b>Total Expenditures</b>	<b>90,547</b>	<b>34,488</b>	<b>108,045</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,082</b>	<b>350,353</b>
<b>Excess/(Deficiency) of Revenues</b>										
<b>Over/(Under)Expenditures</b>	(15,845)	(7,985)	43,031	(2)	5,000	20,002	5,000	17,252	66,453	38,264
<b>Fund Balances Beginning of Year</b>	<b>69,461</b>	<b>92,329</b>	<b>78,268</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,060</b>	<b>201,796</b>
<b>Fund Balances End of Year</b>	<b>\$ 53,616</b>	<b>\$ 84,344</b>	<b>\$ 121,299</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 20,002</b>	<b>\$ 5,000</b>	<b>\$ 17,252</b>	<b>\$ 306,513</b>	<b>\$ 240,060</b>

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



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Park Hills, Kentucky as of June 30, 2013 and the related notes to the financial statements which collectively comprise the City of Park Hills, Kentucky's financial statements, and have issued our report thereon dated January 9, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered City of Park Hills, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Park Hills, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Park Hills, Kentucky's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.





### ***Lack of Segregation of Duties***

Condition: We noted that, due to the size of the City and financial considerations, the executing and recording of transactions are performed by the same person.

Criteria: The process of executing a transaction should be segregated from the process of recording the transaction.

Effect: Segregation of duties is a necessary part of any system of internal control. Lack of segregation of duties could allow for receipts to be diverted away from the City and expenses not attributed to the City could be paid for from the City's cash account.

Recommendation: Internal controls should continue to be implemented to segregate the duties of the personnel. Controls should be monitored to ascertain that they are sufficient to reduce the risk of material misstatement to an acceptable level.

### **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Van Gorder, Walker & Co., Inc.*

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
January 9, 2014