

CITY OF CRESCENT SPRINGS, KENTUCKY

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2011

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ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council City of Crescent Springs, 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 Crescent Springs, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crescent Springs, Kentucky's, management. Our responsibility is to express opinions 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 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 Crescent Springs, Kentucky, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the City of Crescent Springs, 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 25 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 opinions on the financial statements that collectively comprise the City of Crescent Springs, Kentucky's financial statements as a whole. The individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The individual 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 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.

RANKIN, RANKIN, & COMPANY

A handwritten signature in cursive script that reads "Rankin, Rankin + Company".

**Ft. Wright, Kentucky
November 28, 2011**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Crescent Springs, Kentucky, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Crescent Springs, Kentucky for the year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The City's cash balances decreased \$143,953 compared to the prior year and the total fund balances decreased \$46,730.
- Revenue decreased \$441,675 due to decreases in taxes, payroll and insurance license fees, due to the non-payment of the 2010 PILOT tax payment and the one time accruals for payroll and insurance premium taxes recognized in the June 30, 2010 year.
- Expenditures increased \$60,815.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements encompass three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, the increases and decreases in net assets are one indicator of whether the City's financial position is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure will also assist in assessing the overall financial health of the City.

The statement of activities presents how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows for future fiscal periods (e.g. uncollected revenue.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, license fees and intergovernmental activities which are considered governmental activities from those functions that are intended to cover all or a significant portion of their costs through user fees and charges which are considered business-type activities. The governmental activities include most of the City's basic services. These include but are not limited to police, fire, street maintenance, parks and recreation, and general administration.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. Some funds are required to be established by State law. However, the City Council can establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for grant funds. All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City of Crescent Springs uses only governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Crescent Springs maintains seven individual governmental funds. Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and change in fund balances for the funds, all of which are considered to be major funds.

The City adopts an annual appropriated budget for its general and other funds. A budgetary comparison statement has been provided for the general and other funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. Crescent Springs's total assets exceeded liabilities by \$ 3,787,879 at the close of the 2011 fiscal year. By far the largest portion of the net assets reflects cash and cash equivalents and investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure). These capital assets are used to provide services to citizens, and consequently, are not available for future spending. Although the City of

land, buildings, vehicles, equipment, and infrastructure). These capital assets are used to provide services to citizens, and consequently, are not available for future spending. Although the City of Crescent Springs's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	2010	2011
Current and other assets	\$ 1,813,594	\$ 1,670,871
Capital assets	<u>2,952,415</u>	<u>2,836,467</u>
Total assets	<u>4,766,009</u>	<u>4,507,338</u>
Long term liabilities	708,705	440,658
Other liabilities	<u>317,142</u>	<u>278,801</u>
Total liabilities	<u>1,025,847</u>	<u>719,459</u>
Net Assets		
Invested in capital assets, net of related debt	1,986,313	2,148,541
Unrestricted	<u>1,753,849</u>	<u>1,639,338</u>
Total net assets	<u>\$ 3,740,162</u>	<u>\$ 3,787,879</u>

At the end of the current fiscal year, Crescent Springs is able to report positive balances in net assets. The same held true for prior fiscal years.

Governmental Activities. Governmental activities (ie: taxes, licenses, and fees) increased the City's net assets by \$47,717. Key elements of the increase are as follows:

	<u>City of Crescent Springs Changes in Net Assets</u>	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 12,140	\$ 10,036
Grants and contributions	93,581	94,275
General Revenues:		
Taxes	912,145	769,540
Licenses and permits	1,463,488	1,196,325
Other revenues	<u>222,436</u>	<u>206,806</u>
Total revenues	<u>\$ 2,703,790</u>	<u>\$ 2,276,982</u>
Expenses:		
General government	425,915	441,909
Safety services	1,069,210	1,137,716
Public works/streets	486,467	383,452
Depreciation	236,497	243,427
Interest on Long Term Debt	<u>30,655</u>	<u>22,761</u>
Total expenses	<u>2,248,744</u>	<u>2,229,265</u>
Increase/decrease in net assets	455,046	47,717
Net assets prior year	<u>3,285,116</u>	<u>3,740,162</u>
Net assets current year	<u>\$ 3,740,162</u>	<u>\$ 3,787,879</u>

