

**CITY OF FORT WRIGHT, KENTUCKY**

***ANNUAL FINANCIAL STATEMENTS***

**Year Ended June 30, 2014**



**CITY OF FORT WRIGHT, KENTUCKY**

***ANNUAL FINANCIAL STATEMENTS***

**Year Ended June 30, 2014**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
Management's Discussion and Analysis.....	5
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Notes to the Financial Statements.....	14
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule-General Fund.....	23
Budgetary Comparison Schedule-Special Revenue Fund.....	24
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Non-Major Funds.....	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Non-Major Governmental Funds.....	26
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.....	28
SCHEDULE OF FINDINGS AND RESPONSES. ....	31





## **INDEPENDENT AUDITOR'S REPORT**

**To the Mayor and Council  
City of Fort Wright, Kentucky**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fort Wright, Kentucky, as of and for the year ended June 30, 2014, 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 opinions 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. 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 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Fort Wright, Kentucky, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity 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 and budgetary comparison information on pages 23 through 24 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Wright, Kentucky's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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 December 12, 2014, on our consideration of the City of Fort Wright, 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 Fort Wright, Kentucky's internal control over financial reporting and compliance.

**RANKIN, RANKIN, & COMPANY**

A handwritten signature in cursive script that reads "Rankin, Rankin &amp; Company". The signature is written in black ink and is positioned to the right of the printed company name.

**Ft. Wright, Kentucky  
December 12, 2014**

This page left blank intentionally.





# The City of Fort Wright, Kentucky

409 Kyles Lane • Fort Wright, KY 41011-5146  
[www.fortwright.com](http://www.fortwright.com)

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of City of Fort Wright, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the City's basic financial statements.

## FINANCIAL HIGHLIGHTS

The City's net position increased \$705,144 over the prior year. The City's government funds fund balance was \$5,355,075 at year end.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This 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. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets and liabilities, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health is* improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, license fee base, and the condition of the City's capital assets (roads, buildings, and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, the City has only governmental activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. License fees, property taxes, and state and federal grants finance most of these activities.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes (Ex. Capital Project Fund) or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Aid Grant Fund).

*Governmental funds:* Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the year ended June 30, 2014, net position changed as follows:

	Governmental Activities	
Beginning net position	\$	11,260,335
Increase(decrease) in net position		705,144
Ending net position	\$	<u>11,965,479</u>

	Governmental Activities			
	2014		2013	
Current assets	\$	5,658,162	\$	5,038,812
Capital assets, net		7,025,932		7,027,051
Total assets		<u>12,684,094</u>		<u>12,065,863</u>
Current liabilities		291,663		261,483
Noncurrent liabilities		426,952		544,045
Total liabilities		<u>718,615</u>		<u>805,528</u>
Net position	\$	<u>11,965,479</u>	\$	<u>11,260,335</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS AND FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Over the course of the year, the City Council revised the General Fund budget. The budget amendment was to increase the beginning fund balance to actual and to change revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year. The current year budget relied on the expectation of moderate increases in property and payroll taxes and licenses and permits. The actual results showed changes in each of these categories that resulted in revenues over budgeted amounts by \$400,152. Expenditures were less than budgeted by \$238,478. The City ended the year with a fund balance that was \$638,630 more than the final budget.

The following schedule presents a summary of general, special revenue and capital projects revenues and expenditures for the fiscal years ended June 30, 2014 and 2013.

Revenues	2014 Amount	2013 Amount
Taxes	\$ 1,725,962	\$ 1,601,992
Licenses and permits	2,103,182	1,990,336
Intergovernmental	238,919	246,671
Charges for services	259,093	232,370
Waste fees	302,400	296,230
Fines and forfeitures	21,892	34,308
Interest	12,291	10,934
Miscellaneous	85,187	78,850
<b>Total revenues</b>	<b>\$ 4,748,926</b>	<b>\$ 4,491,691</b>

Revenues increased 5.7% primarily due to an increase in both taxes and license and permit revenues.

