

CITY OF FORT WRIGHT, KENTUCKY

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2010

CITY OF FORT WRIGHT, KENTUCKY

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Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
Management's Discussion and Analysis.....	5
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	11
Statement of Revenues, Expenditures and Changes in	
Fund Balances-Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	13
Notes to the Financial Statements.....	14
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule-General Fund.....	23
Budgetary Comparison Schedule-Special Revenue Fund.....	24
OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule-Capital Projects Fund.....	25
Combining Balance Sheet - Non-Major Funds.....	26
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances-Non-Major Governmental Funds.....	27
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.....	28
Schedule of Findings and Responses.....	31
Management letter.....	32



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council City of Fort Wright, Kentucky

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fort Wright, Kentucky, as of, and for the year ended June 30, 2010, which collectively comprise the City of Fort Wright's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Fort Wright, Kentucky's, management. Our responsibility is to express an opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Fort Wright, Kentucky, as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2010 on our consideration of the City of Fort Wright, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain required budgetary comparison information 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

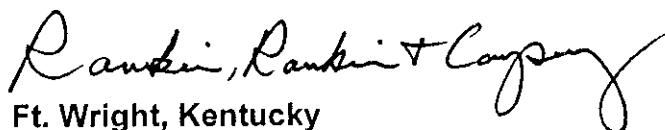
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auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Wright, Kentucky's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RANKIN, RANKIN, & COMPANY



**Ft. Wright, Kentucky
December 1, 2010**

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of City of Fort Wright, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The City's net assets increased \$132,614 over the prior year. The City's government funds fund balance was \$3,174,698 at year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets and liabilities, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health is* improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, license fee base, and the condition of the City's capital assets (roads, buildings, and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, the City has only governmental activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. License fees, property taxes, and state and federal grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular

purposes (Ex. Capital Project Fund) or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Aid Grant Fund).

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the year ended June 30, 2010, net assets changed as follows:

	Governmental Activities
Beginning net assets	\$ 10,253,459
Increase(decrease) in net assets	132,614
Ending net assets	<u>\$ 10,386,073</u>

	Governmental Activities	
	2010	2009
Current assets	\$ 3,439,375	\$ 3,690,462
Capital assets, net	8,451,306	8,380,802
Total assets	<u>11,890,681</u>	<u>12,071,264</u>
Current liabilities	266,390	388,152
Noncurrent liabilities	1,238,218	1,429,653
Total liabilities	<u>1,504,608</u>	<u>1,817,805</u>
Net assets	<u>\$ 10,386,073</u>	<u>\$ 10,253,459</u>

The City's total net assets increased by \$132,614 due mainly to street infrastructure improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS AND FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Over the course of the year, the City Council revised the General Fund budget. The budget amendment was to increase the beginning fund balance to actual and to change revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year. The current year budget relied on the expectation of moderate increases in property and payroll taxes and licenses and permits. The actual results showed changes in each of these categories that resulted in revenues over budgeted amounts by \$130,912. Expenditures were less than budgeted by \$199,053. The City ended the year with a fund balance that was \$791,885 more than the final budget.

The following schedule presents a summary of general, special revenue and capital projects revenues and expenditures for the fiscal years ended June 30, 2010 and 2009.

Revenues	2010 Amount	2009 Amount
Taxes	\$ 1,331,222	\$ 1,275,980
Licenses and permits	1,859,812	1,912,937
Intergovernmental	357,397	425,853
Charges for services	190,685	194,169
Waste fees	292,314	289,322
Fines and forfeitures	32,153	33,906
Interest	18,939	39,236
Miscellaneous	29,846	81,862
Total revenues	\$ <u>4,112,368</u>	\$ <u>4,253,265</u>

Intergovernmental revenues decreased due to fewer grants received from the State for street reconstruction projects.

Interest income revenue decreased mainly due to the decrease in interest rates.

Expenditures	2010 Amount	2009 Amount
General government	\$ 407,063	\$ 380,012
Police	1,292,834	1,277,747
Fire and EMS	763,091	716,425
Public Works	355,891	410,710
Waste fees	280,676	280,703
Plant/community projects	145,381	145,543
Capital outlay	750,159	905,481
Debt service	247,245	147,640
Total expenditures	\$ <u>4,242,340</u>	\$ <u>4,264,261</u>

The police and fire departments increases reflect increased personnel costs, related fringe benefits, and capital expenditures from grants.