During the 2010 fiscal year, the City established a Safety services expense category which reflects primarily police and fire protection services. Taxes decreased \$142,605 primarily due to an decrease in the collections of PILOT payment (payment in lieu of taxes). Insurance premium fees decreased \$133,752.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City reported combined ending fund balances of \$1,590,734, a decrease of \$46,730 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance of the general fund was \$1,589,458.

The following schedule presents a summary of general and special revenue fund revenues and expenditures for the fiscal year ended June 30, 2011, compared to the prior year.

Revenues	FYE 2010 Amount	FYE 2011 Amount
Taxes	\$ 901,743	\$ 774,308
Payroll license fees	847,921	717,429
Licenses and permits	615,567	478,895
Intergovernmental	109,545	110,647
Charges for services	12,140	10,036
Fines and forfeitures	676	475
Assessments	33,716	36,098
Interest	11,013	12,338
Miscellaneous	233,988	184,408
Total revenues	\$ <u>2,766,309</u>	\$ <u>2,324,634</u>

Expenditures	FYE 2010 Amount	FYE 2011 Amount
General government	\$ 425,915	\$ 450,911
Safety services	1,069,210	1,137,716
Public works/capital outlay	536,593	501,800
Debt service	278,831	280,937
Total Expenditures	\$ <u>2,310,549</u>	\$ <u>2,371,364</u>

In the 2010 fiscal year, the City reclassified certain public safety service expenses from the general government to a separate category.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$1,590,734, which is an decrease of \$46,730 from last year. It is anticipated that streets outflows will continue to increase as resurfacing projects are scheduled.

- The General Fund had an end of year fund balance of \$1,589,458 to be available for a carryover to the next year to be used for operations until the next year's taxes are available as well as for emergencies and planned capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were \$33,256, more than the budget, excluding the transfer of the Capital Projects Fund to the General Fund. Expenditures were \$3,172 more than budgeted.

CAPITAL ASSET

In fiscal year 2011, the City's capital assets increased \$127,479, primarily due to the purchase of two heavy duty pick up trucks.

DEBT

At year end, the City had \$687,926 in outstanding debt payable compared to \$946,102 last year, a decrease of \$258,176. No new debt was incurred in the year ended June 30, 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Crescent Springs is a residential and business community with minimal growth opportunities. And although revenue growth is limited, an extensive Long Range Planning evaluation project was completed to determine development opportunities for the area between Interstate 75 and the railroad tracks. Estimated budgeted revenue for 2011-2012 will not be significantly different and expenditures are budgeted for minimal increases.

REQUESTS FOR INFORMATION

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 Clerk, at the City of Crescent Springs, 739 Buttermilk Pike, Crescent Springs, Kentucky 41017.

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BASIC FINANCIAL STATEMENTS

CITY OF CRESCENT SPRINGS, KENTUCKY**Statement of Net Assets**

June 30, 2011

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,319,218
Receivables:	
Taxes	5,634
Intergovernmental	10,932
Assessments	63,878
Accounts	268,085
Prepays	3,124
Capital assets not being depreciated - land	55,614
Capital assets, net of accumulated depreciation	2,780,853
Total assets	4,507,338
LIABILITIES	
Accounts payable	6,567
Accrued liabilities	4,058
Noncurrent liabilities:	
Compensated absences	20,908
Due within one year	268,176
Due in more than one year	419,750
Total liabilities	719,459
NET ASSETS	
Invested in capital assets, net of related debt	2,148,541
Unrestricted	1,639,338
Total net assets	\$ 3,787,879