Expenditures	2014 Amount	2013 Amount
General government	\$ 397,865	\$ 354,097
Police	1,235,218	1,177,064
Fire and EMS	863,266	958,617
Public Works	476,201	402,816
Waste fees	300,601	292,156
Plant/community projects	127,701	142,762
Capital outlay	637,610	407,496
Debt service	152,000	145,466
<b>Total expenditures</b>	<b>\$ 4,190,462</b>	<b>\$ 3,880,474</b>

Capital outlay increased significantly due to road projects in 2014.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of June 30, 2014, the City had \$27.1 million invested in capital assets including police and fire equipment, buildings, park facilities, roads and sidewalks.

	Governmental Activities	
	2014	2013
Land and construction in progress	\$ 1,594,876	\$ 1,523,000
Buildings	1,481,888	1,481,888
Improvements/ Infrastructure	21,683,469	21,211,857
Equipment	1,042,615	1,110,402
Vehicles	1,296,623	1,310,852
<b>TOTALS</b>	<b>\$ 27,099,471</b>	<b>\$ 26,637,999</b>

This year's major additions included:

Vehicles	\$ 77,946	\$ 119,622
Improvements/Infrastructure	543,488	249,055
Various equipment and improvements	16,178	31,717
	<u>\$ 637,612</u>	<u>\$ 400,394</u>

### Debt

At year-end, the City had \$357,720 outstanding capital leases compared to \$496,620 last year. That is a decrease of \$138,900. On July 16, 2014 the remaining lease balance of \$357,720 was paid in full plus interest of \$1,541.

During the year the City incurred no additional debt. Other obligations of the City include accrued compensated absences in the amount of \$69,232.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Fort Wright resumed a street improvement program in the 2013-2014 budget year. The streets of Morris Place, Glazier Road, Normandy Court and a portion of Monticello Drive were reconstructed at a cost of approximately \$500,000. The City adopted its first ever 5 Year Capital Improvement Plan that took into consideration anticipated revenue, capital expenditures and operating costs. The plan reveals that the city can maintain existing operations and purchase capital equipment without going into debt in the future.

Projects anticipated for the 2014-2015 budget year are:

- Payoff the remaining debt on the Battery Hooper Park. This will make the city completely debt free.
- Reconstruct Basswood Circle, East Crittenden Drive and Cumberland Avenue at an anticipated cost of \$1,100,000.
- Realign Kyles Lane and Dixie Highway to provide a left turn lane from southbound Dixie Highway to Kyles Lane and provide a dedicated right turn lane from north bound Dixie Highway to Kyles Lane.

The City enjoys a high level of professional services, volunteer boards and excellent facilities. The City's future is promising with an ever improving financial outlook and quality of life.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide for all those with an interest in the government's finances, a general overview of the City's finances. If you have questions about this report or requests for additional financial information, contact the City Administrator's office at 409 Kyles Lane, Ft. Wright, Kentucky 41011.

**BASIC FINANCIAL STATEMENTS**

**CITY OF FORT WRIGHT, KENTUCKY****Statement of Net Position**

June 30, 2014

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,093,557
Receivables:	
Taxes	520,077
Intergovernmental	18,788
Accounts	25,740
Capital assets not being depreciated - land	1,594,876
Capital assets, net of accumulated depreciation	5,431,056
<b>Total assets</b>	<b>12,684,094</b>
<b>LIABILITIES</b>	
Accounts payable	100,728
Accrued liabilities	109,426
Accrued interest payable	1,542
Escrow	17,150
Unearned revenue	62,817
Noncurrent liabilities:	
Compensated absences	69,232
Due within one year	357,720
Due in more than one year	-
<b>Total liabilities</b>	<b>718,615</b>
<b>NET POSITION</b>	
Net investment in capital assets	6,668,212
Unrestricted	5,297,267
<b>Total net position</b>	<b>\$ 11,965,479</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF FORT WRIGHT, KENTUCKY**  
**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2014