Debt service payments increased due to a \$100,000 extra principal payment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2010, the City had \$26.2 million invested in capital assets including police and fire equipment, buildings, park facilities, roads and sidewalks. This represents a net increase of \$563.692 or 2.1 percent, over last year.

	Activities	
	2010	2009
Land and construction in progress	\$ 1,523,000	\$ 1,758,937
Buildings	1,460,585	1,452,740
Improvements/ Infrastructure	20,773,985	19,958,649
Equipment	1,229,177	1,166,754
Vehicles	1,256,609	1,342,584
TOTALS	\$ <u>26,243,356</u>	\$ <u>25,679,664</u>

This year's major additions included:

Vehicles	\$ 27,152
Completed construction projects	815,336
Various equipment and improvements	70,268
	\$ <u>912,756</u>

Debt

At year-end, the City had \$1,163,291 outstanding capital leases compared to \$1,355,530 last year. That is a decrease of eleven percent as shown in the following table.

	Governmental Activities	
	2010	2009
Capital lease obligations		
(backed by city)	\$ 1,163,291	\$ 1,355,530
Totals	\$ <u>1,163,291</u>	\$ <u>1,355,530</u>

During the year the City incurred no additional debt. Other obligations of the City include accrued compensated absences in the amount of \$74,927.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Fort Wright's July 1, 2010 through June 30, 2011 budget year identifies a slight increase in revenue with a sharper increase in expenses. Because of this, most Capital Projects have been postponed.

During the 2010-2011 budget year, the City will have to investigate long term improvements to street expenses and how to pay for them. The infrastructure of the City is aging and major improvements to the roadways are needed.

In addition, the City continues to pursue the long term plan recommended by the Vision Committee and adopted by Council. The City continues to pay down debt and enjoys a high level of professional services and Volunteer boards.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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 Administrator's office at 409 Kyles Lane, Ft. Wright, Kentucky 41011.

BASIC FINANCIAL STATEMENTS

CITY OF FORT WRIGHT, KENTUCKY**Statement of Net Assets****June 30, 2010**

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,002,522
Receivables:	
Taxes	408,204
Intergovernmental	10,469
Accounts	18,180
Capital assets not being depreciated - land	1,523,000
Capital assets, net of accumulated depreciation	6,928,306
Total assets	11,890,681
LIABILITIES	
Accounts payable	69,689
Accrued liabilities	113,124
Accrued interest payable	4,280
Escrow	17,150
Deferred revenue	62,147
Noncurrent liabilities:	
Compensated absences	74,927
Due within one year	177,573
Due in more than one year	985,718
Total liabilities	1,504,608
NET ASSETS	
Invested in capital assets, net of related debt	7,288,015
Unrestricted	3,098,058
Total net assets	\$ 10,386,073

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

CITY OF FORT WRIGHT, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 415,351	\$ 13,689	\$ -	-	\$ (401,662)
Police	1,331,597	29,627	73,634	-	(1,228,336)
Fire/EMS	828,469	174,737	99,695	-	(554,037)
Public works	756,734	-	-	172,690	(584,044)
Waste fees	280,676	292,314	-	-	11,638
Plant/community projects	312,567	4,785	-	-	(307,782)
Interest on long-term debt	54,327	-	-	-	(54,327)
Total governmental activities	3,979,721	515,152	173,329	172,690	(3,118,550)
Total primary government	\$ 3,979,721	\$ 515,152	\$ 173,329	\$ 172,690	\$ (3,118,550)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,202,308
Taxes levied on bank deposits					54,421
Motor vehicle taxes					74,461
Licenses and permits:					
Payroll					994,654
Insurance premium					483,611
Other					381,547
Grants and contributions not restricted to specific programs					11,377
Investment earnings					18,939
Miscellaneous					29,846
Total general revenues and special items					3,251,164
Change in net assets					132,614
Net assets-beginning					10,253,459
Net assets-ending					\$ 10,386,073