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

CITY OF CRESCENT SPRINGS, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
Functions/Programs						
Primary government:						
Governmental activities:						
General government	\$ 441,909	\$ -	\$ -	\$ -	\$	(441,909)
Safety services	1,137,716	-	-	-		(1,137,716)
Public works	383,452	10,036	94,275	-		(279,141)
Depreciation	243,427	-	-	-		(243,427)
Interest on long-term debt	22,761	-	-	-		(22,761)
Total governmental activities	<u>2,229,265</u>	<u>10,036</u>	<u>94,275</u>	<u>-</u>		<u>(2,124,954)</u>
Total primary government	\$ 2,229,265	\$ 10,036	\$ 94,275	\$ -		(2,124,954)
General revenues:						
Taxes:						
Property taxes, levied for general purposes					\$	720,407
Taxes levied on bank deposits						49,133
Licenses and permits:						
Payroll						717,429
Insurance premium						424,005
Other						54,891
Grants and contributions not restricted to specific programs						16,371
Investment earnings						12,338
Miscellaneous						178,097
Total general revenues and special items						<u>2,172,671</u>
Change in net assets						47,717
Net assets-beginning						3,740,162
Net assets-ending					\$	<u><u>3,787,879</u></u>

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

CITY OF CRESCENT SPRINGS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,229,054	\$ 90,164	\$ 1,319,218
Receivables:			
Taxes	5,634	-	5,634
Intergovernmental	-	10,932	10,932
Assessments	-	63,878	63,878
Accounts	268,085	-	268,085
Prepays	2,944	180	3,124
Due from other funds	100,000	-	100,000
Total assets	<u>\$ 1,605,717</u>	<u>\$ 165,154</u>	<u>\$ 1,770,871</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,567	\$ -	\$ 6,567
Accrued liabilities	4,058	-	4,058
Deferred assessments	-	63,878	63,878
Deferred revenue	5,634	-	5,634
Due to other funds	-	100,000	100,000
Total liabilities	<u>16,259</u>	<u>163,878</u>	<u>180,137</u>
Fund balances:			
Nonspendable - prepaids	2,944	180	3,124
Restricted - streets	-	74,264	74,264
Committed to - stabilization	461,236	-	461,236
- debt provision	-	(84,193)	(84,193)
Assigned to - special projects	-	11,025	11,025
Unassigned	1,125,278	-	1,125,278
Total fund balances	<u>1,589,458</u>	<u>1,276</u>	<u>1,590,734</u>
Total liabilities and fund balances	<u>\$ 1,605,717</u>	<u>\$ 165,154</u>	<u>\$ 1,770,871</u>
Total governmental fund balances			\$ 1,590,734
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 \$3,354,133			2,836,467
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			69,512
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			(20,908)
Notes and leases payable			(687,926)
Net assets of governmental activities			<u>\$ 3,787,879</u>

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

CITY OF CRESCENT SPRINGS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 774,308	\$ -	\$ 774,308
Licenses and permits	1,196,324	-	1,196,324
Intergovernmental	27,831	82,816	110,647
Charges for services	10,036	-	10,036
Assessments	-	36,098	36,098
Fines and forfeitures	475	-	475
Interest	6,440	5,898	12,338
Miscellaneous	176,725	7,683	184,408
Total revenues	<u>2,192,139</u>	<u>132,495</u>	<u>2,324,634</u>
EXPENDITURES			
Current:			
General government	436,247	14,664	450,911
Safety services	1,070,271	67,445	1,137,716
Public works	383,323	-	383,323
Capital outlay	118,477	-	118,477
Debt service:			
Principal	88,176	170,000	258,176
Interest	9,743	13,018	22,761
Total expenditures	<u>2,106,237</u>	<u>265,127</u>	<u>2,371,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>85,902</u>	<u>(132,632)</u>	<u>(46,730)</u>
OTHER FINANCING SOURCES(USES)			
Transfers in	323,960	154,540	478,500
Transfers out	<u>(154,540)</u>	<u>(323,960)</u>	<u>(478,500)</u>
Total other financing sources and uses	<u>169,420</u>	<u>(169,420)</u>	<u>-</u>
Net change in fund balances	255,322	(302,052)	(46,730)
Fund balances - beginning	1,334,136	303,328	1,637,464
Fund balances - ending	<u>\$ 1,589,458</u>	<u>\$ 1,276</u>	<u>\$ 1,590,734</u>

