

CITY OF CRESCENT SPRINGS, KENTUCKY

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2014

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ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council
City of Crescent Springs, 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 Crescent Springs, 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.

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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, 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 5 through 9 and 23 and 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, 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* in considering the City of Crescent Springs, Kentucky's internal control over financial reporting and compliance.

RANKIN, RANKIN, & COMPANY

A handwritten signature in black ink that reads "Rankin, Rankin & Company". The signature is written in a cursive, flowing style.

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

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BASIC FINANCIAL STATEMENTS

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, 2014.

FINANCIAL HIGHLIGHTS

- The City's cash balances decreased \$213,723 compared to the prior year and the total fund balances increased \$116,820.
- Revenue from taxes, payroll, and insurance license fees increased \$136,517 versus the prior year due the collection of the new Utilities Franchise Fee.
- Overall expenditures increased \$260,876 due primarily to decreased street repair projects.

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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, the increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 position may serve over time as a useful indicator of a government's financial position. Crescent Springs's total assets exceeded liabilities by \$4,720,995 at the close of the 2014 fiscal year. By far the largest portion of the net position 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

(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 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.

	2013	2014
Current and other assets	\$ 2,227,230	\$ 2,119,913
Capital assets	2,816,662	2,852,610
Total assets	<u>5,043,892</u>	<u>4,972,523</u>
Long term liabilities	222,641	138,299
Other liabilities	330,438	113,229
Total liabilities	<u>553,079</u>	<u>251,528</u>
Net Assets		
Net investment in capital assets	2,530,088	2,654,212
Unrestricted	1,960,725	2,066,783
Total net position	<u>\$ 4,490,813</u>	<u>\$ 4,720,995</u>

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

Governmental Activities. Governmental activities (ie: taxes, licenses, and fees) increased the City's net position by \$230,182. Key elements of the decrease are as follows:

	<u>City of Crescent Springs Changes in Net Assets</u>	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2014</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 14,609	\$ 16,368
Grants and contributions	113,053	334,919
General Revenues:		
Taxes	872,572	879,563
Licenses and permits	1,299,534	1,412,178
Other revenues	201,409	25,999
Total revenues	<u>\$ 2,501,177</u>	<u>\$ 2,669,027</u>
Expenses:		
General government	535,112	380,260
Safety services	1,198,733	1,221,460
Public works/streets	550,467	571,883
Depreciation	241,881	260,539
Interest on Long Term Debt	6,881	4,703
Total expenses	<u>2,533,074</u>	<u>2,438,845</u>
Increase/decrease in net position	(31,897)	230,182
Net position prior year	4,522,710	4,490,813
Net position current year	<u>\$ 4,490,813</u>	<u>\$ 4,720,995</u>

For the FYE 6/30/2014, taxes and other revenue increased \$167,850 versus the prior year due to the inclusion of a new fee in the current year, Utilities Franchise Fee. Additionally, revenue from Insurance Premium Fees decreased due to Council-approved rate decreases.

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 \$2,084,317, an increase of \$116,820 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 \$2,016,529.

The following schedule presents a summary of general and special revenue fund revenues and expenditures for the fiscal year ended June 30, 2014, compared to the prior year.

<u>Revenues</u>	<u>FYE 2013 Amount</u>	<u>FYE 2014 Amount</u>
Taxes	\$ 862,618	\$ 886,491
Payroll license fees	852,886	894,608
Licenses and permits	446,648	517,570
Intergovernmental	129,623	349,002
Charges for services	14,609	16,368
Fines and forfeitures	475	275
Assessments	16,584	-
Interest	5,667	4,505
Miscellaneous	182,547	7,136
Total revenues	\$ <u>2,511,657</u>	\$ <u>2,675,955</u>
<u>Expenditures</u>	<u>FYE 2013 Amount</u>	<u>FYE 2014 Amount</u>
General government	\$ 535,112	\$ 380,260
Safety services	1,198,733	1,221,460
Public works/capital outlay	946,109	864,536
Debt service	140,057	92,879
Total Expenditures	\$ <u>2,820,011</u>	\$ <u>2,559,135</u>

The decreased expenditures of Public Works/Capital Outlay were primarily driven by decreased road improvement projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$2,084,317, which is an increase of \$116,820 from last year. It is anticipated that street repair expenditures will continue to increase as resurfacing projects are scheduled.