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

CITY OF FORT WRIGHT, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,778,014	\$ 582,530	\$ 242,934	\$ 399,044	\$ 3,002,522
Receivables:					
Taxes	408,204	-	-	-	408,204
Intergovernmental	3,922	6,547	-	-	10,469
Accounts	1,773	-	-	16,407	18,180
Total assets	<u>\$ 2,191,913</u>	<u>\$ 589,077</u>	<u>\$ 242,934</u>	<u>\$ 415,451</u>	<u>\$ 3,439,375</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 38,523	\$ 27,393	\$ -	\$ 3,773	\$ 69,689
Accrued liabilities	113,124	-	-	-	113,124
Escrow	-	17,150	-	-	17,150
Deferred revenue	17,582	14,632	32,500	-	64,714
Total liabilities	<u>169,229</u>	<u>59,175</u>	<u>32,500</u>	<u>3,773</u>	<u>264,677</u>
Fund balances:					
Unreserved, reported in:					
General fund	2,022,684	-	-	-	2,022,684
Special revenue funds	-	529,902	-	411,678	941,580
Capital projects funds	-	-	210,434	-	210,434
Total fund balances	<u>2,022,684</u>	<u>529,902</u>	<u>210,434</u>	<u>411,678</u>	<u>3,174,698</u>
Total liabilities and fund balances	<u>\$ 2,191,913</u>	<u>\$ 589,077</u>	<u>\$ 242,934</u>	<u>\$ 415,451</u>	<u>\$ 3,439,375</u>
Total governmental fund balances					\$ 3,174,698
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 \$17,792,050.					8,451,306
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.					2,567
Accrued interest on long-term debt.					(4,280)
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					(74,927)
Notes and leases payable					(1,163,291)
Net assets of governmental activities					<u>\$ 10,386,073</u>

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

CITY OF FORT WRIGHT, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,331,222	\$ -	\$ -	\$ -	\$ 1,331,222
Licenses and permits	1,859,812	-	-	-	1,859,812
Intergovernmental	184,899	172,498	-	-	357,397
Charges for services	39,343	-	-	151,342	190,685
Waste fees	292,314	-	-	-	292,314
Fines and forfeitures	32,103	-	-	50	32,153
Uses of property	9,424	5,110	1,867	2,538	18,939
Miscellaneous	16,005	-	-	13,841	29,846
Total revenues	<u>3,765,122</u>	<u>177,608</u>	<u>1,867</u>	<u>167,771</u>	<u>4,112,368</u>
EXPENDITURES					
Current:					
General government	406,171	175	173	544	407,063
Police	1,290,934	-	-	1,900	1,292,834
Fire and EMS	687,367	-	-	75,724	763,091
Public works	335,020	20,871	-	-	355,891
Waste fees	280,676	-	-	-	280,676
Park/community projects	108,375	-	-	37,006	145,381
Capital outlay	20,591	642,393	49,347	37,828	750,159
Debt service:					
Principal	176,126	-	16,112	-	192,238
Interest	54,472	-	535	-	55,007
Total expenditures	<u>3,359,732</u>	<u>663,439</u>	<u>66,167</u>	<u>153,002</u>	<u>4,242,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>405,390</u>	<u>(485,831)</u>	<u>(64,300)</u>	<u>14,769</u>	<u>(129,972)</u>
OTHER FINANCING SOURCES(USES)					
Transfers in	60,000	-	-	57,500	117,500
Transfers out	(57,500)	-	-	(60,000)	(117,500)
Total other financing sources and uses	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>(2,500)</u>	<u>-</u>
Net change in fund balances	<u>407,890</u>	<u>(485,831)</u>	<u>(64,300)</u>	<u>12,269</u>	<u>(129,972)</u>
Fund balances - beginning	<u>1,614,794</u>	<u>1,015,733</u>	<u>274,734</u>	<u>399,409</u>	<u>3,304,670</u>
Fund balances - ending	<u>\$ 2,022,684</u>	<u>\$ 529,902</u>	<u>\$ 210,434</u>	<u>\$ 411,678</u>	<u>\$ 3,174,698</u>

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

CITY OF FORT WRIGHT, 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, 2010

Net change in fund balances-total governmental funds	\$ (129,972)
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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	676,819
Depreciation expense	(606,315)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(32)
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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.	192,238
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Accrued interest on long-term debt is reported in the government wide funds and not reported in the governmental funds.	680
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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.	(804)
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Change in net assets of governmental activities	\$ <u>132,614</u>
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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 Fort Wright, 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.

