CITY OF CRESCENT SPRINGS, KENTUCKY

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City of Crescent Springs, Kentucky'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.

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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, 2018, 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, budgetary comparison information, schedule of City contributions, and schedule of proportionate share of net pension liability-non hazardous on pages 5-9 and 33-39 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 29, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Crescent Springs, Kentucky's 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 29, 2018

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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, 2018.

FINANCIAL HIGHLIGHTS

- The City's cash balances increased $68,472 compared to the prior year and the total fund balances increased $95,975.
- Revenue from taxes increased by $39,810 as well as revenue from payroll, insurance and license fees increased by $194,057.
- Overall expenditures increased $107,937, spread over all departments but decreased in capital outlay and debt payment.

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 two individual governmental funds. Information is presented separately in the governmental balance sheet and in the statement of revenues, expenditures and changes 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 $3,818,691 at the close of the 2018 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.

	2018	2017
Current and other assets	$ 2,046,701	$ 1,947,866
Capital assets	2,603,761	2,760,068
Total assets	4,650,462	4,707,934
Total deferred outflows of resources	446,128	182,267
Long term liabilities	1,066,753	712,298
Other liabilities	32,411	30,334
Total liabilities	1,099,164	742,632
Total deferred inflows of resources	89,349	16,400
Net Assets		
Net investment in capital assets	2,568,945	2,686,844
Unrestricted	1,339,132	1,444,325
Total net position	$ 3,908,077	$ 4,131,169

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 $113,795 in FYE 2018 compared to a decrease of $117,422 in FYE 2017. Key elements of the changes are as follows:

City of Crescent Springs Changes in Net Assets
Governmental Activities

	2018	2017
Revenues:		
Program Revenues:		
Charges for services	$ 11,790	$ 30,166
Grants and contributions	81,029	79,532
General Revenues:		
Taxes	939,324	898,007
Licenses and permits	1,652,784	1,458,727
Other revenues	56,838	39,704
Total revenues	$ 2,741,765	$ 2,506,136
Expenses:		
General government	560,454	471,376
Safety services	1,426,445	1,376,014
Public works/streets	534,049	529,739
Depreciation	245,645	248,656
Interest on Long Term Debt	1,391	2,200
Net pension liability expense	(1,810)	(4,427)
Total expenses	2,766,174	2,623,558
Increase/decrease in net position	(24,409)	(117,422)
Prior period adjustment	(198,683)	-
Net position prior year	4,131,169	4,248,591
Net position current year	$ 3,908,077	$ 4,131,169

For the FYE 6/30/2018, total revenues increased $235,629 versus the prior year mainly due to an increase in taxes, licenses and permits and other revenues.

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 $2,009,867, an increase of $95,975 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 $1,927,933.

The following schedule presents a summary of general and special revenue fund revenues and expenditures for the fiscal year ended June 30, 2018, compared to the prior year.

Revenues	FYE 2017 Amount	FYE 2018 Amount
Taxes	$ 898,730	$ 938,540
Payroll license fees	900,154	910,384
Licenses and permits	558,573	742,400
Intergovernmental	97,244	99,636
Charges for services	30,166	11,790
Fines and forfeitures	1,400	475
Interest	5,147	6,796
Miscellaneous	15,445	30,960
Total revenues	$ 2,506,859	$ 2,740,981

Expenditures	FYE 2017 Amount	FYE 2018 Amount
General government	$ 512,315	$ 560,454
Safety services	1,376,014	1,426,445
Public works/capital outlay	587,368	618,308
Debt service	61,372	39,799
Total Expenditures	$ 2,537,069	$ 2,645,006

Expenditures of Public Works/Capital Outlay rose slightly due to small road improvement projects and facility upgrades.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

At year-end the City's governmental funds reported combined fund balances of $2,009,867, which is a increase of $95,975 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 $1,927,933 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 $72,601 more than the budget mainly due to an increase in licenses and permits revenues. Expenditures were $17,183 less than budgeted. Ending fund balance was $89,784 more than the budgeted ending fund balance.

