

CITY OF FT. THOMAS, KENTUCKY

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council City of Ft. Thomas, Kentucky

We have audited the accompanying financial statements of the City of Ft. Thomas, Kentucky, as of June 30, 2007, and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the City of Ft. Thomas, Kentucky's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Ft. Thomas, Kentucky, as of June 30, 2007, and the results of its operations and cash flows of its business-type funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted of inquiries of management regarding the methods of measurement and presentation of the supplementary information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Ft. Thomas, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2008 on our consideration of the City of Ft. Thomas, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

RANKIN, RANKIN, & COMPANY

Rankin, Rankin + Company

**Ft. Wright, Kentucky
January 28, 2008**

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"Founded in 1867"

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of City of Ft. Thomas, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's basic financial statements, which begin on page 13.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. 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.

Reporting the City as a Whole

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent year by \$16,482,618 (net assets).

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$9,152,225. This total represents an increase of \$666,494 in comparison to the prior fiscal year. The increase was primarily attributable to greater than expected revenue increases and the under spending of line-item appropriations by a number of city departments.

At the end of the current fiscal year, total fund balance for the general fund was \$6,462,710 or 81% of total general fund expenditures.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. 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, what the citizens own, and liabilities, what the citizens owe, 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, income tax base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net assets and the Statement of Activities, the City's activities are reported and defined as Governmental Activities as follows:

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the most significant City 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. Tower Park Fund) or to show that it is meeting legal responsibilities for grant funds (Ex. KDOT/Public Works Grant Fund).

Governmental funds: 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 a reconciliation beside the fund financial statements.

THE CITY AS A WHOLE

For the years ended June 30, 2007 and 2006, net assets changed as follows:

		<u>June 30, 2007</u>
		Governmental
		Activities
Beginning net assets	\$	15,349,811
Increase(decrease) in net assets		<u>1,132,807</u>
Ending net assets	\$	<u><u>16,482,618</u></u>

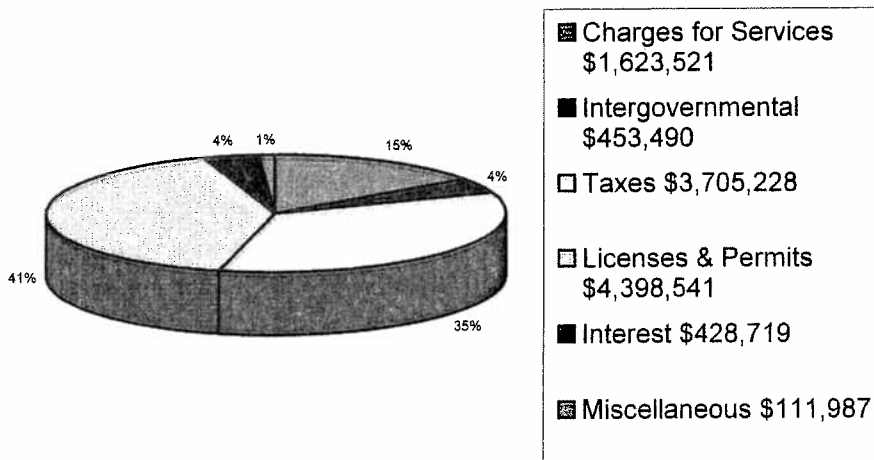
		<u>June 30, 2006</u>
		Governmental
		Activities
Beginning net assets	\$	14,278,408
Increase(decrease) in net assets		<u>1,071,403</u>
Ending net assets	\$	<u><u>15,349,811</u></u>

These totals reflect an increase of 7.38% for governmental activities due to general revenues exceeding governmental operating expenses including depreciation expense.

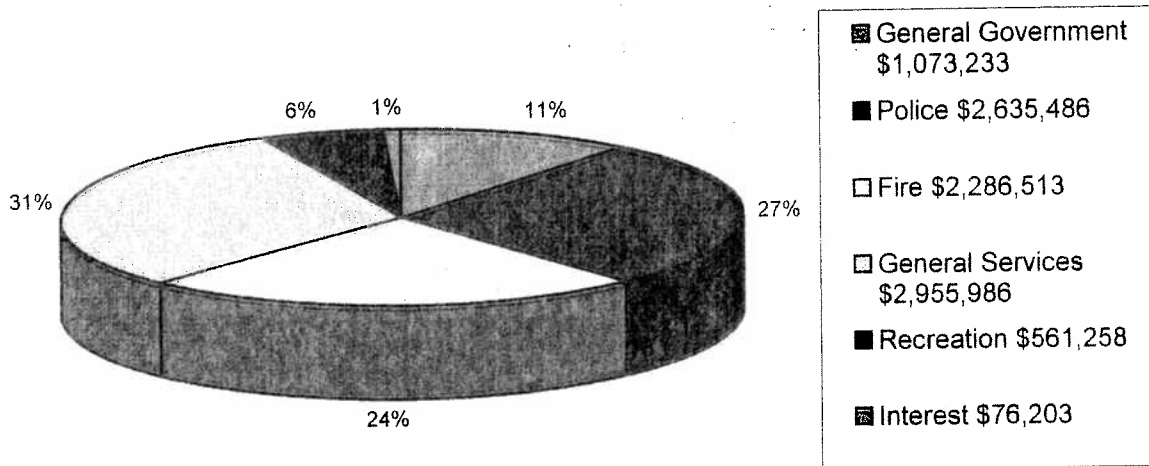
Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expense, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers.