- The General Fund had an end of year fund balance of \$2,016,529 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 \$91,908 more than the budget. Expenditures were \$89,462 more than budgeted due greatly to the City netting the costs of the Eubanks Road Slide Project by the amount of emergency funds received from the Kentucky Municipal Aid Road Fund.

CAPITAL ASSET

In fiscal year 2014, the City's capital assets increased \$341,742, due to the street projects.

DEBT

At year end, the City had \$198,398 in outstanding debt payable compared to \$286,574 last year, a decrease of \$88,176. No new debt was incurred in the year ended June 30, 2014.

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 in recent fiscal years to determine development opportunities for the land area between Interstate 75 and the railroad tracks. Additionally, increased retail and businesses within and around the Buttermilk Towne Center and Buttermilk Crossing developments will help drive additional growth within the City. Estimated budgeted revenue for 2014-2015 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.

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

June 30, 2014

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,693,378
Receivables:	
Taxes	10,543
Intergovernmental	7,895
Assessments	3,167
Accounts	275,796
Prepays	129,134
Capital assets not being depreciated	55,614
Capital assets, net of accumulated depreciation	2,796,996
Total assets	4,972,523
LIABILITIES	
Accounts payable	16,425
Accrued liabilities	8,628
Noncurrent liabilities:	
Compensated absences	28,077
Due within one year	88,176
Due in more than one year	110,222
Total liabilities	251,528
NET POSITION	
Net investment in capital assets	2,654,212
Unrestricted	2,066,783
Total net position	\$ 4,720,995

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, 2014

Net (Expense) Revenue and Changes in Net Assets

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:			Capital Grants and Contributions	
Governmental activities:				
General government	\$ 380,260	\$ -	\$ -	\$ (380,260)
Safety services	1,221,460	-	-	(1,221,460)
Public works	571,883	16,368	334,919	(220,596)
Depreciation	260,539	-	-	(260,539)
Interest on long-term debt	4,703	-	-	(4,703)
Total governmental activities	<u>2,438,845</u>	<u>16,368</u>	<u>334,919</u>	<u>(2,087,558)</u>
Total primary government	\$ <u>2,438,845</u>	\$ <u>16,368</u>	\$ <u>334,919</u>	\$ <u>(2,087,558)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Taxes levied on bank deposits

Licenses and permits:

Payroll

Insurance premium

Other

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues and special items

Change in net position

Net position-beginning

Net position-ending

\$	829,137
	50,426
	894,608
	326,292
	191,278
	14,083
	4,505
	7,411
	<u>2,317,740</u>
	230,182
	4,490,813
\$	<u>4,720,995</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, 2014

	General	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,633,485	\$ 59,893	\$ 1,693,378
Receivables:			
Taxes	10,543	-	10,543
Intergovernmental	-	7,895	7,895
Assessments	3,167	-	3,167
Accounts	275,796	-	275,796
Prepays	129,134	-	129,134
Due from other funds	-	-	-
Total assets	<u>\$ 2,052,125</u>	<u>\$ 67,788</u>	<u>\$ 2,119,913</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 16,425	\$ -	\$ 16,425
Accrued liabilities	8,628	-	8,628
Total liabilities	<u>25,053</u>	<u>-</u>	<u>25,053</u>
Deferred inflows of resources			
Unavailable revenue-property taxes	<u>10,543</u>	<u>-</u>	<u>10,543</u>
Fund balances:			
Nonspendable - prepaids	129,134	-	129,134
Restricted - streets	-	67,788	67,788
Committed to - stabilization	197,285	-	197,285
- debt provision	-	-	-
Assigned to - special projects	-	-	-
Unassigned	1,690,110	-	1,690,110
Total fund balances	<u>2,016,529</u>	<u>67,788</u>	<u>2,084,317</u>
Total liabilities and fund balances	<u>\$ 2,052,125</u>	<u>\$ 67,788</u>	<u>\$ 2,119,913</u>
Total governmental fund balances			\$ 2,084,317
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			2,852,610
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			10,543
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			(28,077)
Notes and leases payable			(198,398)
Net position of governmental activities			<u>\$ 4,720,995</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, 2014