Financial Reporting Entity

The City of Fort Wright is a municipality governed by a mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related 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

CITY OF FORT WRIGHT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 capital project funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

Assets, liabilities and net assets or equity

Cash and Cash Equivalents

Cash and cash equivalents including amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposits.
3. Bankers acceptances.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

Property Tax Receivable

Property taxes are levied as of July 1 on property values assessed as of the same date. The taxes are billed on approximately October 1 and are due and payable on December 31. On January 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on January 1.

Capital Assets

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the government-wide financial statements. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2000, governmental funds infrastructure

CITY OF FORT WRIGHT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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	40 years
Building Improvements	10-20 years
Public Domain Infrastructure	10-25 years
Vehicles	5 years
Office Equipment	3-7 years

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principle and interest reported as expenditures.

Fund Equity

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

CITY OF FORT WRIGHT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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).

Restricted Revenues

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

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.

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with City ordinance, by May 31, 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.

CITY OF FORT WRIGHT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010, 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, 2010.

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Retirements/ Deletions	Balance June 30, 2010
Governmental activities:				
Not being depreciated:				
Construction in progress	\$ 235,937	\$ -	\$ (235,937)	\$ -
Land	1,523,000	-	-	1,523,000
Subtotal	<u>1,758,937</u>	<u>-</u>	<u>(235,937)</u>	<u>1,523,000</u>
Other capital assets:				
Buildings	1,452,740	7,845	-	1,460,585
Improvements/infrastructure	19,958,649	815,336	-	20,773,985
Equipment	1,166,754	62,423	-	1,229,177
Vehicles	1,342,584	27,152	(113,127)	1,256,609
Subtotal	<u>23,920,727</u>	<u>912,756</u>	<u>(113,127)</u>	<u>24,720,356</u>
Accumulated depreciation:				
Buildings	(650,454)	(46,466)	-	(696,920)
Improvements/infrastructure	(14,764,821)	(396,794)	-	(15,161,615)
Equipment	(770,963)	(120,517)	-	(891,480)
Vehicles	(1,112,624)	(42,538)	113,127	(1,042,035)
Subtotal	<u>(17,298,862)</u>	<u>(606,315)</u>	<u>113,127</u>	<u>(17,792,050)</u>
Net other assets	<u>6,621,865</u>	<u>306,441</u>	<u>-</u>	<u>6,928,306</u>
Net capital assets	<u>\$ 8,380,802</u>	<u>\$ 306,441</u>	<u>\$ (235,937)</u>	<u>\$ 8,451,306</u>

*Depreciation was charged to functions as follows:

Governmental activities:

General government, police and fire	\$ 111,625
Public works	400,843
Plant	93,846
Total governmental activities depreciation expense	<u>\$ 606,314</u>

CITY OF FORT WRIGHT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE E-LONG-TERM DEBT

Lease Payables

The leases payable long-term debt are payable from general revenues.

Long-term debt outstanding at June 30, 2010 for the leases payable, consisted of the following:

Lease Payable-Storer Property

The City purchased park land known as the Storer property in the fall of 2003. The purchase was financed as a capital lease with the Bank of Kentucky. In 2006, the City refinanced the lease for 25 years with a fixed interest rate of 4.86% through August 31, 2011 and adjusted each five years thereafter.