2007 Governmental Activities Revenues



2007 Governmental Activities Expenses



THE CITY'S FUNDS

The fund statements present the City's financial information in a more detailed format. Fund statements provide important information about the City's local government environment. The measurement principles in the governmental fund statements are also different than the government-wide statements. Fund statements focus on the current and short-term resources, while the government-wide statements present the long-term view.

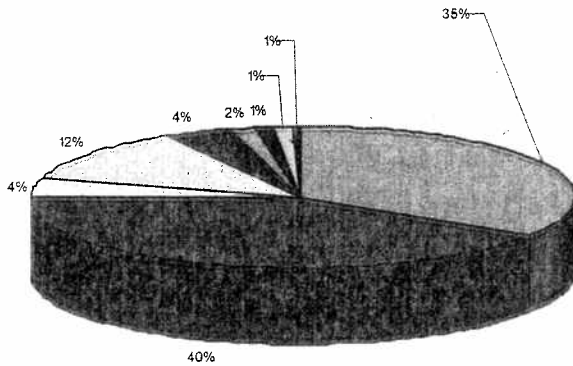
GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the budget one time. The budget amendment was to increase revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year.

The Fiscal year 2006-2007 budget relied on the anticipation of moderate increases in property and payroll taxes and licenses and fees. Actual revenue categories exceeded budgeted amounts by \$484,229. In addition, actual expenditures were below budgeted appropriations, by \$374,408, adding to the increased year end surplus and reflecting favorably on efforts by the management staff to control expenditures.

The following schedule presents a summary of general, special revenue, debt service and capital projects revenues and expenditures for the fiscal year ended June 30, 2007, and the amount and percentage of increases and decreases in relation to the prior year.

2007 Revenues by Source



Taxes	\$3,701,118
Licenses and Permits	\$4,398,541
Intergovernmental	\$453,490
Charges for Services	\$1,283,079
Interest	\$428,719
Rental	\$163,495
Special Assessments	\$119,632
Miscellaneous	\$111,987
Fines and Forfeitures	\$57,316

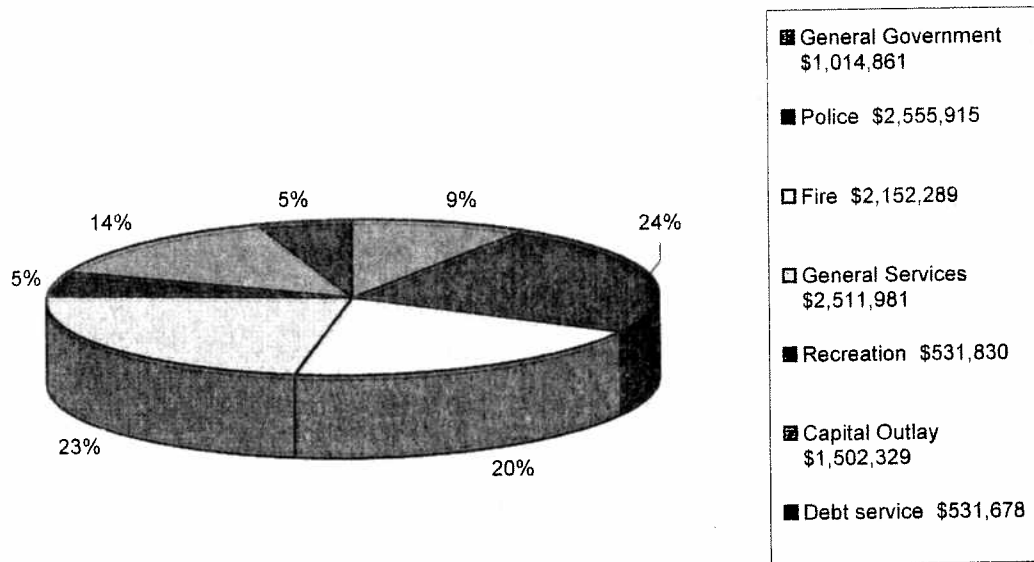
Revenues	FYE 2007 Amount	Percent of Total	Increase (Decrease) From FYE 2006	Percent Increase (Decrease)
Taxes	\$ 3,701,118	34.53%	\$ 178,638	5.07%
Licenses and permits	4,398,541	41.04%	212,649	5.08%
Intergovernmental	453,490	4.23%	(52,303)	-10.34%
Charges for services	1,283,079	11.97%	753,062	142.08%
Fines and forfeitures	57,316	0.53%	1,220	2.17%
Interest	428,719	4.00%	109,619	34.35%
Rental	163,495	1.53%	5,367	3.39%
Special assessments	119,632	1.12%	8,734	7.88%
Miscellaneous	111,987	1.05%	(36,164)	-24.41%
Total revenues	\$ 10,717,377	100.00%	\$ 1,180,822	

The increase in taxes is primarily due to the increase in property taxes and payroll taxes.

The increase in licenses and permits is the result of healthy growth in revenue from insurance premium license fees. Revenue from this source is difficult to predict, and as such, can fluctuate widely from year to year.

The miscellaneous revenue increase is primarily due to the sale of city-owned assets previously discussed in this report.

