CITY OF CRESCENT SPRINGS, KENTUCKY

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Crescent Springs, Kentucky, as of June 30, 2013, 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 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.

Other Information

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

The combining and individual budget and actual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual budget and actual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 21, 2013, 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

Rankin, Rankin & Company

Ft. Wright, Kentucky
November 21, 2013

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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, 2013.

FINANCIAL HIGHLIGHTS

- The City's cash balances decreased $98,033 compared to the prior year and the total fund balances decreased $308,354.
- Revenue from taxes, payroll, and insurance license fees decreased $628,801 versus the prior year due the previous year's inclusion of a catch up PILOT (payment in lieu of taxes) payment and a one-time acquisition closing fee from a developer (combined totaling $620,000).
- Overall expenditures increased $364,670 due primarily to increased 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 $4,490,813 at the close of the 2013 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

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.

	2012	2013
Current and other assets	$ 2,331,106	$ 2,227,230
Capital assets	2,661,951	2,816,662
Total assets	4,993,057	5,043,892
Long term liabilities	309,867	222,641
Other liabilities	160,480	330,438
Total liabilities	470,347	553,079
Net Assets		
Invested in capital assets, net of related debt	2,242,201	2,530,088
Unrestricted	2,280,509	1,960,725
Total net position	$ 4,522,710	$ 4,490,813

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) decreased the City's net position by $31,897. Key elements of the decrease are as follows:

City of Crescent Springs Changes in Net Assets
Governmental Activities

	2012	2013
Revenues:		
Program Revenues:		
Charges for services	$ 10,437	$ 14,609
Grants and contributions	122,292	113,053
General Revenues:		
Taxes	1,001,028	872,572
Licenses and permits	1,257,329	1,299,534
Other revenues	707,811	201,409
Total revenues	$ 3,098,897	$ 2,501,177
Expenses:		
General government	537,037	535,112
Safety services	1,179,737	1,198,733
Public works/streets	385,104	550,467
Depreciation	247,802	241,881
Interest on Long Term Debt	14,386	6,881
Total expenses	2,364,066	2,533,074
Increase/decrease in net position	734,831	(31,897)
Net position prior year	3,787,879	4,522,710
Net position current year	$ 4,522,710	$ 4,490,813

For the FYE 6/30/2013, taxes and other revenue decreased $634,858 versus the prior year due to the inclusion of a catch up PILOT (payment in lieu of taxes) payment and a one-time acquisition closing fee from a developer (combined totaling $620,000) in the prior FYE 6/30/2012. 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 $1,967,497, a decrease of $308,354 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 $1,919,446.

The following schedule presents a summary of general and special revenue fund revenues and expenditures for the fiscal year ended June 30, 2013, compared to the prior year.

Revenues	FYE 2012 Amount	FYE 2013 Amount
Taxes	$ 999,147	$ 862,618
Payroll license fees	766,841	852,886
Licenses and permits	490,488	446,648
Intergovernmental	137,250	129,623
Charges for services	10,437	14,609
Fines and forfeitures	350	475
Assessments	39,693	16,584
Interest	9,401	5,667
Miscellaneous	686,851	182,547
Total revenues	$ 3,140,458	$ 2,511,657

Expenditures	FYE 2012 Amount	FYE 2013 Amount
General government	$ 537,037	$ 535,112
Safety services	1,179,737	1,198,733
Public works/capital outlay	456,005	946,109
Debt service	282,562	140,057
Total Expenditures	$ 2,455,341	$ 2,820,011

The increased expenditures of Public Works/Capital Outlay were primarily driven by increased road improvement projects and an additional shelter constructed at the community park.

In the prior fiscal year, the City received a one-time payment of $500,000 from a developer as a negotiated compensation package for its acquisition of the *Buttermilk Towne Center* retail

development. The funds were paid by the new developer as the original project development ownership entity went into bankruptcy and failed to deliver on certain development agreement items.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's governmental funds reported combined fund balances of $1,967,497, which is a decrease of $308,354 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 $1,919,446 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 $24,925 less than the budget. Expenditures were $45,526 more than budgeted due greatly to the timing of street repair projects and concrete work in progress at June 30, 2013.