Annual debt service payment requirements to maturity, according to the original payment schedule, with the final principal payment adjusted due to prepayments:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 20,786	\$ 30,828	\$ 51,614
2012	21,691	29,923	51,614
2013	22,802	28,812	51,614
2014	23,885	27,729	51,614
2015	25,018	26,596	51,614
2016-2020	143,931	114,140	258,071
2021-2025	181,587	76,484	258,071
2026-2030	228,735	29,082	257,817
Total	\$ 668,435	\$ 363,594	\$ 1,032,029

Lease Payable-City Building

The City entered into a lease agreement on January 15, 2003 with the Bank of Kentucky to refinance the city building construction costs and the fire pumper. In 2006, the City refinanced the lease for thirteen years with a fixed interest rate of 4.86% through August 31, 2011 and adjusted each five years thereafter. 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
2011	\$ 142,937	\$ 20,542	\$ 163,479
2012	44,767	18,713	63,480
2013	46,778	16,701	63,479
2014	48,827	14,652	63,479
2015	50,965	12,514	63,479
2016-2019	146,732	39,794	186,526
TOTAL	\$ 481,006	\$ 122,916	\$ 603,922

The following lease payable is payable from the capital projects fund.

CITY OF FORT WRIGHT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Long-term debt outstanding at June 30, 2010 for the lease payable consisted of the following:

Lease Payable-Truck

The City entered into a lease agreement in March 2006 with the Kentucky League of Cities to finance the purchase of a truck. The lease payable is for a period of five years at a rate of between 3.533% and 3.923%. Annual debt service payment requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2011	13,850	413
TOTAL	\$ 13,850	\$ 413

Long-term liability activity for the year ended June 30, 2010, was as follows:

	June 30, 2009	Additions	Retirements	June 30, 2010	Due Within One Year
Governmental activities:					
Lease payable-Storer property	\$ 688,533	\$ -	\$ 20,098	\$ 668,435	\$ 20,786
Lease payable-City Building	637,035	-	156,029	481,006	142,937
Lease payable -truck	29,962	-	16,112	13,850	13,850
Compensated absences	74,123	804	-	74,927	-
Totals	\$ 1,429,653	\$ 804	\$ 192,239	\$ 1,238,218	\$ 177,573

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

CITY OF FORT WRIGHT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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, 2010, plan members were required to contribute 5% of their annual creditable compensation. Any plan members that entered the plan after August 31, 2008, are required to contribute an additional 1% of their annual creditable compensation for health insurance. 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, 2010, participating employers contributed 16.16% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2010 was 16.16% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2010, plan members were required to contribute 8% of their annual creditable compensation. The state was 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, 2010, participating employers contributed 32.97% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2010 was 32.97% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City the current and previous two years are as follows:

Year	Required Contribution	Percentage Contributed
2010	\$ 398,366	100%
2009	\$ 349,526	100%
2008	\$ 385,403	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 employer contribution.

CITY OF FORT WRIGHT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Deferred Compensation Plans

The deferred compensation plan is a 457 plan administered by the ICMA Retirement Trust. All employees are eligible to participate. The City does not contribute to the plan for any employee. All payments made to ICMA are payroll withheld, requested by the employee.

The City also participates in a 401(k) plan administered by the Kentucky Employees Deferred Compensation Authority. All payments to the Authority are payroll withheld. The City does not contribute to the plan for any employee.

NOTE H-RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2010, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. There have been no claims in the past three fiscal years.

NOTE I-COMMITMENTS

At June 30, 2010, the City had no contracted commitments.

CITY OF FORT WRIGHT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2010

	Required Supplementary Information			Variance with Final Budget
	Budgeted Amounts		Actual Amounts	Positive
	Original	Final		(Negative)
Budgetary fund balance, July 1	\$ 980,429	\$ 1,152,874	\$ 1,614,794	\$ 461,920
Resources (inflows):				
Taxes	1,245,500	1,257,000	1,331,222	74,222
Licenses and permits	1,792,000	1,822,000	1,859,812	37,812
Intergovernmental	126,390	149,156	184,899	35,743
Charges for services	317,530	315,030	331,657	16,627
Fines and forfeitures	13,000	20,700	32,103	11,403
Uses of property	20,100	8,000	9,424	1,424
Miscellaneous	13,135	62,324	16,005	(46,319)
Transfers in	78,264	60,000	60,000	-
Amounts available for appropriation	4,586,348	4,847,084	5,439,916	592,832
Charges to appropriations (outflows)				
General government	434,625	413,495	406,171	7,324
Police	1,450,668	1,407,760	1,290,934	116,826
Fire/EMS	834,150	749,070	687,367	61,703
Public works	660,360	645,580	636,287	9,293
Plant/community projects	109,980	111,880	108,375	3,505
Debt Service	231,000	231,000	230,598	402
Transfers out	57,500	57,500	57,500	-
Total charges to appropriations	3,778,283	3,616,285	3,417,232	199,053
Budgetary fund balance, June 30	\$ 808,065	\$ 1,230,799	\$ 2,022,684	\$ 791,885

The basis of budgeting is the same as GAAP.