2007 Expenditures by Function



<u>Expenditures</u>	<u>FYE 2007</u>	<u>Percent</u>	<u>Increase</u>	<u>Percent</u>
	<u>Amount</u>	<u>of</u>	<u>(Decrease)</u>	<u>Increase</u>
		<u>Total</u>	<u>From FYE 2006</u>	<u>(Decrease)</u>
General government	\$ 1,014,861	9.40%	\$ (34,341)	-3.38%
Police	2,555,915	23.66%	145,604	5.70%
Fire	2,152,289	19.93%	184,996	8.60%
General services	2,511,981	23.26%	687,165	27.36%
Recreation	531,830	4.92%	(14,772)	-2.78%
Capital outlay	1,502,329	13.91%	230,393	15.34%
Debt service	531,678	4.92%	89,339	16.80%
Total expenditures	\$ 10,800,883	100.00%	\$ 1,288,384	

Police had noticeable increases, exceeding the consumer price index, in the categories of workers compensation insurance, required state pension contributions, fuel expense and vehicle/general liability insurance expense. Lower increases were realized in health insurance and consumable supplies due to aggressive bidding and purchasing efforts.

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

At year-end, the City had \$2,649,695 in outstanding notes and capital leases compared to \$2,355,170 last year. That is an increase of 12.5 percent as shown in the following table.

	Governmental	
	Activities	
	2207	2006
General Obligation Bonds	\$ 910,000	\$ 1,135,000
Notes (backed by fee revenues)	223,313	334,970
Capital lease and general obligations (backed by city)	1,516,382	885,200
Totals	\$ <u>2,649,695</u>	\$ <u>2,355,170</u>

The increase in City debt is the result of a ten year, \$750,000 capital lease agreement entered into on January 8, 2007. The lease proceeds were used to complete the CBD Fund Towne Center Project.

Capital Assets

At the end of June 30, 2007, the City had \$19,304,180 million invested in capital assets including police and fire equipment, buildings, park facilities, roads and sidewalks. This represents a net increase of about \$1,434,551 million, or 8.0 percent, over last year.

This year's major additions included:

Streets paid for with State grant and Public Works/KDOT funds	\$ 170,787
Central Business District Towne Center Project	587,486
Capital Improvements Holiday Lane	199,454
The purchase of technical equipment, office equipment, city vehicles and building remodeling paid for by General Fund revenues.	<u>223,190</u>
	\$ <u>1,180,917</u>

NON-GENERAL FUND BUDGETARY HIGHLIGHTS

Significant activity in funds other than the City's General Fund includes Special Revenue (Public Works/KDOT Fund and Central Business District Fund), Capital Projects (Tower Park Fund) and Other Governmental Funds (Cable TV and Debt Service). These funds account for the majority of non-operating activity including, but not limited to, capital infrastructure projects, special projects, debt repayment and activity that must be segregated from the General Fund.

The Public Works/KDOT Special Revenue Fund included total expenditures of \$660,385, primarily representing infrastructure reinvestment such as street resurfacing, curb repair and

sidewalk rehabilitation. The Capital Projects/Tower Park Fund represents activity from revenues restricted by city ordinance, earmarked for recreation and similar community projects and authorized by Council. In FY 2007 this fund incurred total expenditures of \$42,986, utilizing corresponding revenue and carry over funds from prior fiscal years. Significant activity under the Central Business District Fund included operating and capital expenditures associated with efforts to enhance business districts within the city. The primary source of revenue in this fund includes a portion of the city's occupational license fee (.25%), which totaled \$443,840. Significant expenditures in this fund include capital construction activity involving streetscape improvements, and operating expenditures associated with business district revitalization programs and services. Overall activity in this fund should continue in future fiscal periods as the city focuses upon business district revitalization efforts throughout the community.

Activity within the Debt Service Fund included total expenditures of \$420,021, representing repayment of borrowed funds associated with the CBD revitalization, purchase of a soccer facility, a gateway park and soccer facility.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In summary, the fiscal year 2007 budget proved adequate to continue the delivery of high quality public services in a manner consistent with previous levels. This audit report affirms strong overall financial performance for the City during this fiscal period with unanticipated growth in major revenue sources and aggressive control and management of operating expenditures. The current fiscal year 2008 operating budget is tight in terms revenue forecasts and expenditure projections, providing limited flexibility to address unanticipated needs and activities that may occur. However, the city's conservative fiscal practice of maintaining adequate reserves (both restricted and unrestricted) that would be available to address emergencies has been continued, and in fact improved during the last year. Discretionary funds, while limited, are appropriated to reflect clear policy initiatives approved by council including central business district (CBD) revitalization, infrastructure reinvestment and retention of a quality municipal workforce.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator's Office at 130 N. Ft. Thomas, Ft. Thomas, Kentucky.

BASIC FINANCIAL STATEMENTS

CITY OF FT. THOMAS, KENTUCKY**Statement of Net Assets**

June 30, 2007

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 8,525,299
Receivables:	
Taxes	80,572
Governmental units	40,525
Assessments	113,424
Accounts	1,195,864
Accrued interest	24,398
Prepays	49,816
Capital assets not being depreciated	1,965,412
Capital assets, net of accumulated depreciation	<u>8,133,358</u>
Total assets	<u>20,128,668</u>
LIABILITIES	
Accounts payable	\$ 590,327
Accrued liabilities	141,118
Deferred revenue	14,449
Noncurrent liabilities:	
Compensated absences	250,461
Due within one year	490,034
Due in more than one year	<u>2,159,661</u>
Total liabilities	<u>3,646,050</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,672,388
Restricted for:	
Debt service	31,438
Unrestricted	<u>8,778,792</u>
Total net assets	<u>\$ 16,482,618</u>