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

CITY OF CRESCENT SPRINGS, 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, 2011

Net change in fund balances-total governmental funds	\$ (46,730)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>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:</p>	
Capital asset purchases capitalized	127,479
Depreciation expense	(243,427)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(47,652)
<p>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 assets.</p>	
	258,176
<p>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.</p>	
	(129)
Change in net assets of governmental activities	\$ <u>47,717</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 Crescent Springs, 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 November 28, 2011, which is the date the financial statements were available to be issued.

Financial Reporting Entity

The City of Crescent Springs is a municipality governed by a mayor and city 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 assets 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

CITY OF CRESENT SPRINGS, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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 debt service funds are used to account for amounts that are required for payment of the City's debt.

Assets, liabilities and net assets 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 Taxes and Tax Calendar

Property taxes are levied as of September 1 on property values assessed as of January 1. The taxes are billed on approximately September 1 and are due and payable within thirty days. When the bill becomes delinquent, penalties and interest may be assessed by the City. Property tax rates for the year ended June 30, 2011 were \$.228 per \$100 valuation for real property and \$.190 per \$100 valuation for personal property. The assessed value of property on which the levy for 2010 was based was \$291,201,900.

Capital Assets

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

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 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	30-40 years
Building Improvements	10-20 years
Public Domain Infrastructure	25 years
Vehicles	5-20 years
Office Equipment	5-10 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.

Fund Equity

Net assets are the difference between assets and liabilities. Net assets 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 reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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).

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.

Restricted Revenues

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

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 prior to June 1, 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.

Deficit Fund Balances

The 2002 Street Improvement and Crisler-Ritchie Debt Service Funds have \$78,837 and \$5,356 negative fund balances, respectively.

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, 2011, 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, 2011.

CITY OF CRESENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Retirements/ Deletions	Balance June 30, 2011
Governmental activities:				
Not being depreciated:				
Land	\$ 55,614	\$ -	\$ -	\$ 55,614
Subtotal	<u>55,614</u>	<u>-</u>	<u>-</u>	<u>55,614</u>
Other capital assets:				
Buildings	1,141,459	-	-	1,141,459
Improvements/infrastructure	4,679,406	-	-	4,679,406
Equipment	225,797	13,102	(2,123)	236,776
Vehicles	204,272	114,377	(6,000)	312,649
Subtotal	<u>6,250,934</u>	<u>127,479</u>	<u>(8,123)</u>	<u>6,370,290</u>
Accumulated depreciation:				
Buildings	514,531	33,499	-	548,030
Improvements/infrastructure	2,499,064	175,632	-	2,674,696
Equipment	148,502	14,255	(2,123)	160,634
Vehicles	192,036	20,041	(6,000)	206,077
Subtotal	<u>3,354,133</u>	<u>243,427</u>	<u>(8,123)</u>	<u>3,589,437</u>
Net other assets	<u>2,896,801</u>	<u>(115,948)</u>	<u>-</u>	<u>2,780,853</u>
Net capital assets	<u>\$ 2,952,415</u>	<u>\$ (115,948)</u>	<u>\$ -</u>	<u>\$ 2,836,467</u>

Depreciation was not charged to functions.