CAPITAL ASSET

In fiscal year 2018, the City's capital assets increased $89,337, due to the street projects and purchases of improvements for the park and the public works garage.

DEBT

At year end, the City had $34,816 in outstanding debt payable compared to $73,224 last year, a decrease of $38,408. New debt in the amount of $110,352 was incurred in the year ended June 30, 2016 for the purchase of the public works trucks.

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 2018-2019 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, 2018

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,719,676
Receivables:	
Taxes	4,423
Intergovernmental	8,963
Accounts	311,180
Prepaids	2,459
Capital assets not being depreciated	125,922
Capital assets, net of accumulated depreciation	2,477,839
Total assets	4,650,462
DEFERRED OUTFLOWS OF RESOURCES	
Contributions subsequent to the measurement date	76,565
Deferred outflows from net pension liability	314,529
Deferred outflows from net OPEB liability	55,034
Total deferred outflows of resources	446,128
LIABILITIES	
Accounts payable	7,656
Accrued liabilities	24,755
Noncurrent liabilities:	
Compensated absences	42,611
Due within one year	34,816
Net pension liability	736,405
Net OPEB liability	252,921
Total liabilities	1,099,164
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from net pension liability	76,107
Deferred inflows from net OPEB liability	13,242
Total deferred inflows of resources	89,349
NET POSITION	
Net investment in capital assets	2,568,945
Unrestricted	1,339,132
Total net position	$ 3,908,077

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

CITY OF CRESCENT SPRINGS, KENTUCKY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

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	$ 560,454	$ -	$ -	$ -	$ (560,454)
Safety services	1,426,445	-	-	-	(1,426,445)
Public works	534,049	11,790	81,029	-	(441,230)
Depreciation	245,645	-	-	-	(245,645)
Interest on long-term debt	1,391	-	-	-	(1,391)
Net pension liability expenses	(1,810)	-	-	-	1,810
Total governmental activities	2,766,174	11,790	81,029	-	(2,673,355)
Total primary government	$ 2,766,174	$ 11,790	$ 81,029	$ -	(2,673,355)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					$ 870,436
Taxes levied on bank deposits					68,888
Licenses and permits:					
Payroll					910,384
Insurance premium					555,131
Other					187,269
Grants and contributions not restricted to specific programs					12,564
Investment earnings					6,796
Miscellaneous					37,478
Total general revenues and special items					2,648,946
Change in net position					(24,409)
Prior period adjustment					(198,683)
Net position-beginning					4,131,169
Net position-ending					$ 3,908,077

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

CITY OF CRESCENT SPRINGS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,643,326	$ 76,350	$ 1,719,676
Receivables:			
Taxes	4,423	-	4,423
Intergovernmental	-	8,963	8,963
Accounts	311,180	-	311,180
Prepaids	2,459	-	2,459
Total assets	$ 1,961,388	$ 85,313	$ 2,046,701
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 4,277	$ 3,379	$ 7,656
Accrued liabilities	24,755	-	24,755
Total liabilities	29,032	3,379	32,411
Deferred inflows of resources			
Unavailable revenue-property taxes	4,423	-	4,423
Fund balances:			
Nonspendable - prepaids	2,459	-	2,459
Restricted - streets	-	81,934	81,934
Committed to - stabilization	-	-	-
- debt provision	-	-	-
Assigned to - special projects	-		-
Unassigned	1,925,474	-	1,925,474
Total fund balances	1,927,933	81,934	2,009,867
Total liabilities and fund balances	$ 1,961,388	$ 85,313	$ 2,046,701

Total governmental fund balances	$ 2,009,867
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	2,603,761
Contributions subsequent to net pension liability measurement date	55,473
Contributions subsequent to net OPEB liability measurement date	21,092
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	4,423
Net pension liability outflows carried as deferred charges	314,529
Net pension liability inflows carried as deferred charges	(76,107)
Net OPEB liability outflows carried as deferred charges	55,034
Net OPEB liability inflows carried as deferred charges	(13,242)
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	(42,611)
Notes and leases payable	(34,816)
Net pension liability	(736,405)
Net OPEB liability	(252,921)
Net position of governmental activities	$ 3,908,077