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

CITY OF FT. THOMAS, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 1,073,233	\$ 223,055	\$ -	-	\$ 850,178
Police	2,635,486	-	100,038	-	2,535,448
Fire	2,286,513	268,105	87,703	-	1,930,705
General services	2,955,986	1,012,736	-	265,749	1,677,501
Recreation	561,258	119,625	-	-	441,633
Interest on long-term debt	76,203	-	-	-	76,203
Total governmental activities	<u>9,588,679</u>	<u>1,623,521</u>	<u>187,741</u>	<u>265,749</u>	<u>7,511,668</u>
Total primary government	<u>\$ 9,588,679</u>	<u>\$ 1,623,521</u>	<u>\$ 187,741</u>	<u>\$ 265,749</u>	<u>\$ 7,511,668</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					3,268,788
Taxes, levied for bank deposits					51,760
Motor vehicle taxes					384,680
Licenses and permits					4,398,541
Grants and contributions not restricted to specific programs					428,719
Interest					-
Gain on sale of capital assets					111,987
Miscellaneous					8,644,475
Total general revenues and special items					1,132,807
Change in net assets					15,349,811
Net assets-beginning					\$ 16,482,618
Net assets-ending					

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

CITY OF FT. THOMAS, KENTUCKY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2007

	General	Public Works/ KDOT	Central Business District	Tower Park	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 5,857,863	\$ 19,900	\$ 972,331	\$ 980,245	\$ 694,960	\$ 8,525,299
Receivables:						
Taxes	76,575	3,997	-	-	-	80,572
Governmental units	7,619	32,906	-	-	-	40,525
Assessments	-	100,947	12,477	-	-	113,424
Accounts	1,182,129	-	-	-	13,735	1,195,864
Accrued interest	24,398	-	-	-	-	24,398
Prepays	-	-	-	-	-	-
Due from other funds	57,460	154,558	86,640	-	-	298,658
Total assets	\$ 7,206,044	\$ 312,308	\$ 1,071,448	\$ 980,245	\$ 708,695	\$ 10,278,740
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 313,211	\$ 36,846	\$ 160,568	\$ 18,460	\$ 61,242	\$ 590,327
Accrued liabilities	138,987	-	2,131	-	-	141,118
Deferred revenue	54,496	21,645	11,750	-	8,521	96,412
Due to other funds	236,640	-	4,558	-	57,460	298,658
Total liabilities	743,334	58,491	179,007	18,460	127,223	1,126,515
Fund balances:						
Reserved for prepaids						-
Unreserved, reported in:						
General fund	6,462,710	-	-	-	-	6,462,710
Special revenue funds	-	253,817	892,441	-	550,034	1,696,292
Debt service	-	-	-	-	31,438	31,438
Capital projects funds	-	-	-	961,785	-	961,785
Total fund balances	6,462,710	253,817	892,441	961,785	581,472	9,152,225
Total liabilities and fund balances	\$ 7,206,044	\$ 312,308	\$ 1,071,448	\$ 980,245	\$ 708,695	\$ 10,278,740
Total governmental fund balances						\$ 9,152,225
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 of \$9,205,410						10,098,770
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.						81,963
Costs of issuance of debt, including discounts and premiums, are expensed currently for government funds and are carried as deferred revenue in the statement of net assets						49,816
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						(250,461)
Notes and leases payable						(2,649,695)
Net assets of governmental activities						\$ 16,482,618

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

CITY OF FT. THOMAS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Public Works/ KDOT	Central Business District	Tower Park	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 3,701,118	\$ -	\$ -	\$ -	\$ -	\$ 3,701,118
Licenses and permits	4,299,399	75,171	-	-	23,971	4,398,541
Intergovernmental	188,428	265,062	-	-	-	453,490
Charges for services	555,839	-	-	-	727,240	1,283,079
Fines and forfeitures	57,316	-	-	-	-	57,316
Interest	321,099	16,117	36,503	32,000	23,000	428,719
Rental	97,725	-	65,770	-	-	163,495
Special assessments	-	116,425	3,207	-	-	119,632
Miscellaneous	95,050	-	16,017	920	-	111,987
Total revenues	9,315,974	472,775	121,497	32,920	774,211	10,717,377
EXPENDITURES						
Current:						
General government	961,794	-	51,663	-	1,404	1,014,861
Police	2,555,915	-	-	-	-	2,555,915
Fire	2,152,289	-	-	-	-	2,152,289
General services	1,622,343	22,357	122,127	8,646	736,508	2,511,981
Recreation	531,830	-	-	-	-	531,830
Capital outlay	187,772	638,028	642,189	34,340	-	1,502,329
Debt service:						
Principal	-	-	-	-	455,475	455,475
Interest	-	-	-	-	76,203	76,203
Total expenditures	8,011,943	660,385	815,979	42,986	1,269,590	10,800,883
Excess(deficiency) of revenues over(under) expenditures	1,304,031	(187,610)	(694,482)	(10,066)	(495,379)	(83,506)
OTHER FINANCING SOURCES(USES)						
Capital lease proceeds	-	-	750,000	-	-	750,000
Transfers in	60,600	-	443,840	-	419,895	924,335
Transfers out	(459,510)	(114,715)	(337,809)	(12,301)	-	(924,335)
Total other financing sources and uses	(398,910)	(114,715)	856,031	(12,301)	419,895	750,000
Net change in fund balances	905,121	(302,325)	161,549	(22,367)	(75,484)	666,494
Fund balances - beginning	5,557,589	556,142	730,892	984,152	656,956	8,485,731
Fund balances - ending	\$ 6,462,710	\$ 253,817	\$ 892,441	\$ 961,785	\$ 581,472	\$ 9,152,225