CAPITAL ASSET

In fiscal year 2013, the City's capital assets increased $351,337, due to the street projects.

DEBT

At year end, the City had $286,574 in outstanding debt payable compared to $419,750 last year, a decrease of $133,176. No new debt was incurred in the year ended June 30, 2013.

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 2013-2014 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 Position

June 30, 2013

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,907,101
Receivables:	
Taxes	17,698
Intergovernmental	8,938
Assessments	3,167
Accounts	253,043
Prepaids	37,283
Capital assets not being depreciated	100,869
Capital assets, net of accumulated depreciation	2,715,793
Total assets	5,043,892
LIABILITIES	
Accounts payable	235,379
Accrued liabilities	6,883
Noncurrent liabilities:	
Compensated absences	24,243
Due within one year	88,176
Due in more than one year	198,398
Total liabilities	553,079
NET POSITION	
Invested in capital assets, net of related debt	2,530,088
Unrestricted	1,960,725
Total net position	$ 4,490,813

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, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 535,112	$ -	$ -	$ -	$ (535,112)
Safety services	1,198,733	-	-	-	(1,198,733)
Public works	550,467	14,609	113,053	-	(422,805)
Depreciation	241,881	-	-	-	(241,881)
Interest on long-term debt	6,881	-	-	-	(6,881)
Total governmental activities	2,533,074	14,609	113,053	-	(2,405,412)
Total primary government	$ 2,533,074	$ 14,609	$ 113,053	$ -	(2,405,412)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					$ 829,205
Taxes levied on bank deposits					43,367
Licenses and permits:					
Payroll					852,886
Insurance premium					390,071
Other					56,577
Grants and contributions not restricted to specific programs					16,571
Investment earnings					5,667
Miscellaneous					179,171
Total general revenues and special items					2,373,515
Change in net position					(31,897)
Net position-beginning					4,522,710
Net position-ending					$ 4,490,813

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

CITY OF CRESCENT SPRINGS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,867,988	$ 39,113	$ 1,907,101
Receivables:			
Taxes	17,698	-	17,698
Intergovernmental	-	8,938	8,938
Assessments	3,167	-	3,167
Accounts	253,043	-	253,043
Prepaids	37,283	-	37,283
Due from other funds	-	-	-
Total assets	$ 2,179,179	$ 48,051	$ 2,227,230
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 235,379	$ -	$ 235,379
Accrued liabilities	6,883	-	6,883
Total liabilities	242,262	-	242,262
Deferred inflows of resources			
Unavailable revenue-property taxes	17,471	-	17,471
Fund balances:			
Nonspendable - prepaids	-	-	-
Restricted - streets	-	48,051	48,051
Committed to - stabilization	464,233	-	464,233
- debt provision	-	-	-
Assigned to - special projects	261,413	-	261,413
Unassigned	1,193,800	-	1,193,800
Total fund balances	1,919,446	48,051	1,967,497
Total liabilities and fund balances	$ 2,179,179	$ 48,051	$ 2,227,230

Total governmental fund balances	$ 1,967,497
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 $4,058,958	2,816,662
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	17,471
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	(24,243)
Notes and leases payable	(286,574)
Net position of governmental activities	$ 4,490,813

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, 2013

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 862,618	$ -	$ 862,618
Licenses and permits	1,299,534	-	1,299,534
Intergovernmental	33,405	96,218	129,623
Charges for services	14,609	-	14,609
Assessments	-	16,584	16,584
Fines and forfeitures	475	-	475
Interest	4,748	919	5,667
Miscellaneous	182,547	-	182,547
Total revenues	2,397,936	113,721	2,511,657
EXPENDITURES			
Current:			
General government	535,112	-	535,112
Safety services	1,198,733	-	1,198,733
Public works	508,498	41,019	549,517
Capital outlay	280,773	115,819	396,592
Debt service:			
Principal	88,176	45,000	133,176
Interest	6,388	493	6,881
Total expenditures	2,617,680	202,331	2,820,011
Excess (deficiency) of revenues over (under) expenditures	(219,744)	(88,610)	(308,354)
OTHER FINANCING SOURCES(USES)			
Transfers in	5,952	100,463	106,415
Transfers out	(100,463)	(5,952)	(106,415)
Total other financing sources and uses	(94,511)	94,511	-
Net change in fund balances	(314,255)	5,901	(308,354)
Fund balances - beginning	2,233,701	42,150	2,275,851
Fund balances - ending	$ 1,919,446	$ 48,051	$ 1,967,497

