



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council City of Fort Wright, Kentucky

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, 2006, which collectively comprise the City of Fort Wright's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Fort Wright, Kentucky's, management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2006 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis and required supplementary information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fort Wright's basic financial statements. The other supplementary information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RANKIN, RANKIN, & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin & Company". The signature is written in dark ink and is positioned below the company name.

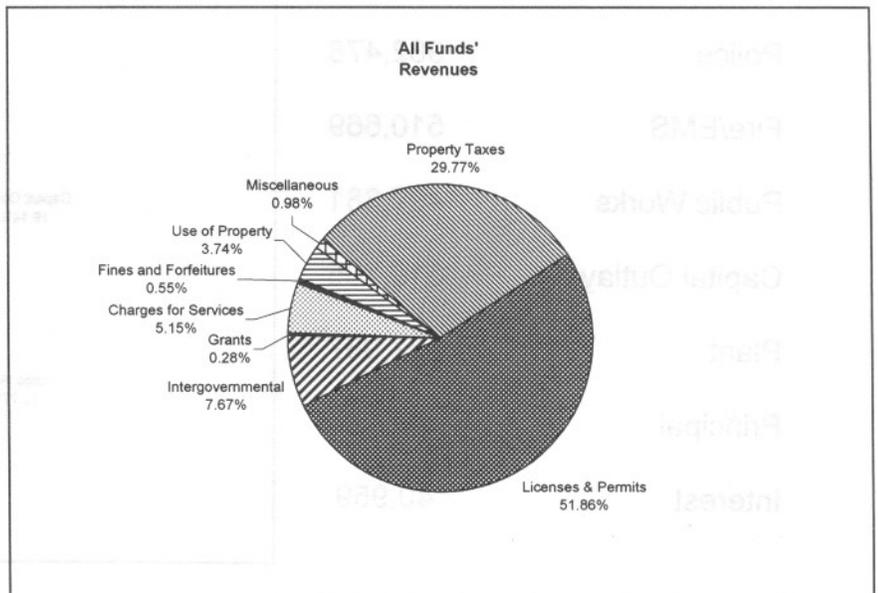
**Fort Wright, Kentucky
November 21, 2006**

ALL CITY FUNDS' REVENUES

The table and pie chart below represent the City's **revenues** received in the fiscal year July 1, 2005 to June 30, 2006, for all City funds: General Fund; Capital Fund; Municipal Road Aid Fund; Fire/EMS Fund; and Asset Forfeiture Fund. "Property Taxes" include taxes on all real property, residential, commercial, and residential, in the City; personal property such as business equipment and inventory; automobiles; and bank deposits. These are called "ad valorem" taxes, meaning that the tax is based on the value of the property, which is determined by the Kenton County Property Valuation Administrator, a state office. The City sets the tax rate on each of these classes of taxable property. "Licenses and Permits" includes business licenses; alcoholic beverage licenses; payroll taxes withheld from employees who work for businesses, schools, or government agencies in the City; and taxes on the gross receipts of businesses; and tax on the premiums of insurance policies on automobiles and property in the City. "Intergovernmental" includes any funds received from other government agencies such as the state or federal government, such as the incentive pay from the state for police officers and firefighters of \$3,100 per year per person; municipal road aid funds from the state gasoline tax (\$87,256); and a fixed annual portion of state citations written by the Police Department (\$14,393). "Grants" include grants received from state, federal, or private sources, such as the \$10,000 Homeland Security grant the City received for an electronic building access system. "Charges for Services" includes Board of Adjustment hearing fees and special detail income for police services for dances, athletic events, etc; and Kenton Vale and Park Hills' fee amounts for contracted emergency medical services. "Fines and Forfeitures" includes parking citations, false alarm fees, and penalty and interest payments on taxes paid after the due date. "Use of Property" includes interest earned on City funds in bank accounts and use of City property as polling places for elections (\$50 per location per election). For example, in the fiscal year July 1, 2005 to June 30, 2006, the City received interest earnings of \$133,883 on all City deposits compared to \$65,170 for the prior fiscal year, due primarily to improved interest rates. "Miscellaneous" includes sale of surplus City property such as police vehicles retired from service and City newsletter advertisement income.