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

CITY OF FT. THOMAS, 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, 2007

Net change in fund balances-total governmental funds	\$ 666,494
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>	
Capital asset purchases capitalized	1,502,327
Depreciation expense	(727,164)
The effect of disposition of capital assets is a decrease to net assets	(10,282)
Proceeds from capital leases are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(736,395)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,110
Government funds report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(6,740)
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. This is the amount of debt principal payments.	455,475
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.	(15,018)
Change in net assets of governmental activities	\$ <u>1,132,807</u>

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

CITY OF FT. THOMAS, KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2007

	Police and Firemen's Pension Plan
ASSETS	
Cash and cash equivalents	\$ 215,595
Investments	178,916
Accrued interest receivable	<u>471</u>
Total assets	<u>394,982</u>
LIABILITIES	
Accounts payable	<u>1,032</u>
Total liabilities	<u>1,032</u>
NET ASSETS	
Held in trust for pension benefits	<u>393,950</u>
Total net assets	\$ <u><u>393,950</u></u>

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

CITY OF FT. THOMAS, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2007

	Police and Firemen's Pension Plan
ADDITIONS	
Investment earnings:	
Interest and dividends	\$ 14,525
Net increase(decrease) in the fair value of investments	<u>21,305</u>
Total investment earnings	<u>35,830</u>
Miscellaneous	<u>1,123</u>
Total additions	<u>36,953</u>
DEDUCTIONS	
Benefits	80,177
Administrative expense	<u>2,764</u>
Total deductions	<u>82,941</u>
CHANGE IN NET ASSETS	(45,988)
NET ASSETS-BEGINNING OF YEAR	<u>439,938</u>
NET ASSETS END OF YEAR	<u>\$ 393,950</u>

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

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Ft. Thomas, 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 Ft. Thomas is a municipality governed by a mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government and its component unit entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Blended Component Units

Blended components units, although legally separate entities, are, in substance, part of government's operations and so data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year end. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

Included within the reporting entity:

City of Fort Thomas Police and Firemen's Pension Fund

All public safety employees who retired prior to February 1, 1988 participate in the Police and Firemen's Pension Fund. The fund functions for the benefit of the retirees and is governed by a five member board of trustees, the mayor, a member of the legislative body, the finance director and two public safety retirees. The City is obligated to fund all costs based upon actuarial valuations.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 statement of activities demonstrates the degree to which direct expenses of a given function or segment are 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 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.

The debt service fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City.

The fiduciary fund is used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds in the City. These funds are not presented in the government-wide financial statements.

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 deposit
3. Bankers' acceptances
4. Commercial paper.
5. Bonds of this state or local governments.
6. Mutual funds.

Property Tax Receivable

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

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from/to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

Capital Assets

Capital 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. 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 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.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 are as follows:

Buildings	40 years
Building Improvements	10-20 years
Public Domain Infrastructure	20-30 years
Vehicles	5 years
Office Equipment	3-5 years

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. There is a liability for unpaid accumulated sick leave since the government does have a policy to pay amounts when employees separate from service with the government. There is also a liability for vacation pay that has been approved for carryover by the City's Administrative Officer. The total liability for these types of compensated absences is reported in the government-wide financial statements.

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, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

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 principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Fund Equity

Net assets is 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.

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses net related to capital and related financing, noncapital financing or investing activities.

Expenditures/Expenses

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

In the fund financial statements, governmental funds are classified as follows:

Governmental funds – by character	Current-further classified by function
	Debt service
	Capital outlay

Proprietary fund – by operating and non-operating

In the fund financial statements governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed.

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.

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 supplementary appropriation ordinances. 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, 2007, the City's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

As of June 30, 2007, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Fixed income mutual funds	\$ 45,937
Equity mutual funds	132,979
	<u>\$ 178,916</u>

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had custodial credit risk at June 30, 2007 of \$178,916. The related securities totaling this amount are uninsured, unregistered and held by a bank trust department.

The City has an investment policy for public funds. The above funds are funds the City holds in trust, which are subject to policy mandated by Kentucky statute which allows trust funds to be invested in securities which would be regarded by a prudent businessman as a safe investment.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE D-CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>2007</u>
Governmental activities:				
Not being depreciated:				
Land	\$ 1,009,909	\$ -	\$ -	\$ 1,009,909
Construction in progress	145,538	854,109	(44,144)	955,503
Subtotal	<u>1,155,447</u>	<u>854,109</u>	<u>(44,144)</u>	<u>1,965,412</u>
Other capital assets:				
Buildings	2,239,146	34,340	-	2,273,486
Improvements/infrastructure	10,546,851	497,089	-	11,043,940
Equipment	1,803,970	100,563	(48,541)	1,855,992
Vehicles	2,124,215	60,370	(19,235)	2,165,350
Subtotal	<u>16,714,182</u>	<u>692,362</u>	<u>(67,776)</u>	<u>17,338,768</u>
Accumulated depreciation:				
Buildings	1,141,518	47,463	-	1,188,981
Improvements/infrastructure	5,001,687	366,043	-	5,367,730
Equipment	1,037,709	152,589	(42,083)	1,148,215
Vehicles	1,358,650	161,069	(19,235)	1,500,484
Subtotal	<u>8,539,564</u>	<u>727,164</u>	<u>(61,318)</u>	<u>9,205,410</u>
Net other assets	<u>8,174,618</u>	<u>(34,802)</u>	<u>(6,458)</u>	<u>8,133,358</u>
Net capital assets	<u>\$ 9,330,065</u>	<u>\$ 819,307</u>	<u>\$ (50,602)</u>	<u>\$ 10,098,770</u>

*Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 58,839
Police	68,461
Fire	130,863
General services	439,573
Recreation	29,428
Total governmental activities depreciation expense	<u>\$ 727,164</u>

NOTE E-LONG-TERM DEBT

Bonds Payable

The City issued general obligation public project bonds in June 2003 in the amount of \$1,810,000. The interest rate is 2.15%. The bonds mature over the period May 2004 through May 2013. These bonds are payable from general revenues of the City.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

The following is a schedule of future debt service requirements to maturity at June 30, 2007:

Year Ended June 30,	Principal	Interest
2008	\$ 225,000	\$ 19,565
2009	185,000	14,727
2010	125,000	10,750
2011	125,000	8,063
2012	125,000	5,375
Thereafter	125,000	2,688
Total debt service payments	\$ 910,000	\$ 61,168

Note Payable-Sanitation District

The City entered into a loan agreement on June 26, 1995 with the Sanitation District No. 1 as a result of a municipal merger agreement agreeing to relinquish ownership of the City of Ft. Thomas sanitary sewer lines. The City is responsible for paying 50% of the estimated costs that the Sanitation District will incur for improvements to the sanitary sewer system. The original loan agreement was for \$1,116,568. Repayment began on December 31, 2000 and is payable over 10 years in equal annual installments. This note is payable from proprietary fund revenues.

The following is a schedule of future debt service requirements to maturity at June 30, 2007:

Year Ended June 30,	Note Payable Sanitation District
2008	\$ 111,657
2009	111,656
Total debt service payments	\$ 223,313

Capital Leases Payable

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

Long-term debt outstanding at June 30, 2007 for the capital leases, consisted of the following:

Capital Lease – Soccer Field

The City purchased a soccer field in the fiscal year ended June 30, 2002 and recorded it as a capital asset in the amount of \$103,125. In the year ended June 30, 2003, the City financed the approximate cost of the soccer field through a capital lease with a bank for \$104,000 at an initial interest rate of 3.32%, to be adjusted each August 1 based on 70% of the bank's prime rate. The rate the bank was charging at June 30, 2007 was 3.325%. The lease was scheduled to mature in May 2012, but the City made additional principal payments in fiscal year 2003 and the debt is now expected to mature in approximately fiscal year 2011, depending on future interest rate changes.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

The following is a schedule of future debt service requirements to maturity at June 30, 2007:

Year Ended June 30,	Lease Payable Bank
2008	\$ 12,300
2009	12,300
2010	12,300
2011	9,225
Total debt service payments	46,125
Less amount representing interest	(2,371)
Principal balance	\$ <u>43,754</u>

Capital Lease Payable-Real Estate

The City entered into a capital lease agreement on June 29, 2001 with Banc One Leasing Corporation to finance the purchase of certain real estate. The lease payable is for a period of twenty years at a rate of 4.80%. Annual debt service payment requirements to maturity are as follows:

Year Ending June 30,	Amount
2008	\$ 15,667
2009	15,667
2010	15,667
2011	15,667
2012	15,667
Thereafter	141,003
Subtotal	219,338
Less: interest	(60,576)
TOTAL	\$ <u>158,762</u>

Capital Lease Payable-Acquisition and Installation of Street Improvements

The City entered into a \$765,000 capital lease agreement on August 5, 2004 with the Kentucky League of Cities Funding Trust to finance portions of the central business district redevelopment. The lease payable is for a period of ten years and was refinanced March, 2006 to a fixed interest rate of 4%. Annual debt service payment requirements to maturity are as follows:

Year Ending June 30,	Amount
2008	\$ 99,977
2009	96,408
2010	92,841
2011	89,272
2012	85,708
Thereafter	225,309
Subtotal	689,515
Less: interest	(100,191)
TOTAL	\$ <u>589,324</u>

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

Capital Lease Payable - Towne Center

The City entered into a \$750,000 capital lease agreement on January 8, 2007 with the Kentucky League of Cities Funding Trust to finance the capital construction of the Towne Center development. The lease payable is for a period of ten years with a fixed rate of 3.75%.

Annual debt service payment requirements to maturity are as follows:

Year Ending June 30	Amount
2008	\$ 93,762
2009	93,763
2010	93,762
2011	93,763
2012	93,762
Thereafter	437,558
Subtotal	906,370
Less: interest	(181,828)
Total	<u>\$ 724,542</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	June 30, 2006	Additions	Retirements	June 30, 2007	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,135,000	\$ -	\$ (225,000)	\$ 910,000	\$ 225,000
Note payable	334,970	-	(111,657)	223,313	111,657
Lease payable-real estate	166,516	-	(7,754)	158,762	8,098
Lease payable-soccer field	54,360	-	(10,606)	43,754	9,109
Lease payable-CBD improvements	664,324	-	(75,000)	589,324	75,000
Lease payable - Towne Center	-	750,000	(25,458)	724,542	61,170
Compensated absences	235,443	15,018	-	250,461	-
Totals	<u>\$ 2,590,613</u>	<u>\$ 765,018</u>	<u>\$ (455,475)</u>	<u>\$ 2,900,156</u>	<u>\$ 490,034</u>

NOTE F-CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE G-EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

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

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2007, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last 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, 2007, participating employers contributed 13.19% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2007 was 13.19% 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, 2007, 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 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, 2007, participating employers contributed 28.21% of each employee's

creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2007 was 28.21% 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:

<u>Year</u>		<u>Contribution</u>	<u>Contributed</u>
2007	\$	964,620	100%
2006	\$	818,060	100%
2005	\$	664,930	100%

Deferred Compensation Plans

There is a deferred compensation plan available to full-time, non-hazardous, non-union employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency. The City matches the employee contribution up to a maximum of 2% of gross wages, which was \$17,391 for the year ended June 30, 2007. The deferred compensation plan is administered by the Kentucky Deferred Compensation Authority.