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, 2013

Net change in fund balances-total governmental funds	$	(308,354)
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital asset purchases capitalized		396,592
Depreciation expense		(241,881)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(10,480)
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.		133,176
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.		(950)
Change in net position of governmental activities	$	(31,897)

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 00, 2013, 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

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 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, 2013 were $0.230 per $100 valuation for real property and $0.195 per $100 valuation for personal property. The assessed value of property on which the levy for 2012 was based was $289,110,300.

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.

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, 2013, 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, 2013.

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Retirements/ Deletions	Balance June 30, 2013
Governmental activities:				
Not being depreciated:				
Land	$ 55,614	$ -	$ -	$ 55,614
Construction in progress	-	45,255	-	45,255
Subtotal	55,614	45,255	-	100,869
Other capital assets:				
Buildings	1,141,459	-	-	1,141,459
Improvements/infrastructure	4,679,406	347,371	-	5,026,777
Equipment	262,912	3,966	-	266,878
Vehicles	339,637	-	-	339,637
Subtotal	6,423,414	351,337	-	6,774,751
Accumulated depreciation:				
Buildings	581,529	33,499	-	615,028
Improvements/infrastructure	2,844,948	159,894	-	3,004,842
Equipment	158,014	20,385	-	178,399
Vehicles	232,586	28,103	-	260,689
Subtotal	3,817,077	241,881	-	4,058,958
Net other assets	2,606,337	109,456	-	2,715,793
Net capital assets	$ 2,661,951	$ 154,711	$ -	$ 2,816,662

Depreciation was not charged to functions.

NOTE E-LONG-TERM DEBT

Long-term debt outstanding at June 30, 2013 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
2014	88,176	5,792	93,968
2015	88,176	3,718	91,894
2016	88,176	3,718	91,894
2017	22,046	8,666	30,712
TOTAL	$ 286,574	$ 21,894	$ 308,468

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, 2013 the rate was 1.885%.

Long-term liability activity for the year ended June 30, 2013, was as follows:

	June 30, 2012	Additions	Retirements	June 30, 2013	Due Within One Year
Governmental activities:					
Lease payable-2002 Street Project	$ 45,000	$ -	$ 45,000	$ -	$ -
Note payable-City Building	374,750	-	88,176	286,574	88,176
Compensated absences	23,293	950	-	24,243	-
Totals	$ 443,043	$ 950	$ 133,176	$ 310,817	$ 88,176

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.

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, 2013, 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, 2013, participating employers contributed 19.55% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2013 was 19.55% of creditable compensation. Administrative costs of Kentucky Retirement 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
2013	$	50,608	100%
2012	$	39,552	100%
2011	$	30,183	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, 2013, 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 was received 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 obliga-

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 – COMMITMENTS

At June 30, 2013 the City had commitments on the Twilight Drive Street Improvement Project in the amount of $64,000 plus other costs such as engineering fees. This project consists of street replacement. This should be completed by June, 2014.

The City also has a commitment on the Western Reserve Road Sidewalk Phase II Project in the amount of $91,993 plus other costs such as engineering fees. This project consists of installing sidewalks on the above named road for the Kentucky Safe Routes to School Program which is designed to enable and encourage children to walk and bicycle to school. This should also be completed by June, 2014.

CITY OF CRESCENT SPRINGS, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2013