CITY OF FORT WRIGHT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND-MUNICIPAL AID
For the Year Ended June 30, 2010

	Required Supplementary Information			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Budgetary fund balances, July 1	\$ 1,134,776	\$ 1,167,964	\$ 1,015,733	\$ (152,231)
Resources (inflows):				
Intergovernmental	102,500	170,071	172,498	2,427
Interest	1,200	6,400	5,110	(1,290)
Miscellaneous	-	-	-	-
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>1,238,476</u>	<u>1,344,435</u>	<u>1,193,341</u>	<u>(151,094)</u>
Charges to appropriations (outflows):				
Current				
Administration	175	175	175	-
Public works	25,000	25,000	20,871	4,129
Capital outlay	<u>725,500</u>	<u>742,209</u>	<u>642,393</u>	<u>99,816</u>
Total	<u>750,675</u>	<u>767,384</u>	<u>663,439</u>	<u>103,945</u>
Budgetary fund balances, June 30	\$ <u><u>487,801</u></u>	\$ <u><u>577,051</u></u>	\$ <u><u>529,902</u></u>	\$ <u><u>(47,149)</u></u>

The basis of budgeting is the same as GAAP.

CITY OF FORT WRIGHT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balances, July 1	\$ 263,496	\$ 307,234	\$ 274,734	\$ (32,500)
Resources (inflows):				
Interest	-	-	1,867	1,867
Grants and contributions	-	-	-	-
Other income	5,500	2,020	-	(2,020)
Amounts available for appropriation	<u>268,996</u>	<u>309,254</u>	<u>276,601</u>	<u>(32,653)</u>
Charges to appropriations (outflows):				
Current				
Administration	30,200	20,200	18,868	1,332
Police	27,000	27,152	30,652	(3,500)
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	17,000	17,000	16,647	353
Transfers to other funds	-	-	-	-
Total	<u>74,200</u>	<u>64,352</u>	<u>66,167</u>	<u>(1,815)</u>
Budgetary fund balances, June 30	<u>\$ 194,796</u>	<u>\$ 244,902</u>	<u>\$ 210,434</u>	<u>\$ (34,468)</u>

The basis of budgeting is the same as GAAP.

CITY OF FORT WRIGHT, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Parks & Recreation	Madison Pike TIF	Sewer Replacement	Fire and EMS	Asset Forfeiture	
ASSETS						
Cash and cash equivalents	\$ 22,556	\$ 234,448	\$ -	\$ 133,024	\$ 9,016	\$ 399,044
Accounts receivable	-	-	-	16,407	-	16,407
Total assets	<u>\$ 22,556</u>	<u>\$ 234,448</u>	<u>\$ -</u>	<u>\$ 149,431</u>	<u>\$ 9,016</u>	<u>\$ 415,451</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,224	\$ -	\$ -	\$ 1,549	\$ -	\$ 3,773
Total liabilities	<u>2,224</u>	<u>-</u>	<u>-</u>	<u>1,549</u>	<u>-</u>	<u>3,773</u>
Fund balances:						
Unreserved, reported in:						
Special revenue funds	20,332	234,448	-	147,882	9,016	411,678
Total fund balances	<u>20,332</u>	<u>234,448</u>	<u>-</u>	<u>147,882</u>	<u>9,016</u>	<u>411,678</u>
Total liabilities and fund balances	<u>\$ 22,556</u>	<u>\$ 234,448</u>	<u>\$ -</u>	<u>\$ 149,431</u>	<u>\$ 9,016</u>	<u>\$ 415,451</u>