**Net (Expense) Revenue and  
Changes in Net Assets**

Functions/Programs	Program Revenues			Capital Grants and Contributions	Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental activities:					
General government	\$ 394,420	\$ 12,711	\$ -	\$ (381,709)	
Police	1,276,562	31,597	58,653	(1,186,312)	
Fire/EMS	905,107	225,460	35,408	(644,239)	
Public works	945,989	-	132,459	(813,530)	
Waste fees	300,601	302,400	-	1,799	
Plant/community projects	210,615	11,217	-	(199,398)	
Interest on long-term debt	13,348	-	-	(13,348)	
Total governmental activities	<u>4,046,642</u>	<u>583,385</u>	<u>94,061</u>	<u>(3,236,737)</u>	
Total primary government	\$ 4,046,642	\$ 583,385	\$ 94,061	\$ (3,236,737)	
General revenues:					
Taxes:					
Property taxes, levied for general purposes				1,601,633	
Taxes levied on bank deposits				38,951	
Motor vehicle taxes				88,237	
Licenses and permits:					
Payroll				1,068,291	
Insurance premium				649,240	
Other				385,651	
Grants and contributions not restricted to specific programs				12,400	
Investment earnings				12,291	
Miscellaneous				85,187	
Total general revenues and special items				<u>3,941,881</u>	
Change in net position				705,144	
Net position-beginning				11,260,335	
Net position-ending				<u>\$ 11,965,479</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF FORT WRIGHT, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,926,909	\$ 503,537	\$ 663,111	\$ 5,093,557
Receivables:				
Taxes	520,077	-	-	520,077
Intergovernmental	4,115	14,673	-	18,788
Accounts	1,747	-	23,993	25,740
Total assets	<u>\$ 4,452,848</u>	<u>\$ 518,210</u>	<u>\$ 687,104</u>	<u>\$ 5,658,162</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 18,577	\$ 81,046	\$ 1,105	\$ 100,728
Accrued liabilities	109,426	-	-	109,426
Escrow	-	17,150	-	17,150
Unearned revenue	48,185	14,632	-	62,817
Total liabilities	<u>176,188</u>	<u>112,828</u>	<u>1,105</u>	<u>290,121</u>
Deferred inflows of resources				
Unavailable revenue-property taxes	<u>12,966</u>	<u>-</u>	<u>-</u>	<u>12,966</u>
Fund balances:				
Restricted:				
Street projects	-	405,382	-	405,382
Committed				
TIF Program	-	-	428,489	428,489
Assigned				
Special projects	-	-	257,510	257,510
Unassigned	4,263,694	-	-	4,263,694
Total fund balances	<u>4,263,694</u>	<u>405,382</u>	<u>685,999</u>	<u>5,355,075</u>
Total liabilities and fund balances	<u>\$ 4,452,848</u>	<u>\$ 518,210</u>	<u>\$ 687,104</u>	<u>\$ 5,658,162</u>
Total governmental fund balances				\$ 5,355,075
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation \$20,073,539				7,025,932
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				12,966
Accrued interest on long-term debt.				(1,542)
Long-term liabilities, including notes payable, are not due and payable in current period and therefore are not reported in the funds:				
Accrued absences payable				(69,232)
Notes and leases payable				(357,720)
Net position of governmental activities				<u>\$ 11,965,479</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF FORT WRIGHT, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2014