NOTE E-LONG-TERM DEBT

Long-term debt outstanding at June 30, 2011 for the note and lease payable, consisted of the following:

Lease Payable-2002 Street Projects

In September 2002, the City obtained a swap lease commitment from a Kentucky League of Cities loan fund in the amount of \$1,500,000. The lease financed the 2002 street projects and the construction of the public works garage. The lease is for ten years with an interest rate of 3.19%

Year Ending June 30,	Principal	Interest	Total
2012	180,000	6,130	186,130
2013	45,000	439	45,439
Total	<u>\$ 225,000</u>	<u>\$ 6,569</u>	<u>\$ 231,569</u>

CITY OF CRESENT SPRINGS, KENTUCKY**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

Note Payable-Municipal Building and Park Improvements

The City entered into a loan agreement on October 1, 2003 with Fifth Third Bank to refinance the city building mortgage and the park improvements. Annual debt service payment requirements to maturity, as initially determined based on the initial interest rate are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	88,176	9,966	98,142
2013	88,176	7,866	96,042
2014	88,176	5,792	93,968
2015	88,176	3,718	91,894
2016	88,176	3,718	91,894
2017	22,043	8,666	30,709
TOTAL	\$ 462,923	\$ 39,726	\$ 502,649

Interest is at a variable interest rate equal to 58% of the prime rate of Fifth Third Bank as calculated upon any change in the prime rate. At June 30, 2011 the rate was 1.885%.

Long-term liability activity for the year ended June 30, 2011, was as follows:

	June 30, 2010	Additions	Retirements	June 30, 2011	Due Within One Year
Governmental activities:					
Lease payable-2002 Street Project	\$ 395,000	\$ -	\$ 170,000	\$ 225,000	\$ 180,000
Note payable-City Building	551,102	-	88,176	462,926	88,176
Compensated absences	20,779	129	-	20,908	-
Totals	\$ 966,881	\$ 129	\$ 258,176	\$ 708,834	\$ 268,176

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 CRESENT SPRINGS, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2011, participating employers contributed 16.93% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2011 was 16.93% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City in the current year is as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 30,183	100%

The City also contributed 100% of its required contributions for the previous two years.

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 employee contributions.

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, 2011, 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-CRESCENT SPRINGS IMPROVEMENT ASSESSMENT BONDS

On April 12, 1992, the City approved and caused to be issued its City of Crescent Springs Improvement Assessment Bonds-Buttermilk Crossing Public Improvement Project of 1990, in the amount of \$1,625,000. The bonds were in registered form and issued pursuant to a trust indenture between the City and a local bank which serves as trustee. The bonds bear interest at 8.5% and are subject both to sinking fund and early redemption provisions. The final payment is due November, 2012.

The bonds are secured by certain real estate ("Buttermilk Crossing") and do not represent an indebtedness of the City, either directly or contingently. As the bonds do not represent an obligation of the City of Crescent Springs, the bond issuance has not been recorded as an indebtedness of the City.

NOTE J-INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	2002 Street Improvements	\$ 79,000
General	Crisler-Ritchie	21,000

During the year ended June 30, 2011, the General Fund transferred \$144,540 to the 2002 Street Improvement Fund and \$0 to the Crisler-Ritchie Fund.

NOTE K-SUBSEQUENT EVENTS

In December, 2010 a PILOT tax payment was not received from a commercial developer, who is in bankruptcy. The property is being sold and the City expects that the delinquent PILOT payments will be paid. The total delinquent amount at June 30, 2011 is \$122,222. An additional \$100,000 payment is due December 31, 2011.