	Required Supplementary Information			
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary fund balance, July 1	$ 2,223,781	$ 2,233,701	$ 2,233,701	$ -
Resources (inflows):				
Taxes	875,000	862,240	862,618	378
Licenses and permits	1,205,900	1,294,300	1,299,534	5,234
Intergovernmental	180,000	67,316	33,405	(33,911)
Charges for services	10,854	10,854	14,609	3,755
Fines and forfeitures	350	475	475	-
Interest	6,000	4,400	4,748	348
Transfers in	-	-	5,952	5,952
Miscellaneous	179,300	189,228	182,547	(6,681)
Amounts available for appropriation	4,681,185	4,662,514	4,637,589	(24,925)
Charges to appropriations (outflows)				
General government	545,170	521,290	535,112	(13,822)
Safety services	1,206,389	1,198,732	1,198,733	(1)
Public works	613,440	760,798	789,271	(28,473)
Debt Service	99,500	91,797	94,564	(2,767)
Transfers out	100,000	100,000	100,463	(463)
Total charges to appropriations	2,564,499	2,672,617	2,718,143	(45,526)
Budgetary fund balance, June 30	$ 2,116,686	$ 1,989,897	$ 1,919,446	$ (70,451)

The basis of budgeting is the same as GAAP.

Note: Expenditures were $45,526 more than budgeted due to the timing of street repair and concrete projects in progress at June 30, 2013.

CITY OF CRESCENT SPRINGS, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Municipal Road Aid	Park	2002 Street Improvement	
ASSETS				
Cash and cash equivalents	$ 39,113	$ -	$ -	$ 39,113
Receivables				-
Intergovernmental	8,938	-	-	8,938
Assessments	-	-	-	-
Prepaids	-	-	-	-
Total assets	$ 48,051	$ -	$ -	$ 48,051
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Deferred Assessments	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Nonspendable - prepaids	-	-	-	-
Restricted - streets	48,051	-	-	48,051
Commited to - debt service	-	-	-	-
Assigned to - special projects	-	-	-	-
Total fund balances	48,051	-	-	48,051
Total liabilities and fund balances	$ 48,051	$ -	$ -	$ 48,051

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, 2013

	Special Revenue Funds		Debt Service Fund	Total
	Municipal Road Aid	Park	2002 Street Improvements	Nonmajor Governmental Funds
REVENUES				
Intergovernmental	$ 96,218	$ -	$ -	$ 96,218
Assessments	-	-	16,584	16,584
Interest	200	2	717	919
Miscellaneous	-	-	-	-
Total revenues	96,418	2	17,301	113,721
EXPENDITURES				
Current:				
General government	-	-	-	-
Public works	156,838	-	-	156,838
Capital outlay	-	-	-	-
Debt service:				-
Principal	-	-	45,000	45,000
Interest	-	-	493	493
Total expenditures	156,838	-	45,493	202,331
Excess (deficiency) of revenues over (under) expenditures	(60,420)	2	(28,192)	(88,610)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	100,463	100,463
Transfers out	-	(5,952)	-	(5,952)
Total other financing sources and (uses)	-	(5,952)	100,463	94,511
Net change in fund balances	(60,420)	(5,950)	72,271	5,901
Fund balances - beginning	108,471	5,950	(72,271)	42,150
Fund balances - ending	$ 48,051	$ -	$ -	$ 48,051

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary fund balances, July 1	$ 90,080	$ 108,471	$ 108,471	$ -
Resources (inflows):				
Intergovernmental	75,140	87,472	96,218	8,746
Interest	-	-	200	200
Amounts available for appropriation	165,220	195,943	204,889	8,946
Charges to appropriations (outflows):				
Current				
Administration	-	-	-	-
Public works	75,000	157,000	156,838	162
Capital outlay	-	-	-	-
Total	75,000	157,000	156,838	162
Budgetary fund balances, June 30	$ 90,220	$ 38,943	$ 48,051	$ 9,108

The basis of budgeting is the same as GAAP.

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RANKIN, RANKIN & COMPANY
Certified Public Accountants

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Tel. 859/331-5000

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, 2013, 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 21, 2013.

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. Accordingly, we do not express an opinion on the effectiveness of the City of Crescent Springs, Kentucky's internal control.

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

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

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

RANKIN, RANKIN & COMPANY

Rankin, Rankin & Company

Ft. Wright, Kentucky
November 21, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 21, 2013, 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

Rankin, Rankin & Company

Ft. Wright, Kentucky
November 21, 2013

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, 2013, 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 21, 2013.

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. Accordingly, we do not express an opinion on the effectiveness of the City of Crescent Springs, Kentucky's internal control.

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

RANKIN, RANKIN & COMPANY

Rankin, Rankin & Company

Ft. Wright, Kentucky
November 21, 2013