



City of Maysville, Kentucky

Independent Auditors' Report

And Financial Statements

For The Year Ended

June 30, 2017

City of Maysville, Kentucky
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Management Discussion and Analysis

OVERVIEW

The report on Audited Financial Statements and Supplementary information for the year ending June 30, 2017 for the City of Maysville, Kentucky (“City”) contains various financial statements and disclosures required by GASB (Government Accounting Standards Board) and other reporting required by Federal and State Governments.

This annual report consists of a series of financial statements and may be confusing to the average reader. We will identify specific information to aid in the understanding of this report. However, the report is intended to be read in detail for a complete understanding of the financial operations of the City of Maysville.

FINANCIAL HIGHLIGHTS

- Primary Government assets exceeded liabilities by approx. \$42.6 million at the close of fiscal 2017, an increase of approx. \$1.5 million from fiscal year 2016.
- The City’s general fund expenditures exceeded revenues by approx. \$2.9 million primarily as a result of transfers to other funds.
- GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was first implemented during FY15. At June 30, 2017 the City’s proportionate share of the CERS net pension liability was approx. \$11.4 million, a 15% increase from 2016.
- As of July 1, 2017 the Utility Commission has been dissolved and is now being run by the City Commission. The City also dissolved the Public Building Corporation and has transferred its assets over to the City as of July 1, 2017.

BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10-11), and they provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. The fund financial statements (beginning on page 12) focus on governmental activities and how various services were financed in the short-term as well as the balance remaining 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 significant funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information on the City as a whole. 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. Beginning in FY 2015, as a result of new reporting standards, the City is reporting two new types of financial statement components in the

Statement of Net Position – 1) Deferred Outflows of Resources, which act like assets and 2) Deferred Inflows of Resources which act like liabilities. All 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 position and changes in them. The City’s net position is the difference between assets and liabilities, and is one way to measure the City’s financial health or financial position. Over time, increases or decreases in the City’s net position are one indicator of whether its financial position is improving or deteriorating. Other factors, however, such as changes in the City’s property tax base and the condition of the City’s roads need to be considered to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** – Most of the City’s basic services are reported here, including general administration, public works, public safety, parks and recreation, cemetery and community development. Taxes, licenses and permits, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s water, sewer, and rental operations are reported here.

Presented below, Tables A-1 through A-3, is a condensed financial statement for the current year with comparison to prior year. Tables A-4 – A-5 present current year actual revenue and expenditures compared to the budget.

Table A-1
Condensed Statement of Net Position

	Governmental Activities 2017	Business-type Activities 2017	Total Primary Government 2017	Governmental Activities 2016	Business-type Activities 2016	Total Primary Government 2016
Current and Other Assets	\$ 13,500,627	\$ 4,588,628	\$ 18,089,255	\$ 15,903,997	\$ 4,522,536	\$ 20,426,533
Non Current and Capital Assets	15,207,301	32,131,841	47,339,142	15,578,798	29,516,228	45,095,026
Total Assets	<u>28,707,928</u>	<u>36,720,469</u>	<u>65,428,397</u>	<u>31,482,795</u>	<u>34,038,764</u>	<u>65,521,559</u>
Deferred Outflows of Resources	2,551,198	361,614	2,912,812	1,620,879	274,603	1,895,482
Non-Current Liabilities	11,014,136	12,163,232	23,177,368	9,684,357	14,012,619	23,696,976
Current Liabilities	1,198,584	785,534	1,984,118	1,279,389	1,223,624	2,503,013
Total Liabilities	<u>12,212,720</u>	<u>12,948,766</u>	<u>25,161,486</u>	<u>10,963,746</u>	<u>15,236,243</u>	<u>26,199,989</u>
Deferred Inflow of Resources	<u>528,327</u>	<u>28,002</u>	<u>556,329</u>	<u>314,602</u>	<u>40,611</u>	<u>355,213</u>
Net Position:						
Invested in Capital Assets, net of debt	14,153,067	21,034,830	35,187,897	15,026,314	16,137,028	31,163,342
Restricted	1,723,719	109,988	1,833,707	1,925,855	1,095,432	3,021,287
Unrestricted	2,641,293	2,960,497	5,601,790	4,873,157	1,804,053	6,677,210
Total Net Position	<u>\$ 18,518,079</u>	<u>\$24,105,315</u>	<u>\$ 42,623,394</u>	<u>\$ 21,825,326</u>	<u>\$19,036,513</u>	<u>\$ 40,861,839</u>

The City implemented a new required reporting standard from the Governmental Accounting Standards Board (GASB) that resulted in significant changes in financial reporting for FY 2015. GASB No. 68 – Accounting and Financial Reporting for Pensions – required the City, for the first time, to record its proportionate share of the County Employees’ Retirement System’s (CERS) net pension liability as well as the net pension liability related to the City’s Policemen and Firemen Retirement Plan. For FY 2017 the City has recorded a net pension liability of approximately \$11.4 million as well as related deferred outflows and inflows of resources as a result of the new standard.