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2011

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balance, July 1	\$ 100,000	\$ 1,334,136	\$ 1,334,136	\$ -
Resources (inflows):				
Taxes	1,422,000	772,900	774,308	1,408
Licenses and permits	445,500	1,174,190	1,196,324	22,134
Intergovernmental	15,600	18,282	27,831	9,549
Charges for services	10,536	10,036	10,036	-
Fines and forfeitures	-	475	475	-
Interest	3,000	6,200	6,440	240
Transfers in	-	-	323,960	323,960
Miscellaneous	8,600	176,800	176,725	(75)
Amounts available for appropriation	<u>2,005,236</u>	<u>3,493,019</u>	<u>3,850,235</u>	<u>357,216</u>
Charges to appropriations (outflows)				
General government	274,547	438,925	440,347	(1,422)
Safety services	1,070,271	1,070,271	1,070,271	-
Public works	372,706	505,950	497,700	8,250
Debt Service	100,500	97,919	97,919	-
Transfers out	144,540	144,540	154,540	(10,000)
Total charges to appropriations	<u>1,962,564</u>	<u>2,257,605</u>	<u>2,260,777</u>	<u>(3,172)</u>
Budgetary fund balance, June 30	\$ <u>42,672</u>	\$ <u>1,235,414</u>	\$ <u>1,589,458</u>	\$ <u>354,044</u>

The basis of budgeting is the same as GAAP.

CITY OF CRESCENT SPRINGS, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds			Debt Service Funds		Total Nonmajor Governmental Funds
	Municipal Road Aid	Park	Police Special Events	2002 Street Improvement	Crisler-Ritchie	
ASSETS						
Cash and cash equivalents	\$ 63,332	\$ 4,922	\$ 6,103	\$ -	\$ 163	\$ 90,164
Receivables						
Intergovernmental	10,932	-	-	-	-	10,932
Assessments	-	-	-	55,558	8,320	63,878
Prepays	-	180	-	-	-	180
Total assets	\$ 74,264	\$ 5,102	\$ 6,103	\$ -	\$ 23,964	\$ 165,154
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Assessments	-	-	-	55,558	8,320	63,878
Due to other funds	-	-	-	79,000	21,000	100,000
Total liabilities	-	-	-	134,558	29,320	163,878
Fund balances:						
Nonspendable - prepaids	-	180	-	-	-	180
Restricted - streets	74,264	-	-	(78,837)	(5,356)	74,264 (84,193)
Committed to - debt service	-	4,922	6,103	-	-	11,025
Assigned to - special projects	74,264	5,102	6,103	(78,837)	(5,356)	1,276
Total fund balances	\$ 74,264	\$ 5,102	\$ 6,103	\$ 55,721	\$ 23,964	\$ 165,154
Total liabilities and fund balances						

**CITY OF CRESCENT SPRINGS, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2011

	Special Revenue Funds				Debt Service Funds		Total Nonmajor Governmental Funds
	Municipal Road Aid	Park	Police Special Events	Capital Improvement	2002 Street Improvements	Crisler- Ritchie	
REVENUES							
Intergovernmental	\$ 82,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,816
Assessments	-	-	-	-	25,480	10,618	36,098
Interest	518	37	15	-	3,079	2,249	5,898
Miscellaneous	-	5,076	2,607	-	-	-	7,683
Total revenues	<u>83,334</u>	<u>5,113</u>	<u>2,622</u>	<u>-</u>	<u>28,559</u>	<u>12,867</u>	<u>132,495</u>
EXPENDITURES							
Current:							
General government	-	11,702	2,962	-	-	-	14,664
Public works	67,445	-	-	-	-	-	67,445
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	170,000	-	170,000
Interest	-	-	-	-	13,018	-	13,018
Total expenditures	<u>67,445</u>	<u>11,702</u>	<u>2,962</u>	<u>-</u>	<u>183,018</u>	<u>-</u>	<u>265,127</u>
Excess (deficiency) of revenues over (under) expenditures	15,889	(6,589)	(340)	-	(154,459)	12,867	(132,632)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	10,000	-	-	144,540	-	154,540
Transfers out	-	-	-	(323,960)	-	-	(323,960)
Total other financing sources and (uses)	-	10,000	-	(323,960)	144,540	-	(169,420)
Net change in fund balances	<u>15,889</u>	<u>3,411</u>	<u>(340)</u>	<u>(323,960)</u>	<u>(9,919)</u>	<u>12,867</u>	<u>(302,052)</u>
Fund balances - beginning	58,375	1,691	6,443	323,960	(68,918)	(18,223)	303,328
Fund balances - ending	<u>\$ 74,264</u>	<u>\$ 5,102</u>	<u>\$ 6,103</u>	<u>\$ -</u>	<u>\$ (78,837)</u>	<u>\$ (5,356)</u>	<u>\$ 1,276</u>