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,725,962	\$ -	\$ -	\$ 1,725,962
Licenses and permits	2,103,182	-	-	2,103,182
Intergovernmental	106,490	132,429	-	238,919
Charges for services	89,715	-	169,378	259,093
Waste fees	302,400	-	-	302,400
Fines and forfeitures	21,431	-	461	21,892
Uses of property	8,852	1,879	1,560	12,291
Miscellaneous	47,670	24,373	13,144	85,187
Total revenues	<u>4,405,702</u>	<u>158,681</u>	<u>184,543</u>	<u>4,748,926</u>
<b>EXPENDITURES</b>				
Current:				
General government	396,896	176	793	397,865
Police	1,235,218	-	-	1,235,218
Fire and EMS	851,010	-	12,256	863,266
Public works	356,519	119,682	-	476,201
Waste fees	300,601	-	-	300,601
Park/community projects	101,808	-	25,893	127,701
Capital outlay	94,123	543,487	-	637,610
Debt service:	-	-	-	-
Principal	138,900	-	-	138,900
Interest	13,100	-	-	13,100
Total expenditures	<u>3,488,175</u>	<u>663,345</u>	<u>38,942</u>	<u>4,190,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>917,527</u>	<u>(504,664)</u>	<u>145,601</u>	<u>558,464</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers in	60,000	500,000	47,500	607,500
Transfers out	(547,500)	-	(60,000)	(607,500)
Total other financing sources and uses	<u>(487,500)</u>	<u>500,000</u>	<u>(12,500)</u>	<u>-</u>
Net change in fund balances	430,027	(4,664)	133,101	558,464
Fund balances - beginning	<u>3,833,667</u>	<u>410,046</u>	<u>552,898</u>	<u>4,796,611</u>
Fund balances - ending	<u>\$ 4,263,694</u>	<u>\$ 405,382</u>	<u>\$ 685,999</u>	<u>\$ 5,355,075</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF FORT WRIGHT, KENTUCKY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2014**

Net change in fund balances-total governmental funds	\$	558,464
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
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 as depreciation expense:		
Capital asset purchases capitalized		637,612
Depreciation expense		(638,731)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,859
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		138,900
Accrued interest on long-term debt is reported in the government wide funds and not reported in the governmental funds.		(248)
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.		6,288
Change in net position of governmental activities	\$	<u>705,144</u>

The notes to the financial statements are an integral part of this statement.

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

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

*Date of Management's Review*

Subsequent events were evaluated through December 12, 2014, which is the date the financial statements were available to be issued.

*Financial Reporting Entity*

The City of Fort Wright is a municipality governed by a mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government.

*Government-wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

*Measurement focus, basis of accounting and financial statement presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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

**CITY OF FORT WRIGHT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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 the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a 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 when payment is due.

The government reports the following funds of the financial reporting entity:  
The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

The capital project funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

*Assets, liabilities and net position or equity*

*Cash and Cash Equivalents*

Cash and cash equivalents including 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 deposits.
3. Bankers acceptances.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

*Property Tax Receivable*

Property taxes are levied as of July 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1. Total real property assessments were \$470,194,700 and tangible tax assessments were \$34,580,982.

*Capital Assets*

These assets are reported in the governmental activities column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the government-wide financial statements. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for

# CITY OF FORT WRIGHT, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2000, governmental funds infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Capital assets used in operations are depreciated over their estimated useful lives 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 balance sheet. The range of lives used for depreciation purposes for each fixed asset class is as follows:

Buildings	40 years
Building Improvements	10-20 years
Public Domain Infrastructure	10-25 years
Vehicles	5 years
Office Equipment	3-7 years

### *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### *Long-Term Obligations*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principle and interest reported as expenditures.

### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report as a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government has no items of this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

**CITY OF FORT WRIGHT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

ry. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source-property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*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.

In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, committed, assigned or unassigned:

Nonspendable fund balances arise when resources cannot be spent because of their form and because resources must be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the Council. The Council must approve the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

*Expenditures/Expenses*

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental funds are classified as follows:

Governmental funds -- by character    Current-further  
classified by function  
Debt service  
Capital outlay

In the fund financial statements governmental funds report expenditures of financial resources.

*Interfund Transactions*

External transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as other financing sources (uses).

*Restricted Revenues*

When there are restricted and unrestricted revenues in a program, the City's policy is that the restricted revenues are expended first.

*Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

**NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

- A. In accordance with City ordinance, by May 31, the Mayor submits to the Council, a proposed operating budget on the modified accrual basis of accounting 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.
- B. A public meeting is conducted to obtain citizen comment.
- C. By July 1, the budget is legally enacted through passage of an ordinance.
- D. The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the Council explaining any variance from the approved budget.
- E. Appropriations continue in effect until a new budget is adopted.
- F. The Council may authorize supplemental appropriations 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; however, with proper approval by the Council, budgetary transfers between departments can be made. The Council adopted one budget amending ordinance during the year. All appropriations lapse at fiscal year end.