	General	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 886,491	\$ -	\$ 886,491
Licenses and permits	1,412,178	-	1,412,178
Intergovernmental	166,128	182,874	349,002
Charges for services	16,368	-	16,368
Assessments	-	-	-
Fines and forfeitures	275	-	275
Interest	4,370	135	4,505
Miscellaneous	7,136	-	7,136
Total revenues	<u>2,492,946</u>	<u>183,009</u>	<u>2,675,955</u>
EXPENDITURES			
Current:			
General government	380,260	-	380,260
Safety services	1,221,460	-	1,221,460
Public works	499,677	68,372	568,049
Capital outlay	296,487	-	296,487
Debt service:			
Principal	88,176	-	88,176
Interest	4,703	-	4,703
Total expenditures	<u>2,490,763</u>	<u>68,372</u>	<u>2,559,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,183</u>	<u>114,637</u>	<u>116,820</u>
OTHER FINANCING SOURCES(USES)			
Transfers in	94,900	-	94,900
Transfers out	-	(94,900)	(94,900)
Total other financing sources and uses	<u>94,900</u>	<u>(94,900)</u>	<u>-</u>
Net change in fund balances	<u>97,083</u>	<u>19,737</u>	<u>116,820</u>
Fund balances - beginning	<u>1,919,446</u>	<u>48,051</u>	<u>1,967,497</u>
Fund balances - ending	<u>\$ 2,016,529</u>	<u>\$ 67,788</u>	<u>\$ 2,084,317</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, 2014

Net change in fund balances-total governmental funds	\$ 116,820
<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	296,486
Depreciation expense	(260,538)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,928)
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.	88,176
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.	(3,834)
Change in net position of governmental activities	\$ <u>230,182</u>

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

CITY OF CRESENT SPRINGS, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 12, 2014, 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 primary government. The City has no component units.

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 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 cash flows. Property taxes are recognized as revenues in the

CITY OF CRESENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

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 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, 2014 were \$0.231 per \$100 valuation for real property and \$0.197 per \$100 valuation for personal property. The assessed value of property on which the levy for 2013 was based was \$288,817,400.

CITY OF CRESENT SPRINGS, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 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. 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.

CITY OF CRESENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Deferred Outflows/Inflows of Revenues

The city reports a separate section of deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods. The City's unavailable revenue is reported only in the governmental funds balance sheet, 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

In the fund financial statements, government funds report components of fund balance for amounts that are nonspendable, restricted, committed to, assigned to, or unassigned. Nonspendable fund balances are resources that cannot be spent because of their form and because resources must be maintained intact. Restricted funds arise when constraints are either imposed by creditors, contributors or laws or regulations of other governments. Committed fund balances are those that can only be used for specific purposes due to formal actions by the City Council. Assigned fund balances are those that are constrained by the government's intent to be used for specific purposes. Unassigned fund balance is the residual classification for the general fund. The assigned amounts can only be used when expenditures for the amounts set aside for that specific purpose are incurred.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function.

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, 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.

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.

CITY OF CRESENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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:				
Land	\$ 55,614	\$ -	\$ -	\$ 55,614
Construction in progress	45,255	-	(45,255)	-
Subtotal	<u>100,869</u>	<u>-</u>	<u>(45,255)</u>	<u>55,614</u>
Other capital assets:				
Buildings	1,141,459	-	-	1,141,459
Improvements/infrastructure	5,026,777	336,686	-	5,363,463
Equipment	266,878	5,056	-	271,934
Vehicles	339,637	-	-	339,637
Subtotal	<u>6,774,751</u>	<u>341,742</u>	<u>-</u>	<u>7,116,493</u>
Accumulated depreciation:				
Buildings	615,028	33,499	-	648,527
Improvements/infrastructure	3,004,842	179,395	-	3,184,237
Equipment	178,399	19,542	-	197,941
Vehicles	260,689	28,103	-	288,792
Subtotal	<u>4,058,958</u>	<u>260,539</u>	<u>-</u>	<u>4,319,497</u>
Net other assets	<u>2,715,793</u>	<u>81,203</u>	<u>-</u>	<u>2,796,996</u>
Net capital assets	<u>\$ 2,816,662</u>	<u>\$ 81,203</u>	<u>\$ (45,255)</u>	<u>\$ 2,852,610</u>

Depreciation was not charged to functions.

NOTE E-LONG-TERM DEBT

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

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
2015	88,176	3,718	91,894
2016	88,176	3,718	91,894
2017	22,046	8,666	30,712
TOTAL	<u>\$ 198,398</u>	<u>\$ 16,102</u>	<u>\$ 214,500</u>

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, 2014 the rate was 1.885%.