Revenues

Property Taxes	1,066,227
Licenses and Permits	1,857,551
Intergovernmental	274,787
Grants	10,000
Charges for Services	184,395
Fines and Forfeitures	19,661
Use of Property	133,883
Miscellaneous	34,940
<u>Total Revenues</u>	3,581,444

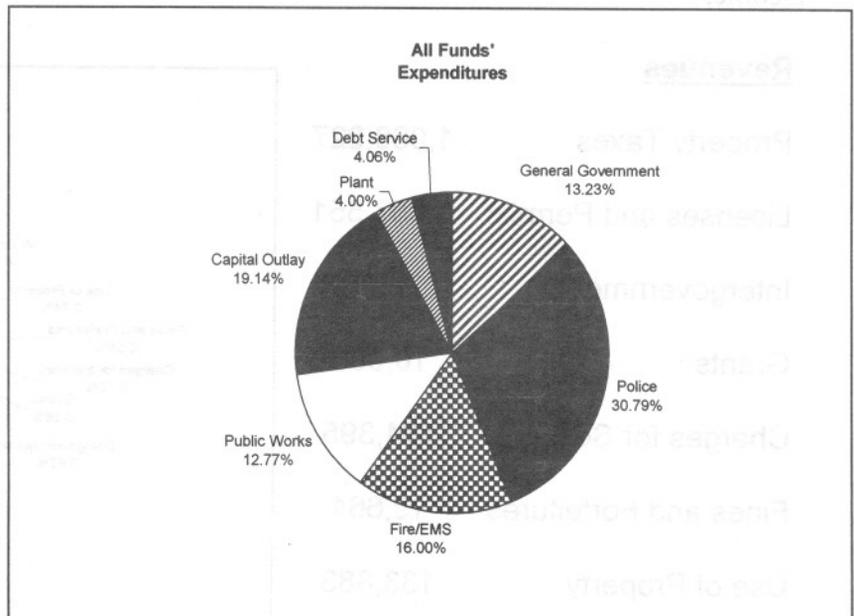


ALL CITY FUNDS' EXPENDITURES

The table and pie chart below represent the City's **expenditures** for the period of July 1, 2005 through June 30, 2006. "General Government" includes salaries of Mayor and Council, City Administrator, City Clerk, and two Assistant City Clerks, and associated benefits. Also included is City general liability insurance; worker's compensation; independent annual audit (\$9,700); property assessment roll service (\$21,913); legal services; bookkeeping services; legal advertising; printing; and office supplies. "Police" includes all salaries, wages, and benefits for police officers; vehicle and general liability insurance; fuel (\$24,237); maintenance and repair of equipment and vehicles; uniforms; vehicle washing; training and education; and radio maintenance. "Fire/EMS" includes salaries, wages, and benefits for all full and part time firefighters and EMT's and incentive pay for Volunteer Members; repair and maintenance of equipment; fuel; pagers; training and education; ambulance supplies; uniforms; community education; fire hydrant repair; vehicle and general liability insurance. "Public Works" includes salaries, wages, and benefits of employees and vehicle and general liability insurance; fuel, maintenance and repair of equipment and vehicles; salt; snow removal equipment and maintenance; residential waste collection (\$243,138); professional engineering services; street sweeping; and radio maintenance. "Capital Outlay" includes street and sewer improvements; purchase of new or replacement police, fire, and public works vehicles or equipment; computers, etc. "Plant" includes those items not necessarily allocable to each department such as Internet service; water and sanitation; gas and electric for City facilities, and traffic and street lights; property and contents insurance; animal control services paid to Kenton County; lawn mowing; postage; City newsletter printing and mailing expense; and Parks and Recreation Board events. "Principal" and "Interest" are payments made for debt service on the City building, park property, and two-ton dump truck for snow removal.

Expenditures

General Government	422,287
Police	982,478
Fire/EMS	510,669
Public Works	407,381
Capital Outlay	610,705
Plant	127,987
Principal	88,752
Interest	40,959