Table A-2: Condensed Statement of Activities

	Governmental Activities 2017	Business-type Activities 2017	Total Primary Government 2017	Governmental Activities 2016	Business-type Activities 2016	Total Primary Government 2016
Program Revenues						
Charges for Services	\$ 1,247,605	\$ 4,605,169	\$ 5,852,774	\$ 1,105,657	\$ 4,502,258	\$ 5,607,915
Operating Grants & Contributions	755,755	-	755,755	527,737	-	527,737
Capital Grants & Contributions	1,669,096	-	1,669,096	1,272,496	-	1,272,496
Total Revenue	3,672,456	4,605,169	8,277,625	2,905,890	4,502,258	7,408,148
Program Expenses						
General government	3,511,760	-	3,511,760	2,977,608	-	2,977,608
Public works	3,013,125	-	3,013,125	3,440,967	-	3,440,967
Public safety	4,860,290	-	4,860,290	4,615,161	-	4,615,161
Parks and recreation	404,878	-	404,878	385,626	-	385,626
Tourism	257,102	-	257,102	221,469	-	221,469
Interest on long-term debt	3,534	-	3,534	-	-	-
Water	-	2,493,884	2,493,884	-	3,089,261	3,089,261
Sewer	-	2,122,170	2,122,170	-	2,442,637	2,442,637
Rental	-	315,223	315,223	-	313,515	313,515
Total Program Expenses	12,050,689	4,931,277	16,981,966	11,640,831	5,845,413	17,486,244
Net Revenues (Expenses)	(8,378,233)	(326,108)	(8,704,341)	(8,734,941)	(1,343,155)	(10,078,096)
General Revenues						
Taxes	1,860,173	-	1,860,173	1,890,680	-	1,890,680
Licenses and permits	7,080,636	-	7,080,636	6,787,786	-	6,787,786
Franchise fees	447,599	-	447,599	448,821	-	448,821
Fines and forfeitures	18,055	-	18,055	20,804	-	20,804
Grants not related to a specific program	176,621	-	176,621	106,865	-	106,865
Reimbursement from state for relocation of by-pass water and sewer lines	-	96,015	96,015	-	1,376,969	1,376,969
Proceeds from insurance settlement	9,307	-	9,307	1,331	-	1,331
Gain from sale of property	33,958	-	33,958	-	-	-
Other	110,113	238,549	348,662	84,621	200,982	285,603
Investment income	171,216	3,189	174,405	15,475	2,347	17,822
Total General Revenue	9,907,678	337,753	10,245,431	9,356,383	1,580,298	10,936,681
Transfers	(5,147,127)	5,057,157	(89,970)	(44,852)	(45,693)	(90,545)
Net Change in Net Position	\$ (3,617,682)	\$ 5,068,802	\$ 1,451,120	\$ 576,590	\$ 191,450	\$ 768,040

The City's change in Net Position above appears to be analogous to the long-standing concept of net revenues, but under the full accrual basis utilized by the Government Activities for the second time in this year's financial statements, these numbers include depreciation expenses that are not cash expenditures of the City. Additionally, the principal portions of debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities. The business-type activities have always been on the full accrual basis.

GOVERNMENTAL ACTIVITIES

Table A-3 details a condensed statement of the fiscal year's governmental activities.

Table A-3
Condensed Governmental Activities – Revenues & Expenditures

	General Fund	Other Governmental Funds	2017 Total Governmental Funds	2016
Revenues				
Taxes	\$ 1,257,746	\$ 148,529	\$ 1,406,275	\$ 1,413,580
Licenses and permits	7,982,133	-	7,982,133	7,713,707
Intergovernmental revenue	2,118,499	482,973	2,601,472	1,907,098
Charges for services	1,141,219	106,386	1,247,605	1,105,657
Fines and permits	18,055	-	18,055	20,804
Investment income	16,548	154,668	171,216	15,475
Other	99,637	10,472	110,109	84,623
Total Revenues	<u>12,633,837</u>	<u>903,028</u>	<u>13,536,865</u>	<u>12,260,944</u>
Expenditures				
Current				
General government	2,619,816	491,226	3,111,042	2,635,519
Public works	2,443,694	-	2,443,694	3,027,650
Public safety-fire & ambulance	2,014,555	-	2,014,555	1,927,354
Public safety-police	2,170,637	-	2,170,637	2,154,359
Parks and Recreation	54,858	310,897	365,755	382,005
Tourism	-	251,883	251,883	217,848
Debt Service	99,227	-	99,227	
Capital	2,376,083	175,394	2,551,477	1,867,253
Total Expenditures	<u>11,778,870</u>	<u>1,229,400</u>	<u>13,008,270</u>	<u>12,211,988</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 854,967</u>	<u>\$ (326,372)</u>	<u>\$ 528,595</u>	<u>\$ 48,956</u>

**Table A-4
Condensed Governmental Activities – Revenues**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 1,237,625	\$ 1,257,746	\$ 20,121
Licenses and Permits	7,442,500	7,982,133	539,633
Intergovernmental	2,201,797	2,118,499	(83,298)
Charges for Services	1,031,595	1,141,219	109,624
Other Revenues	<u>89,500</u>	<u>134,240</u>	<u>44,740</u>
Total Revenues	<u>\$ 12,003,017</u>	<u>\$ 12,633,837</u>	<u>\$ 630,820</u>