CITY OF FORT WRIGHT, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2019

	Parks & Recreation	Madison Pike TIF	Fire and EMS	Asset Forfeiture	Total Nonmajor Governmental Funds
REVENUES					
Charges for services	\$ 4,785	\$ -	\$ 146,557	\$ -	\$ 151,342
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	-	-	50	50
Interest	38	1,376	1,056	68	2,538
Miscellaneous	3,841	-	10,000	-	13,841
Total revenues	8,664	1,376	157,613	118	167,771
EXPENDITURES					
Current:					
General government	-	120	253	171	544
Police	-	-	-	1,900	1,900
Fire and EMS	-	-	75,724	-	75,724
Public works	-	-	-	-	-
Parks & recreation	37,006	-	-	-	37,006
Capital outlay	-	-	37,828	-	37,828
Debt service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	37,006	120	113,805	2,071	153,002
Excess (deficiency) of revenues over (under) expenditures	(28,342)	1,256	43,808	(1,953)	14,769
OTHER FINANCING SOURCES (USES)					
Transfers in	10,000	47,500	-	-	57,500
Transfers out	-	-	(60,000)	-	(60,000)
Total other financing sources and (uses)	10,000	47,500	(60,000)	-	(2,500)
Net change in fund balances	(18,342)	48,756	(16,192)	(1,953)	12,269
Fund balances - beginning	38,674	185,692	164,074	10,969	399,409
Fund balances - ending	20,332	234,448	147,882	9,016	411,678



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Mayor and Council
City of Fort Wright, Kentucky**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fort Wright, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Fort Wright, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Fort Wright, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Fort Wright, Kentucky's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fort Wright, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

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

RANKIN, RANKIN & COMPANY

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

Ft. Wright, Kentucky
December 1, 2010

CITY OF FORT WRIGHT, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

Prior Year Findings

Finding 1: Lack of financial reporting expertise

The City does not have the necessary financial reporting expertise to prevent, detect and correct potential misstatement in the financial statements or notes. The absence of controls over the preparation of the financial statements is considered a material weakness.

Recommendation: We recommend the City consider the following:

- 1) Have someone with the appropriate financial statement expertise oversee the preparation of the financial statements and notes.

City's Response:

The City is having an independent person provide oversight of financial reporting who has appropriate financial statement experience.

Finding 2: Financial Statement Adjustments

The City's management is responsible for establishing and maintaining internal controls over the application of transactions and the preparation of financial statements. As part of the audit, we noted material adjustments that were not identified by the City prior to finalization of the trial balance.

Recommendation: We recommend the City consider the following:

The City's management and financial personnel continue to develop policies to ensure that necessary adjustments are made during the year and at year end.

City's Response:

The City improved its recognition of situations requiring adjustments and is more accurately reporting financial activity.

Finding 3: Bank Account Reconciliation

It was noted that in reviewing bank reconciliations, errors were apparent such as recording as outstanding checks, several checks that had previously been voided and several checks that had previously cleared the bank. In addition, there was an unreconciled amount on the reconciliation that could not be identified.

Recommendation: We recommend the City consider the following:

The bank accounts be reconciled more accurately, identifying all proper reconciling items on a monthly basis. We recommend that the City's Clerk and Treasurer coordinate their efforts in this process.

City's Response:

The City has improved its bank reconciliation process and has corrected the above mentioned types of previous reconciliation problems.



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**To the Mayor and Council
City of Fort Wright, Kentucky**

In planning and performing our audit of the financial statements of the City of Fort Wright, Kentucky for the year ended June 30, 2010, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 1, 2010 on the financial statements of the City of Fort Wright, Kentucky.

In prior years, the City, at times, posted revenues and related expenditures to either an accounts receivable due or accounts payable due account (balance sheet). Instead the proper postings should be to record all cash revenue in revenue accounts and all expenditures in expense accounts. Offsetting revenues against related expenditures is not a correct ledger posting method in governmental accounting.

After our recommendations of June 30, 2009, the City began postings that conform to our recommendations.

We offer these suggestions and recommendations to the City, for your consideration, to assist the City in strengthening internal controls or financial practices.

RANKIN, RANKIN & COMPANY

**Fort Wright, Kentucky
December 1, 2010**