NOTE H-EMPLOYEE RETIREMENT SYSTEMS

Police and Firemen's Pension Plan

Plan Description

The City maintains one single employer defined benefit pension plan, the Police and Firemen's Pension Plan.

The plan is reported as a Pension Trust Fund in the City's combined financial statements. The Police and Firemen's Pension Plan covers all retired police and firemen who were receiving benefits prior to February 1, 1988.

No future employees are eligible to participate in the plan. Members are vested upon completion of 20 years of service. An employee is eligible for retirement at age 50 with 20 or more years of service subject to approval by the pension board.

Funding Status and Progress

Presented below are the total pension benefit obligations of the plan. The amount of the total pension benefit obligations is based on a standardized measurement established by GASB No. 5 that, with some exceptions, must be used by a public employee retirement system (PERS). The standardized measurement is the actuarial present value of credit projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) access the PERS funding status on a going-concern basis, (b) access progress made in accumulating sufficient assets to pay benefits when due, and (c) made comparisons among PERS.

Because the standardized measure is used only for disclosure purposes by the plans, the measurement is independent of the actuarial computation made to determine contributions to the Plans. The actuarial funding method used to determine contributions to the Plans is explained below.

The pension information summarized below is from the latest available Actuarial Valuation Reports. The pension benefit obligation is calculated assuming a 6% investment rate of return.

CITY OF FT. THOMAS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

	Police and Firemen's 06/30/2004
PENSION BENEFIT OBLIGATION:	
Retirees and beneficiaries currently receiving benefits	\$ 655,051
TOTAL PENSION BENEFIT OBLIGATION	655,051
NET ASSETS AVAILABLE FOR BENEFITS, AT CURRENT VALUE	570,290
EXCESS (DEFICIENCY) OF ASSETS OVER PENSION BENEFIT OBLIGATION	\$ <u>(84,761)</u>

No changes in actuarial assumptions or benefit provisions that would significantly affect the valuation of the pension benefit obligation occurred during 2007.

Trend Information

Three year historical trend information is disclosed in separately issued reports of the pension plans.

NOTE I-CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE J-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, 2007, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE K-WASTE AND SEWER FEE FUNDS

In 2007, the Waste and Sewer Fee Funds were reclassified from business-type funds to governmental funds due to a change in fund objectives. The beginning funds balances have been adjusted to reflect the reclassifications change.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/(Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 2,150,589	\$ 2,150,589	\$ 5,557,589	\$ 3,407,000
Resources (inflows):				
Taxes:				
Property	3,552,500	3,582,000	3,649,358	67,358
Bank Deposit	53,000	53,500	51,760	(1,740)
Licenses and permits	4,002,285	4,017,285	4,299,399	282,114
Intergovernmental	188,260	206,610	188,428	(18,182)
Fines and forfeitures	55,500	55,500	57,316	1,816
Charges for services	501,850	501,850	555,839	53,989
Interest	150,000	150,000	321,099	171,099
Rental	80,000	80,000	97,725	17,725
Miscellaneous	120,600	145,600	95,050	(50,550)
Transfer in	100,000	100,000	60,600	(39,400)
Amounts available for appropriation	<u>10,954,584</u>	<u>11,042,934</u>	<u>14,934,163</u>	<u>3,891,229</u>
Charges to appropriations (outflows):				
General government	1,130,279	1,144,829	961,794	183,035
Police	2,683,585	2,700,685	2,555,915	144,770
Fire	2,168,344	2,200,209	2,152,289	47,920
General services	1,833,065	1,810,450	1,622,343	188,107
Recreation	583,268	591,018	531,830	59,188
Capital outlay	-	-	187,772	(187,772)
Transfers out	398,670	398,670	459,510	(60,840)
Total charges to appropriations	<u>8,797,211</u>	<u>8,845,861</u>	<u>8,471,453</u>	<u>374,408</u>
Budgetary fund balance, June 30	\$ <u>2,157,373</u>	\$ <u>2,197,073</u>	\$ <u>6,462,710</u>	\$ <u>4,265,637</u>

CITY OF FT. THOMAS, KENTUCKY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-PUBLIC WORKS/KDOT FUND**

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 781,766	\$ 781,766	\$ 556,142	\$ (225,624)
Resources (inflows):				
Licenses and permits	75,900	75,900	75,171	(729)
Intergovernmental	474,526	474,526	265,062	(209,464)
Interest	15,000	15,000	16,117	1,117
Special assessments	80,000	80,000	116,425	36,425
Miscellaneous	16,100	16,100	-	(16,100)
Transfers in from other funds	-	-	-	-
Amounts available for appropriation	<u>1,443,292</u>	<u>1,443,292</u>	<u>1,028,917</u>	<u>(414,375)</u>
Charges to appropriations (outflows):				
Current:				
General services	-	-	22,357	(22,357)
Capital outlay:				
Street and sidewalk projects	913,600	913,600	638,028	275,572
Transfers to other funds	114,715	114,715	114,715	-
Total	<u>1,028,315</u>	<u>1,028,315</u>	<u>775,100</u>	<u>253,215</u>
Budgetary fund balances, June 30	\$ <u>414,977</u>	\$ <u>414,977</u>	\$ <u>253,817</u>	\$ <u>(161,160)</u>