**CITY OF FORT WRIGHT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE C-DEPOSITS**

*Custodial credit risk – deposits.* For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. 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, 2014, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the City's behalf and the FDIC insurance.

The City held no investments at June 30, 2014.

**NOTE D-CAPITAL ASSETS AND DEPRECIATION**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Retirements/ Deletions	Balance June 30, 2014
Governmental activities:				
Not being depreciated:				
Construction in progress	\$ -	\$ 71,876	\$ -	\$ 71,876
Land	1,523,000	-	-	1,523,000
Subtotal	<u>1,523,000</u>	<u>71,876</u>	<u>-</u>	<u>1,594,876</u>
Other capital assets:				
Buildings	1,481,888	-	-	1,481,888
Improvements/infrastructure	21,211,857	471,612	-	21,683,469
Equipment	1,110,402	16,178	(83,965)	1,042,615
Vehicles	1,310,852	77,946	(92,175)	1,296,623
Subtotal	<u>25,114,999</u>	<u>565,736</u>	<u>(176,140)</u>	<u>25,504,595</u>
Accumulated depreciation:				
Buildings	(839,038)	(45,846)	-	(884,884)
Improvements/infrastructure	(16,793,066)	(472,941)	-	(17,266,007)
Equipment	(827,859)	(55,453)	83,965	(799,347)
Vehicles	(1,150,985)	(64,491)	92,175	(1,123,301)
Subtotal	<u>(19,610,948)</u>	<u>(638,731)</u>	<u>176,140</u>	<u>(20,073,539)</u>
Net other assets	<u>5,504,051</u>	<u>(72,995)</u>	<u>-</u>	<u>5,431,056</u>
Net capital assets	<u>\$ 7,027,051</u>	<u>\$ (1,119)</u>	<u>\$ -</u>	<u>\$ 7,025,932</u>

\*Depreciation was charged to functions as follows:

Governmental activities:	
General government, police and fire	\$ 86,029
Public works	469,788
Plant	82,914
Total governmental activities depreciation expense	<u>\$ 638,731</u>



**CITY OF FORT WRIGHT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE E-LONG-TERM DEBT**

Lease Payables

The leases payable long-term debt are payable from general revenues.

Long-term debt outstanding at June 30, 2014 for the leases payable, consisted of the following:

*Lease Payable-Storer Property*

The City purchased park land known as the Storer property in the fall of 2003. The purchase was financed as a capital lease with the Bank of Kentucky. In 2006, the City refinanced the lease for 25 years with a fixed interest rate of 4.86% through August 31, 2011. In December 2011 the interest rate was adjusted to 3.125% through March 1, 2014, and adjusted in 2014 to 3.430%.

On July 16, 2014 the remaining loan balance of \$357,720 was paid in full plus interest of \$1,541.

Long-term liability activity for the year ended June 30, 2014, was as follows:

	June 30, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
Governmental activities:					
Lease payable-Storer property	\$ 496,620	\$ -	\$ 138,900	\$ 357,720	\$ 357,720
Compensated absences	75,520	-	6,288	69,232	-
Totals	<u>\$ 572,140</u>	<u>\$ -</u>	<u>\$ 145,188</u>	<u>\$ 426,952</u>	<u>\$ 357,720</u>

**NOTE F-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 amounts, 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 G-EMPLOYEE RETIREMENT SYSTEM**

*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.

**CITY OF FORT WRIGHT, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2014, plan members were required to contribute 5% of their annual creditable compensation. Any plan members that entered the plan after August 31, 2008, are required to contribute an additional 1% of their annual creditable compensation for health insurance. 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, 2014, participating employers contributed 18.89% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2014 was 18.89% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2014, 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, 2014, participating employers contributed 35.7% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2014 was 35.7% 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 are as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 461,723	100%
2013	\$ 465,783	100%
2012	\$ 437,390	100%

*Medical Insurance Plan*

The CERS provides post-retirement healthcare benefits to eligible members and dependents, under cost sharing multiple employer defined benefit plans. Medical benefits are offered to members who have retired for service or disability. The post-retirement healthcare is financed through member and employer contribution.