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, 2018

	General	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	$ 938,540	$ -	$ 938,540
Licenses and permits	1,652,784	-	1,652,784
Intergovernmental	25,941	73,695	99,636
Charges for services	11,790	-	11,790
Fines and forfeitures	475	-	475
Interest	6,463	333	6,796
Miscellaneous	30,960	-	30,960
Total revenues	2,666,953	74,028	2,740,981
EXPENDITURES			
Current:			
General government	560,454	-	560,454
Safety services	1,426,445	-	1,426,445
Public works	496,642	32,329	528,971
Capital outlay	26,585	62,752	89,337
Debt service:			
Principal	38,408	-	38,408
Interest	1,391	-	1,391
Total expenditures	2,549,925	95,081	2,645,006
Excess (deficiency) of revenues over (under) expenditures	117,028	(21,053)	95,975
OTHER FINANCING SOURCES(USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	-	-	-
Net change in fund balances	117,028	(21,053)	95,975
Fund balances - beginning	1,810,905	102,987	1,913,892
Fund balances - ending	$ 1,927,933	$ 81,934	$ 2,009,867

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, 2018

Net change in fund balances-total governmental funds	$	95,975
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		89,337
Depreciation expense		(245,645)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		783
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.		38,408
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.		(5,078)
Net pension liability expenses based on proportionate share of service cost and calculated pension cost from measurement date to measurement date		(6,835)
Net OPEB liability expenses based on proportionate share of service cost and calculated pension cost from measurement date to measurement date		8,646
Change in net position of governmental activities	$	(24,409)

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 29, 2018, 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.

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 October 1 on property values assessed as of January 1. The taxes are billed on approximately October 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, 2018 were $0.221 per $100 valuation for real property and $0.158 per $100 valuation for personal property. The assessed value of property on which the levy for 2017 was based was $319,069,100.

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

In addition to assets, the statement of financial position will sometimes report as a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value if refunded debt and its reacquisition

price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source-property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

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, 2018, 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, 2018.

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Retirements/ Deletions	Balance June 30, 2018
Governmental activities:				
Not being depreciated:				
Land	$ 125,922	$ -	$ -	$ 125,922
Construction in progress	-	-	-	-
Subtotal	125,922	-	-	125,922
Other capital assets:				
Buildings	1,153,447	-	-	1,153,447
Improvements/infrastructure	5,826,231	62,752	-	5,888,984
Equipment	293,337	26,585	-	319,922
Vehicles	367,257	-	-	367,257
Subtotal	7,640,272	89,337	-	7,729,610
Accumulated depreciation:				
Buildings	750,822	15,765	-	766,587
Improvements/infrastructure	3,731,555	188,537	-	3,920,092
Equipment	249,964	16,773	-	266,737
Vehicles	273,785	24,570	-	298,355
Subtotal	5,006,126	245,645	-	5,251,771
Net other assets	2,634,146	(156,308)	-	2,477,839
Net capital assets	$ 2,760,068	$ (156,308)	$ -	$ 2,603,761

Depreciation was not charged to functions.

NOTE E-LONG-TERM DEBT

Long-term debt outstanding at June 30, 2018 for the note payable consisted of the following:

Note Payable-Vehicles

The City entered into a loan agreement October 29, 2015 with Branch Bank and Trust to finance the purchase of two city trucks and a utility vehicle for the park. Annual debt service payment requirements to maturity, as initially determined based on a fixed interest rate of 1.9% are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	34,816	651	35,467
TOTAL	$ 34,816	$ 651	$ 35,467

Long-term liability activity for the year ended June 30, 2018, was as follows:

	June 30, 2017	Additions	Retirements	June 30, 2018	Due Within One Year
Governmental activities:					
Note Payable-Vehicles	73,224	-	38,408	34,816	34,816
Compensated absences	37,533	5,078	-	42,611	-
Totals	$ 110,757	$ 5,078	$ 38,408	$ 77,427	$ 34,816

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 (KRS) 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.