CITY OF FT. THOMAS, KENTUCKY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-CENTRAL BUSINESS DISTRICT SPECIAL REVENUE FUND**

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 556,244	\$ 556,244	\$ 730,892	\$ 174,648
Resources (inflows):				
Rental	60,600	60,600	65,770	5,170
Interest	18,000	18,000	36,503	18,503
Miscellaneous	12,500	19,000	16,017	(2,983)
Assessments	-	-	3,207	3,207
Capital lease proceeds	-	750,000	750,000	-
Transfers from other funds	383,000	383,000	443,840	60,840
Amounts available for appropriation	<u>1,030,344</u>	<u>1,786,844</u>	<u>2,046,229</u>	<u>259,385</u>
Charges to appropriations (outflows):				
Current:				
General government	38,125	38,125	51,663	(13,538)
General services	74,000	131,775	122,127	9,648
Capital outlay	-	750,000	642,189	107,811
Transfers to other funds	347,360	386,460	337,809	48,651
Total	<u>459,485</u>	<u>1,306,360</u>	<u>1,153,788</u>	<u>152,572</u>
Budgetary fund balances, June 30	\$ <u><u>570,859</u></u>	\$ <u><u>480,484</u></u>	\$ <u><u>892,441</u></u>	\$ <u><u>411,957</u></u>

SUPPLEMENTARY INFORMATION

CITY OF FT. THOMAS, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL-TOWER PARK FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balances, July 1	\$ 981,486	\$ 981,486	\$ 984,152	\$ 2,666
Resources (inflows):				
Interest	32,000	32,000	32,000	-
Miscellaneous	5,000	5,000	920	(4,080)
Transfers in from other funds	-	-	-	-
Amounts available for appropriation	<u>1,018,486</u>	<u>1,018,486</u>	<u>1,017,072</u>	<u>(1,414)</u>
Charges to appropriations (outflows):				
General services	8,500	8,500	8,646	(146)
Capital outlay	46,000	46,000	34,340	11,660
Transfers to other funds	12,990	12,990	12,301	689
Total	<u>67,490</u>	<u>67,490</u>	<u>55,287</u>	<u>12,203</u>
Budgetary fund balances, June 30	<u>\$ 950,996</u>	<u>\$ 950,996</u>	<u>\$ 961,785</u>	<u>\$ 10,789</u>

CITY OF FT. THOMAS, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue				Total Nonmajor Governmental Funds
	Waste Fee	Sewer Fee	Cable TV	Debt Service	
ASSETS					
Cash and cash equivalents	\$ 160,804	\$ 277,263	\$ 225,455	\$ 31,438	\$ 694,960
Accounts receivable	9,738	-	3,997	-	13,735
Total assets	\$ 170,542	\$ 277,263	\$ 229,452	\$ 31,438	\$ 708,695
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 61,242	\$ -	\$ -	\$ -	\$ 61,242
Due to other funds	-	57,460	-	-	57,460
Deferred revenues	8,521	-	-	-	8,521
Total liabilities	69,763	57,460	-	-	127,223
Fund balances:					
Unreserved, reported in:					
Debt service funds	-	-	-	31,438	31,438
Special revenue funds	100,779	219,803	229,452	-	550,034
Total fund balances	100,779	219,803	229,452	31,438	581,472
Total liabilities and fund balances	\$ 170,542	\$ 277,263	\$ 229,452	\$ 31,438	\$ 708,695

CITY OF FT. THOMAS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2007

	Special Revenue				Total Nonmajor Governmental Funds
	Waste Fee	Sewer Fee	Cable TV	Debt Service	
REVENUES					
Licenses and permits	\$ -	\$ -	\$ 23,971	\$ -	\$ 23,971
Charges for sewers	727,219	21	-	-	727,240
Interest	-	15,000	8,000	-	23,000
Total revenues	<u>727,219</u>	<u>15,021</u>	<u>31,971</u>	<u>-</u>	<u>774,211</u>
EXPENDITURES					
Current:					
General government	-	-	1,404	-	1,404
General services	736,508	-	-	-	736,508
Debt service:					
Principal	-	111,657	-	343,818	455,475
Interest	-	-	-	76,203	76,203
Total expenditures	<u>736,508</u>	<u>111,657</u>	<u>1,404</u>	<u>420,021</u>	<u>1,269,590</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(9,289)</u>	<u>(96,636)</u>	<u>30,567</u>	<u>(420,021)</u>	<u>(495,379)</u>
OTHER FINANCING SOURCES(USES)					
Transfers in	-	-	-	419,895	419,895
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,895</u>	<u>419,895</u>
Net change in fund balances	<u>(9,289)</u>	<u>(96,636)</u>	<u>30,567</u>	<u>(126)</u>	<u>(75,484)</u>
Fund balances - beginning	<u>110,068</u>	<u>316,439</u>	<u>198,885</u>	<u>31,564</u>	<u>656,956</u>
Fund balances - ending	<u>\$ 100,779</u>	<u>\$ 219,803</u>	<u>\$ 229,452</u>	<u>\$ 31,438</u>	<u>\$ 581,472</u>



**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 Thomas, 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 Thomas, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2008. 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 Thomas, Kentucky'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 Thomas, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Thomas, 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 Thomas, 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 Thomas, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Fort Thomas, 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 Thomas, Kentucky's internal control.

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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.

Compliance and Other Matters

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

This report is intended solely for the information and use of the finance committee, management, others 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
January 28, 2008**