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 51,328	\$ 51,328	\$ 58,375	\$ 7,047
Resources (inflows):				
Intergovernmental	78,931	78,931	82,816	3,885
Interest	500	500	518	18
Amounts available for appropriation	<u>130,759</u>	<u>130,759</u>	<u>141,709</u>	<u>10,950</u>
Charges to appropriations (outflows):				
Current				
Administration	-	-	-	-
Public works	13,333	61,413	67,445	(6,032)
Capital outlay	-	-	-	-
Total	<u>13,333</u>	<u>61,413</u>	<u>67,445</u>	<u>(6,032)</u>
Budgetary fund balances, June 30	\$ <u>117,426</u>	\$ <u>69,346</u>	\$ <u>74,264</u>	\$ <u>4,918</u>

The basis of budgeting is the same as GAAP.

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
PARK FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 1,531	\$ 1,531	\$ 1,691	\$ 160
Resources (inflows):				
Interest	-	-	37	37
Grants and contributions	4,689	4,689	5,076	387
Tranfers from other funds	10,000	10,000	10,000	-
Amounts available for appropriation	<u>16,220</u>	<u>16,220</u>	<u>16,804</u>	<u>584</u>
Charges to appropriations (outflows):				
Current				
Parks and recreation	<u>8,353</u>	<u>8,353</u>	<u>11,702</u>	<u>(3,349)</u>
Total	<u>8,353</u>	<u>8,353</u>	<u>11,702</u>	<u>(3,349)</u>
Budgetary fund balances, June 30	<u>\$ 7,867</u>	<u>\$ 7,867</u>	<u>\$ 5,102</u>	<u>\$ (2,765)</u>

The basis of budgeting is the same as GAAP.

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
POLICE SPECIAL EVENTS FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 6,443	\$ 6,443	\$ 6,443	\$ -
Resources (inflows):				
Interest	-	-	14	14
Miscellaneous	-	-	2,607	2,607
Amounts available for appropriation	<u>6,443</u>	<u>6,443</u>	<u>9,064</u>	<u>2,621</u>
Charges to appropriations (outflows):				
Current				
Administration	-	-	2,961	(2,961)
Total	<u>-</u>	<u>-</u>	<u>2,961</u>	<u>(2,961)</u>
Budgetary fund balances, June 30	\$ <u><u>6,443</u></u>	\$ <u><u>6,443</u></u>	\$ <u><u>6,103</u></u>	\$ <u><u>(340)</u></u>

The basis of budgeting is the same as GAAP.

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 323,960	\$ 323,960	\$ 323,960	\$ -
Resources (inflows):				
Intergovernmental	-	-	-	-
Interest	1,100	1,100	-	(1,100)
Miscellaneous	-	-	-	-
Transfers from other funds	135,000	135,000	-	(135,000)
Amounts available for appropriation	<u>460,060</u>	<u>460,060</u>	<u>323,960</u>	<u>(136,100)</u>
Charges to appropriations (outflows):				
Current				
Administration	-	-	-	-
Public works	-	-	-	-
Transfers out	-	-	323,960	
Capital outlay				
Total	<u>-</u>	<u>-</u>	<u>323,960</u>	<u>(323,960)</u>
Budgetary fund balances, June 30	\$ <u>460,060</u>	\$ <u>460,060</u>	\$ <u>-</u>	\$ <u>(460,060)</u>

Fund was transferred to the General Fund.

The basis of budgeting is the same as GAAP.