*Deferred Compensation Plans*

The deferred compensation plan is a 457 plan administered by the ICMA Retirement Trust. All employees are eligible to participate. The City does not contribute to the plan for any employee. All payments made to ICMA are payroll withheld, requested by the employee.

The City also participates in a 401(k) plan administered by the Kentucky Employees Deferred Compensation Authority. All payments to the Authority are payroll withheld. The City does not contribute to the plan for any employee.

**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 obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2014, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. There have been no claims in the past three fiscal years.

**NOTE I-COMMITMENTS**

At June 30, 2014, the City had contracted commitments in the amount of \$944,165 for the 2014 Street Program Improvements which includes Basswood, Cumberland and East Crittenden.

**CITY OF FORT WRIGHT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended June 30, 2014

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balance, July 1	\$ 3,507,723	\$ 3,833,667	\$ 3,833,667	\$ -
Resources (inflows):				
Taxes	1,382,500	1,492,000	1,725,962	233,962
Licenses and permits	2,066,000	1,990,000	2,103,182	113,182
Intergovernmental	82,050	77,900	106,490	28,590
Charges for services	405,500	405,600	392,115	(13,485)
Fines and forfeitures	22,000	12,000	21,431	9,431
Uses of property	8,400	8,400	8,852	452
Miscellaneous	32,300	19,650	47,670	28,020
Transfers in	60,000	60,000	60,000	-
Amounts available for appropriation	<u>7,566,473</u>	<u>7,899,217</u>	<u>8,299,369</u>	<u>400,152</u>
Charges to appropriations (outflows)				
General government	387,925	388,255	396,896	(8,641)
Police	1,414,450	1,388,189	1,235,218	152,971
Fire/EMS	964,000	913,050	851,010	62,040
Public works	702,865	689,165	657,120	32,045
Plant/community projects	113,300	112,800	101,808	10,992
Debt Service	152,000	152,000	152,000	-
Capital outlay	90,000	83,194	94,123	(10,929)
Transfers out	547,500	547,500	547,500	-
Total charges to appropriations	<u>4,372,040</u>	<u>4,274,153</u>	<u>4,035,675</u>	<u>238,478</u>
Budgetary fund balance, June 30	\$ <u>3,194,433</u>	\$ <u>3,625,064</u>	\$ <u>4,263,694</u>	\$ <u>638,630</u>

The basis of budgeting is the same as GAAP.

**CITY OF FORT WRIGHT, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND-MUNICIPAL AID**  
For the Year Ended June 30, 2014

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balances, July 1	\$ 344,997	\$ 410,046	\$ 410,046	\$ -
Resources (inflows):				
Intergovernmental	100,000	106,498	132,429	25,931
Interest	1,700	2,100	1,879	(221)
Miscellaneous	-	-	24,373	24,373
Transfers from other funds	500,000	500,000	500,000	-
Amounts available for appropriation	<u>946,697</u>	<u>1,018,644</u>	<u>1,068,727</u>	<u>50,083</u>
Charges to appropriations (outflows):				
Current				
Administration	175	175	176	(1)
Public works	390,500	541,345	119,682	421,663
Capital outlay	-	-	543,487	(543,487)
Total	<u>390,675</u>	<u>541,520</u>	<u>663,345</u>	<u>(121,825)</u>
Budgetary fund balances, June 30	\$ <u>556,022</u>	\$ <u>477,124</u>	\$ <u>405,382</u>	\$ <u>(71,742)</u>

The basis of budgeting is the same as GAAP.

Note: The amount over budget is an Accounts Payable amount for work done in June on a project which was budgeted for the 2014-2015 fiscal year. Had this work not started until July as intended, there would have been no overage of the budget.