General Information about the Pension Plan

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous positions of each county, City, and school board, and any additional eligible local agencies electing to participate in CERS. 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. Prior to July 1, 2009, cost-of-living (COLA) adjustments were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5%.

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Non-hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 5-high creditable compensation years with a minimum of 48 months and a minimum of five fiscal years. Final compensation is determined by dividing the total salary earned during the 5-high years by the number of months worked, then multiplying by twelve. Non-hazardous members, age 65 or older, or with 27 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

For non-hazardous members who began contributing to CERS on or after September 1, 2008, any member age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87. In addition, a member, age 65, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

Non-hazardous Contributions - For the year ended June 30, 2017, all plan members who began participating before September 1, 2008, 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 preceding 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, 2018, participating employers contributed 19.18% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2018 was 19.18% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to participate in the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the

member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions to the non-hazardous pension plan from the City were $73,466 for the year ended June 30, 2018.

The city has no hazardous pension contributions.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a liability of $736,405 for its proportionate share of the net pension liability for non-hazardous. The City's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.0126 percent for non-hazardous.

For the year ended June 30, 2018, the City recognized pension income of $1,810 for non-hazardous and, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience.	$ 4,192	$ 18,693
Change in assumptions.	175,681	-
Net difference between projected and actual earnings on pension plan investments.	94,090	57,414
Changes in proportion and differences between contributions and proportionate share of contributions.	40,566	-
Contributions subsequent to the measurement date.	55,473	-
Total	$ 370,002	$ 76,107

The $55,473 reported as deferred outflows of resources relating to pensions resulting from the City's contributions after the measurement date of the net pension liability but before the end of the Clity's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Net Outflows/ Inflows
2018	$ 98,286
2019	100,317
2020	49,276
2021	(9,456)
Totals	$ 238,423

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	2.0 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

The Mortality Table for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 multiplied by 50% for males and 30% for females. The rates of mortality healthy retired members and their beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 multiplied by 50% for males and 30% for females and setback one year for females. For disabled members, the RP-2000 Combined mortality Table projected with Scale BB to 2013 setback four years for males is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

The long-term expected return on system assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report submitted April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return and net of investment expense) were developed by the investment consultant for each major asset class. These ranges were combined to produce long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Return
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return (Diversified Inflation Strategies)	10%	3.50%
Real estate	5%	4.50%
Absolute return (Diversified Hedge funds)	10%	4.25%
Private equity	10%	8.50%
Cash equivalent	2%	-0.25%
Total	100%	

Discount Rate – The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected though 2117.

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The discount rate used to measure the total pension liability for the system was 6.25% for both, nonhazardous and hazardous. The following presents the net pension liability calculated using the discount rate of percent, as well as what the systems' net position liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate for non-hazardous and (5.25%) or one percentage point higher (7.25%) than the current rate for hazardous ($ thousands):

CERS	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
Non-hazardous	$ 7,382,285	$ 5,853,307	$ 4,574,328

Pension Plan Fiduciary Net Position – Detailed information about the plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE H-POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Insurance Benefits County Employees Retirement System (CERS)

The City's employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.701, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the insurance fund for members participating in CERS.