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
2002 STREET PROJECT FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 4,082	\$ 4,082	\$ (68,918)	\$ (73,000)
Resources (inflows):				
Assessments	28,363	28,363	25,480	(2,883)
Interest	200	200	3,079	2,879
Transfers from other funds	144,540	144,540	144,540	-
Amounts available for appropriation	<u>177,185</u>	<u>177,185</u>	<u>104,181</u>	<u>(73,004)</u>
Charges to appropriations (outflows):				
Debt service				
Principal	170,000	170,000	170,000	-
Interest	13,018	13,018	13,018	-
Total	<u>183,018</u>	<u>183,018</u>	<u>183,018</u>	<u>-</u>
Budgetary fund balances, June 30	\$ <u>(5,833)</u>	\$ <u>(5,833)</u>	\$ <u>(78,837)</u>	\$ <u>(73,004)</u>

The basis of budgeting is the same as GAAP.

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CRISLER RITCHIE FUND
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 2,777	\$ 2,777	\$ (18,223)	\$ (21,000)
Resources (inflows):				
Assessments	11,452	11,452	10,618	(834)
Interest	1,409	1,409	2,249	840
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>15,638</u>	<u>15,638</u>	<u>(5,356)</u>	<u>(20,994)</u>
Charges to appropriations (outflows):				
Current				
Administration	-	-	-	-
Public works	-	-	-	-
Transfers to other funds	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balances, June 30	\$ <u>15,638</u>	\$ <u>15,638</u>	\$ <u>(5,356)</u>	\$ <u>(20,994)</u>

The basis of budgeting is the same as GAAP.



**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 Crescent Springs, Kentucky**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Crescent Springs, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Crescent Springs, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures 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 Crescent Springs, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Crescent Springs, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Crescent Springs, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Crescent Springs, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Crescent Springs, Kentucky's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Crescent Springs, Kentucky's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider them to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crescent Springs, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The City of Crescent Springs, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the city's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the finance committee, management, others within the organization, Mayor and Council and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

RANKIN, RANKIN & COMPANY

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

**Ft. Wright, Kentucky
November 28, 2011**

CITY OF CRESCENT SPRINGS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

Finding 1: Lack of Segregation of Duties

The City is responsible for maintaining an adequate system of internal controls over financial activity. The City is a small unit with limited personnel that hinders the ability to provide various segregating of duties. The City Clerk/Treasurer is responsible for all accounting functions, such as preparing daily deposits, processing accounts payable and payroll, and preparing bank reconciliations with limited oversight.

Recommendation: We recommend the City consider the following:

- (1) Use of a bank lock box for the collection of property taxes and or insurance premium fees.
- (2) The Mayor or other designated individual provide as much oversight as possible, such as reviewing disbursement documentation, signing checks and otherwise overseeing financial activity including a review of the monthly general ledger. We understand that the Mayor and finance committee does provide some of these controls, such as signing checks and reviewing disbursement documentation. We also believe that the response below is sufficient in scope to provide an adequate system of internal controls over financial activity, especially if a lock box is used for insurance premium collections.

City's Response:

The City is a small unit with two administrative employees, thus limiting the possibility of segregation of duties. The City has considered other alternatives and associated costs to protect City assets. Each check distribution requires two signatures and is created only after an expense item approval process is completed. The City has engaged a part-time CPA to assist in certain monthly accounting functions, such as bank reconciliations and review of the general ledger. The City will perform a cost/benefit analysis of the use of a lock box.

Finding 2: Budget Ordinance

The City currently adopts by Ordinance a budget for its General Fund (the main operating fund of the City). Budgets are approved by Council for the City's special revenue and debt service funds, however, they are not part of the City's budget ordinance nor part of the ordinance publication.

Recommendation: We recommend the City consider the following:

- (1) Include in its Annual Budget Ordinance, budgetary amounts for its special revenue and debt service funds and include those funds in the ordinance publication.

City's Response:

The City will include the special revenue and debt service funds as a part of the City's Ordinance and publication.