Total Expenditures 3,191,218

CITY OF FORT WRIGHT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2006

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balance, July 1	\$ 1,602,242	\$ 1,714,966	\$ 1,725,819	\$ 10,853
Resources (inflows):				
Taxes:				
Property	928,000	938,092	938,960	868
Bank deposit	45,000	45,557	45,557	-
Motor vehicle	72,000	73,000	81,710	8,710
Licenses and permits				-
Payroll	825,000	900,000	970,940	70,940
Insurance premium	415,000	430,000	429,124	(876)
Other	327,000	437,373	457,487	20,114
Intergovernmental	71,800	76,749	86,147	9,398
Charges for services	278,500	277,739	280,134	2,395
Fines and forfeitures	15,000	15,142	13,953	(1,189)
Uses of property	32,200	78,100	82,113	4,013
Miscellaneous	19,200	16,297	19,321	3,024
Transfers in	25,500	25,000	25,000	-
Amounts available for appropriation	<u>4,656,442</u>	<u>5,028,015</u>	<u>5,156,265</u>	<u>128,250</u>
Charges to appropriations (outflows)				
General government:				
Personnel	265,055	274,514	275,109	(595)
Contractual	103,116	119,461	115,568	3,893
Materials and supplies	6,800	7,400	4,012	3,388
Other-unclassified	3,100	3,350	25,258	(21,908)
Police:				
Personnel	855,497	786,398	810,374	(23,976)
Contractual	148,900	138,807	120,528	18,279
Materials and supplies	43,000	37,500	39,587	(2,087)
Other-unclassified	2,100	1,125	11,590	(10,465)
Fire:				
Personnel	369,957	331,498	343,054	(11,556)
Contractual	96,700	89,510	74,850	14,660
Materials and supplies	20,150	18,385	16,453	1,932
Other-unclassified	26,650	22,000	24,869	(2,869)
Public works:				
Personnel	197,250	177,077	177,959	(882)
Contractual	290,310	294,592	352,291	(57,699)
Materials and supplies	22,950	17,130	10,544	6,586
Capital outly	40,000	55,000	21,201	33,799
Plant:				
Contractual	95,000	96,230	89,055	7,175
Materials and supplies	33,000	35,257	38,932	(3,675)
Debt Service	108,500	108,500	107,683	817
Transfers out	333,250	649,664	649,664	-
Total charges to appropriations	<u>3,061,285</u>	<u>3,263,398</u>	<u>3,308,581</u>	<u>(45,183)</u>
Budgetary fund balance, June 30	\$ <u>1,595,157</u>	\$ <u>1,764,617</u>	\$ <u>1,847,684</u>	\$ <u>83,067</u>

CITY OF FORT WRIGHT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND-MUNICIPAL AID
For the Year Ended June 30, 2006

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balances, July 1	\$ 344,512	\$ 466,336	\$ 466,336	\$ -
Resources (inflows):				
Intergovernmental	568,730	188,862	186,890	(1,972)
Interest	9,430	23,430	21,394	(2,036)
Transfers from other funds	175,000	450,000	450,000	-
Amounts available for appropriation	<u>1,097,672</u>	<u>1,128,628</u>	<u>1,124,620</u>	<u>(4,008)</u>
Charges to appropriations (outflows):				
Current				
Administration	175	175	178	(3)
Public work:	20,000	40,000	73,302	(33,302)
Capital outlay	1,060,000	232,129	457,877	(225,748)
Total	<u>1,080,175</u>	<u>272,304</u>	<u>531,357</u>	<u>(259,053)</u>
Budgetary fund balances, June 30	\$ <u>17,497</u>	\$ <u>856,324</u>	\$ <u>593,263</u>	\$ <u>(263,061)</u>

CITY OF FORT WRIGHT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2006

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balances, July 1	\$ 430,698	\$ 448,177	\$ 448,177	\$ -
Resources (inflows):				
Interest	12,000	19,000	20,414	1,414
Grants and contributions	-	115,799	25,619	(90,180)
Lease proceeds	-	-	77,500	77,500
Transfers from other funds	150,000	150,000	150,000	-
Amounts available for appropriation	<u>592,698</u>	<u>732,976</u>	<u>721,710</u>	<u>(11,266)</u>
Charges to appropriations (outflows):				
Current				
Administration	200	200	1,743	(1,543)
Police	-	-	-	-
Public works	-	-	37,351	(37,351)
Capital outlay	193,700	142,769	100,811	41,958
Debt service	-	2,800	3,517	(717)
Total	<u>193,900</u>	<u>145,769</u>	<u>143,422</u>	<u>2,347</u>
Budgetary fund balances, June 30	\$ <u>398,798</u>	\$ <u>587,207</u>	\$ <u>578,288</u>	\$ <u>(8,919)</u>