**CITY OF FORT WRIGHT, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2014**

	<u>Parks &amp; Recreation</u>	<u>Madison Pike TIF</u>	<u>Fire and EMS</u>	<u>Asset Forfeiture</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 53,383	\$ 428,489	\$ 173,480	\$ 7,759	\$ 663,111
Accounts receivable	-	-	23,993	-	23,993
<b>Total assets</b>	<u>\$ 53,383</u>	<u>\$ 428,489</u>	<u>\$ 197,473</u>	<u>\$ 7,759</u>	<u>\$ 687,104</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 291	\$ -	\$ 814	\$ -	\$ 1,105
<b>Total liabilities</b>	<u>291</u>	<u>-</u>	<u>814</u>	<u>-</u>	<u>1,105</u>
<b>Fund balances:</b>					
Committed	\$ -	\$ 428,489	\$ -	\$ -	\$ 428,489
Assigned	53,092	-	196,659	7,759	257,510
<b>Total fund balances</b>	<u>53,092</u>	<u>428,489</u>	<u>196,659</u>	<u>7,759</u>	<u>685,999</u>
<b>Total liabilities and fund balances</b>	<u>\$ 53,383</u>	<u>\$ 428,489</u>	<u>\$ 197,473</u>	<u>\$ 7,759</u>	<u>\$ 687,104</u>

**CITY OF FORT WRIGHT, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2014**

	Parks & Recreation	Madison Pike TIF	Fire and EMS	Asset Forfeiture	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Charges for services	\$ 11,217	\$ -	\$ 158,161	\$ -	\$ 169,378
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	-	-	461	461
Interest	134	1,009	398	19	1,560
Miscellaneous	13,144	-	-	-	13,144
Total revenues	<u>24,495</u>	<u>1,009</u>	<u>158,559</u>	<u>480</u>	<u>184,543</u>
<b>EXPENDITURES</b>					
Current:					
General government	200	170	253	170	793
Police	-	-	-	-	-
Fire and EMS	-	-	12,256	-	12,256
Public works	-	-	-	-	-
Parks & recreation	25,893	-	-	-	25,893
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>26,093</u>	<u>170</u>	<u>12,509</u>	<u>170</u>	<u>38,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,598)</u>	<u>839</u>	<u>146,050</u>	<u>310</u>	<u>145,601</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	47,500	-	-	47,500
Transfers out	-	-	(60,000)	-	(60,000)
Total other financing sources and (uses)	<u>-</u>	<u>47,500</u>	<u>(60,000)</u>	<u>-</u>	<u>(12,500)</u>
Net change in fund balances	<u>(1,598)</u>	<u>48,339</u>	<u>86,050</u>	<u>310</u>	<u>133,101</u>
Fund balances - beginning	<u>54,690</u>	<u>380,150</u>	<u>110,609</u>	<u>7,449</u>	<u>552,898</u>
Fund balances - ending	<u>\$ 53,092</u>	<u>\$ 428,489</u>	<u>\$ 196,659</u>	<u>\$ 7,759</u>	<u>\$ 685,999</u>

This page left blank intentionally.





## **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 Mayor and Council  
City of Fort Wright, Kentucky**

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fort Wright, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Fort Wright, Kentucky's basic financial statements and have issued our report thereon dated December 12, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Fort Wright, 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 the City of Fort Wright, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Wright, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

This page left blank intentionally.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fort Wright, Kentucky's financial statements are free from 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 1.

### **City of Fort Wright, Kentucky's Response to Findings**

The City of Fort Wright, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Fort Wright, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

### **RANKIN, RANKIN & COMPANY**

A handwritten signature in cursive script that reads "Rankin, Rankin &amp; Company".

**Ft. Wright, Kentucky  
December 12, 2014**

**CITY OF FORT WRIGHT, KENTUCKY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2014**

**Finding 1: Expenditures Exceeding Budget**

Under KRS91A.030 the City is required to limit expenditures to those that are within the legally adopted budget, which is enacted at the department level. The Special Revenue Fund-Municipal Aid incurred expenditures that exceeded the adopted budget by \$71,742. This was found to be due to an accounts payable in this fund for work done in June on a project budgeted for the 2014-2015 fiscal year.

**Recommendation: We recommend the City consider the following:**

We recommend that the City be aware of its expenditures as compared to the legally adopted budget and amend the budget when necessary to avoid exceeding the budget.

**City's Response:**

The City will monitor its expenditures and amend the budget when necessary.