The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

General Information about the Insurance Fund

Plan Description – The Kentucky Retirement Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for members receiving benefits from KERS, CERS and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to eligible retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for the whole or partial payment of required premiums to purchase hospital and medical insurance. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

Insurance Benefits – For members participating prior to July 1, 2003, the amount of contribution paid for hospital and medical insurance is based on the years of service and respective percentages of the maximum contribution as follows:

Years of Service	% Paid by Insurance Fund
20 or More	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1. 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. Dollar contributions for fiscal year 2017 was $13.18 for non-hazardous and $19.77 for hazardous. This benefit is not protected under the inviolable contract provisions of the Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Insurance Contributions – Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the system contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board. Current assets, future contributions and investment earnings are projected to be sufficient to pay the projected benefit payment from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system's actuarial determined contributions. It is the understanding that cost associated with the implicit subsidy will not be paid out of the system's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the The City's reported a liability of $252,921 for its proportionate share of the net OPEB liability for non-hazardous. The The City's proportion of the net OPEB liability was based on a projection of the The City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City's proportion was 0.0126 percent for non-hazardous.

For the year ended June 30, 2018, the The City's recognized OPEB income of $8,646 for non-hazardous. At June 30, 2018, the The City's reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	GENERAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 702
Change in assumptions	55,034	-
Net difference between projected and actual earnings on OPEB plan investments	-	11,953
Changes in proportion and difference between City contributions and proportionate share of contributions	-	587
City contributions subsequent to the measurement date	21,092	-
Total	$ 76,126	$ 13,242

The $21,092 is reported as deferred outflows of resources relating to OPEB resulting from the OPEB City's contributions made after the measurement date of the net OPEB liability but before the end of the The City's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30		Net Outflows/ Inflows
2019	$	7,191
2020		7,191
2021		7,191
2022		7,191
2023		10,179
Thereafter		2,850
Totals	$	41,793

Actuarial Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Payroll growth	2.0 percent, average
Investment rate of return	6.25 percent
Health cost trend rates Pre-65	7.5% for 2017, decreasing to an ultimate rate of 5.0% over period of five years
Health cost trend rates Post-65	5.5% for 2017, decreasing to an ultimate rate of 5.0% over period of two years

The Mortality Table for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 multiplied by 50% for males and 30% for females. The rates of mortality healthy retired members and their beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 multiplied by 50% for males and 30% for females and setback one year for females. For disabled members, the RP-2000 Combined mortality Table projected with Scale BB to 2013 setback four years for males is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

In January, the Investment Committee chair appointed a special subcommittee to review asset allocation for each individual system to determine the level of risk based on liquidity and cash flow need. The subcommittee worked for six months with the Systems' consultants and actuaries and in July, 2017, the Board approved new asset allocations. The new assets allocation, at its highest level, allocates 45.0% of system assets to equity risk, 30.0% to credit risk and 25.0% to diversifying strategies (real return, real estate, private equity and absolute return). These new allocations should reduce the public equity exposure by roughly 16.0% in favor of fixed income. The committee also reviewed the capital market assumptions from eight leading investment and/or consulting firms, e.g., JP Morgan, PIMCO, RVK, Goldman Sachs, and Blackrock. The assumptions from these firms were compared to asset allocations where the resulting portfolio returns were averaged to produce an estimated return for each system. As a result, the Committee recommended lowering the assumed rate of return from 7.5% to 6.25%. This was approved by the

Board in July, 2017. The Board recognizes its fiduciary duty to not only invest funds in compliance with the prudent Person Rule bit to also manage the funds while recognizing the long-term nature of the investments. The target allocations and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

	CERS Insurance Plans	
Asset Class	Target Allocation	Long-Term Expected Nominal Return
US Equity*	17.5%	5.97%
International Equity*	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate*	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return*	10.0%	6.13%
Private equity	10.0%	8.25%
Cash equivalent	2.0%	1.88%
Total	100%	6.56%

*Long-term expected real rates of return may vary depending on risk tolerance.