CITY OF CRESENT SPRINGS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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:					
Note payable-City Building	\$ 286,574	\$ -	\$ 88,176	\$ 198,398	\$ 88,176
Compensated absences	24,243	3,834	-	28,077	-
Totals	<u>\$ 310,817</u>	<u>\$ 3,834</u>	<u>\$ 88,176</u>	<u>\$ 226,475</u>	<u>\$ 88,176</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.

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. 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 Retire-

<p>CITY OF CRESENT SPRINGS, KENTUCKY NOTES TO FINANCIAL STATEMENTS June 30, 2014</p>
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ment System are financed through employer contributions and investment earnings. The rate for new hires (after August 31, 2008) is 1% more than the 5% required member contribution rate.

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

Year	Required Contribution	Percentage Contributed
2014	\$ 48,928	100%
2013	\$ 50,608	100%
2012	\$ 39,552	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 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. All risk for 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 no commitments.

NOTE J- INTERFUND TRANSACTIONS

During the year, the City transferred \$94,900 from the Municipal Road Aid Fund to the General Fund to reimburse the General Fund for emergency road reconstruction costs paid for from the General Fund.

CITY OF CRESCENT SPRINGS, 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	\$ 1,989,897	\$ 1,919,446	\$ 1,919,446	\$ -
Resources (inflows):				
Taxes	863,000	885,700	886,491	791
Licenses and permits	1,316,600	1,417,600	1,412,178	(5,422)
Intergovernmental	133,500	166,000	166,128	128
Charges for services	11,288	11,288	16,368	5,080
Fines and forfeitures	475	275	275	-
Interest	4,000	4,000	4,370	370
Transfers in	-	-	94,900	94,900
Miscellaneous	10,050	11,075	7,136	(3,939)
Amounts available for appropriation	<u>4,328,810</u>	<u>4,415,384</u>	<u>4,507,292</u>	<u>91,908</u>
Charges to appropriations (outflows)				
General government	368,960	373,260	381,088	(7,828)
Safety services	1,221,848	1,221,461	1,221,460	1
Public works	773,065	713,680	795,336	(81,656)
Debt Service	93,600	92,900	92,879	21
Transfers out	-	-	-	-
Total charges to appropriations	<u>2,457,473</u>	<u>2,401,301</u>	<u>2,490,763</u>	<u>(89,462)</u>
Budgetary fund balance, June 30	<u>\$ 1,871,337</u>	<u>\$ 2,014,083</u>	<u>\$ 2,016,529</u>	<u>\$ 2,446</u>

The basis of budgeting is the same as GAAP.

Note: In the budgeting process, the City netted the costs of the Eubanks Road Slide Project by the amount of emergency funds received from the Kentucky Municipal Aid Road Fund. The actual column records the MARF grant as a transfer from the Municipal Road Aid fund, causing an inadvertant actual costs over the public works budgeted amount.

CITY OF CRESCENT SPRINGS, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

MUNICIPAL ROAD AID 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 balances, July 1	\$ 38,943	\$ 48,051	\$ 48,051	\$ -
Resources (inflows):				
Intergovernmental	88,954	183,854	182,874	(980)
Interest	-	110	135	25
Amounts available for appropriation	<u>127,897</u>	<u>232,015</u>	<u>231,060</u>	<u>(955)</u>
Charges to appropriations (outflows):				
Current				
Administration	-	-	-	-
Public works	100,000	68,700	68,372	328
Transfer	-	94,900	94,900	-
Total	<u>100,000</u>	<u>163,600</u>	<u>163,272</u>	<u>328</u>
Budgetary fund balances, June 30	\$ <u>27,897</u>	\$ <u>68,415</u>	\$ <u>67,788</u>	\$ <u>(627)</u>

The basis of budgeting is the same as GAAP.

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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, 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 Crescent Springs, 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 Crescent Springs, Kentucky's basic financial statements and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Crescent Springs, 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 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.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Crescent Springs, 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 Crescent Springs, Kentucky's Response to Findings

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. City of Crescent Springs, 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 black ink that reads "Rankin, Rankin & Company". The signature is written in a cursive, flowing style.

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

CITY OF CRESCENT SPRINGS, 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 General Fund incurred expenditures that exceeded the adopted budget by \$89,462. In the budgeting process, the City netted the costs of the Eubanks Road Slide Project by the amount of emergency funds received from the Kentucky Municipal Aid Road Fund. The actual column records the MARF grant as a transfer from the Municipal Road Aid fund, causing an inadvertant actual costs over the public works budgeted amount.

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.