Discount Rate – The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The discount rates of 5.84% for non-hazardous and 5.96% for hazardous were used to measure the total OPEB liability for the system as of June 30, 2017. The following presents the net OPEB liability calculated using the discount rate of percent, as well as what the systems' net position liability would be if it were calculated using a discount rate that is one percentage point lower (4.84%) or one percentage point higher (6.84%) than the current rate for non-hazardous and one percentage point lower (4.96%) or one percentage point higher (6.96%) than the current rate for hazardous:

CERS	1% Decrease 4.84% Non-hazardous 4.96% hazardous	Current 5.84% Non-hazardous 5.96% Hazardous	1% Increase 6.84% Non-hazardous 6.96% Hazardous
City Proportionate Share	$ 321,828	$ 252,921	$ 195,580

Sensitivity of the Net OPEB Liability to Changes in the Healthcare trend rates – For both the non-hazardous and hazardous plans the initial trend rate for pre-65 starts at 7.5% and is expected to gradually decrease to an ultimate trend rate of 5.00% over a period of 5 years. For both the non-hazardous and hazardous plans the initial trend rate for post-65 starts at 5.50% and is expected to gradually decrease to an ultimate trend rate of 5.00% over a period of 2 years.

CERS	1% Decrease	Trend Rate	1% Increase
City Proportionate Share	$ 194,003	$ 252,921	$ 329,511

OPEB Plan Fiduciary Net Position – Detailed information about the plan's fiduciary net position is available in the separately issued KRS financial report.

NOTE I-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, 2018, 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 four fiscal years.

NOTE J- COMMITMENTS

At June 30, 2018 the City had no commitments.

NOTE K – PRIOR PERIOD ADJUSTMENT

The City was required to adopt GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" during fiscal year 2018. As a result of that adoption, a prior period adjustment was made to record the beginning net OPEB liability amount.

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2018

	Required Supplementary Information			
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary fund balance, July 1	$ 1,799,460	$ 1,810,905	$ 1,810,905	$ -
Resources (inflows):				
Taxes	910,850	934,765	938,540	3,775
Licenses and permits	1,446,710	1,585,310	1,652,784	67,474
Intergovernmental	103,818	19,334	25,941	6,607
Charges for services	13,206	6,000	11,790	5,790
Fines and forfeitures	1,100	450	475	25
Interest	5,175	6,200	6,463	263
Miscellaneous	26,122	42,293	30,960	(11,333)
Transfers in	-	-	-	-
Amounts available for appropriation	4,306,441	4,405,257	4,477,858	72,601
Charges to appropriations (outflows)				
General government	518,460	524,875	560,454	(35,579)
Safety services	1,426,445	1,426,445	1,426,445	-
Public works	688,940	575,989	523,227	52,762
Debt Service	39,799	39,799	39,799	-
Transfers out	-	-	-	-
Total charges to appropriations	2,673,644	2,567,108	2,549,925	17,183
Budgetary fund balance, June 30	$ 1,632,797	$ 1,838,149	$ 1,927,933	$ 89,784

The basis of budgeting is the same as GAAP.

CITY OF CRESCENT SPRINGS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD AID FUND
For the Year Ended June 30, 2018

	Required Supplementary Information			
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary fund balances, July 1	$ 107,274	$ 102,987	$ 102,987	$ -
Resources (inflows):				
Intergovernmental	72,845	77,000	73,695	(3,305)
Interest	266	270	333	63
Amounts available for appropriation	180,385	180,257	177,015	(3,242)
Charges to appropriations (outflows):				
Current				
Administration	-	-	-	-
Public works	75,000	93,381	95,081	(1,700)
Transfer	-	-	-	-
Total	75,000	93,381	95,081	(1,700)
Budgetary fund balances, June 30	$ 105,385	$ 86,876	$ 81,934	$ (4,942)

The basis of budgeting is the same as GAAP.

CITY OF CRESCENT SPRINGS, KENTUCKY

SCHEDULE OF CITY CONTRIBUTIONS - PENSION

For the Year Ended June 30, 2018

	2014	2015	2016	2017	2018
Non-hazardous:					
Contractually required contribution	$ 48,927	$ 48,171	$ 54,828	$ 62,984	$ 55,465
Contributions in relation to the contractually required contribution	48,927	48,171	54,828	62,984	55,465
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 259,013	$ 272,616	$ 321,384	$ 337,172	$ 383,075
Contributions as a percentage of covered-employee payroll	18.89%	17.67%	17.06%	18.68%	14.48%

Required supplementary information is intended to show ten years of data.
Additional years information will be shown once it becomes available
Beginning in the 2018 year, pension contributions exclude the separately presented OBEB benefits.

CITY OF CRESCENT SPRINGS, KENTUCKY

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY- NON-HAZARDOUS

For the Year Ended June 30, 2018

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Non-hazardous:				
City's proportion of the net pension liability	0.0113%	0.0119%	0.0122%	0.0126%
City's proportionate share of the net pension liability	$ 366,000	$ 512,524	$ 601,541	$ 736,405
City's covered-employee payroll	$ 259,013	$ 272,616	$ 321,384	$ 383,075
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	141.31%	188.00%	187.17%	192.24%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	57.5%	55.5%	53.3%

Required supplementary information is intended to show ten years of data.
Additional years information will be shown once it becomes available

CITY OF CRESCENT SPRINGS, KENTUCKY

SCHEDULE OF CITY CONTRIBUTIONS - OPEB

For the Year Ended June 30, 2018

	2017	2018
Non-hazardous:		
Contractually required contribution	$ 15,948	$ 18,001
Contributions in relation to the contractually required contribution	15,948	18,001
Contribution deficiency (excess)	$ -	$ -
City's covered payroll	$ 337,172	$ 383,075
Contributions as a percentage of covered-employee payroll	4.73%	4.70%

Required supplementary information is intended to show ten years of data.
Additional years information will be shown once it becomes available

CITY OF CRESCENT SPRINGS, KENTUCKY

SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY- NON-HAZARDOUS

For the Year Ended June 30, 2018

	June 30, 2017
Non-hazardous:	
City's proportion of the net OPEB liability	0.0126%
City's proportionate share of the net OPEB liability	$ 252,921
City's covered-employee payroll	$ 383,075
City's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	66.02%
Plan fiduciary net position as a percentage of the total OPEB liability	52.4%

Required supplementary information is intended to show ten years of data.
Additional years information will be shown once it becomes available

Pension

Valuation dates. Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

Changes in benefit terms. There were no benefit changes reported in the June 30, 2017 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which was used in the performance of the actuarial valuations as of June 30, 2017. Specifically, the total Pension liability as of June 30, 2017 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note G starting on page 22.

OPEB

Valuation dates. Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which the contributions are reported.

Changes in benefit terms. There were no benefit changes reported in the June 30, 2017 actuarial report.

Changes in assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the Board adopted updated actuarial assumptions which was used in the performance of the actuarial valuations as of June 30, 2017. Specifically, the total Pension liability as of June 30, 2017 was determined using a 2.30% price inflation and an assumed rate of return of 6.25%.

In addition, refer to Note H starting on page 26.

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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, 2018, 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 29, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Crescent Springs, Kentucky's Response to Findings

The City of Crescent Springs, Kentucky's response to the finding 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

Rankin, Rankin & Company

Ft. Wright, Kentucky
November 29, 2018

CITY OF CRESCENT SPRINGS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Finding 1: Lack of Segregation of Duties

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

Recommendation: We recommend the City consider the following:

(1) The Mayor or other designated individuals provide as much oversight as possible, such as reviewing disbursement documentation, signing checks and otherwise overseeing financial activity including a review of the monthly general ledger. We understand that the Mayor and finance committee does provide some of these controls, such as signing checks and reviewing disbursement documentation. We also believe that the response below is sufficient in scope to provide an adequate system of internal controls over financial activity. The City currently has two administrative employees who work on financial matters. We recommend that their financial duties be reviewed to create an effective segregation of duties.

City's Response:

The City is a small unit with two administrative employees, thus limiting the possibility of segregation of duties. The City has considered other alternatives and associated costs to protect City assets. Each check distribution requires two signatures and is created only after an expense item approval process is completed.