**Table A-5
Condensed Governmental Activities-Expenditures**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government	\$ 2,778,902	\$ 2,619,816	\$ 159,086
Police	2,188,000	2,170,637	17,363
Fire	2,069,200	2,014,555	54,645
Public works	2,906,500	2,443,694	462,806
Parks & recreation	83,000	54,858	28,142
Capital	<u>2,170,000</u>	<u>2,376,083</u>	<u>(206,083)</u>
	<u>\$ 12,195,602</u>	<u>\$ 11,679,643</u>	<u>\$ 515,959</u>

CAPITAL ASSETS

Table A-6 shows summary totals for a broad range of capital assets, including police equipment, buildings, land, street equipment and fire equipment and all of the equipment and materials involved in the operation of water and sewer utilities. Table A-6 shows the breakdown of non-depreciated capital assets for both governmental and business-type activities.

**Table A-6
Capital Assets at Year End without Depreciation**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government 2017</u>	<u>Totals 2016</u>
Land	\$ 952,664	\$ 250,583	\$ 1,203,247	\$ 1,203,247
Land improvements	611,919	-	611,919	611,919
Buildings	10,439,900	4,267,005	14,706,905	14,505,380
Construction in progress	-	609,973	609,973	804,080
Vehicles & equipment	7,850,188	-	7,850,188	7,402,132
Infrastructure	7,460,925	-	7,460,925	7,232,285
Water utility plant	-	15,379,605	15,379,605	12,249,636
Sewer utility plant	<u>-</u>	<u>26,384,163</u>	<u>26,384,163</u>	<u>26,362,706</u>
Total Capital Assets	<u>\$27,315,596</u>	<u>\$46,891,329</u>	<u>\$74,206,925</u>	<u>\$70,371,385</u>

DEBT

Table A-7 provides a summary of all of the City's outstanding indebtedness.

**Table A-7
Debt Outstanding at Year End**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government 2017</u>	<u>Totals 2016</u>
Notes Payable	\$ -	\$ -	\$ -	\$ 2,691,974
Capital Lease	191,315	-	191,315	
Revolving Loan	-	-	-	188,244
Interim Debt Financing	-	<u>10,939,344</u>	<u>10,939,344</u>	<u>10,329,371</u>
Total Debt Outstanding	<u>\$ 191,315</u>	<u>\$ 10,939,344</u>	<u>\$ 11,130,659</u>	<u>\$13,209,589</u>

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's two types of funds, governmental and proprietary, use different accounting approaches.

- 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 differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary Funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

The City also is the trustee or fiduciary for certain activities. We exclude these activities from the City's government-wide financial statements because the City cannot use those assets to finance its operations. All of the City's fiduciary activities are reported in the Statement of Net Position– Fiduciary Funds on page 19 and the Statement of Changes in Net Position – Fiduciary Funds on page 20. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The following are general comments regarding overall financial position and results of operations for the year.

GOVERNMENTAL ACTIVITIES

The change in the City's Net Position is one way to measure the City's Financial Health or Financial position. As listed on page 11, the City's Net Position decreased by \$3,617,000 for the year due mainly to the transfer of three million dollars to the Utility Commission. During the year the City completed a number of major capital projects which will support City services for many future years.

The primary source of revenue for the City's general fund is payroll licenses fees, which is 56% of total revenue.

As indicated on page 10, the City maintained an unreserved fund balance of \$5.6 million sufficient to provide adequate public service for the next fiscal year.

BUSINESS-TYPE ACTIVITIES

The Maysville Utility Commission is the primary business-type activity controlled by the City. The Utility Commission's operating income was approximately \$300,000 for FY 2017, a decrease of approximately \$265,000 from FY 2016.

The City of Maysville is in violation of the Clean Water Act. The City of Maysville has received a loan commitment of \$11,000,000 from the Kentucky Infrastructure Authority for improvements to the sewer system. On January 10, 2010, the City of Maysville approved increasing sewer rates 15% on July 1, 2011, 15% on July 1, 2012 and 15% on July 1, 2013 to cover projected amortization.

The City was under a consent judgment and a federal administrative order to address sanitary and combined sewer overflow issues. The City had five years to eliminate the sanitary sewer overflow (SSO) and ten years to eliminate the combined sewage overflow (CSO). The amount disbursed for construction as of June 30, 2017 was \$10,939,344.

BUDGET

Supplementary information on page 46 details the original budget adopted by the City for the year. There were no budget amendments during the year. Actual expenditures were approximately \$400,000 below budget estimates.

Contacting the City of Maysville

This financial report is designed to provide citizens, creditors and other users with an overview of the City of Maysville, Kentucky's finances, fiscal practices and responsibility. If you have questions or need additional information please contact the City Clerk © 216 Bridge Street Maysville, KY 41056

Penny Francis,
City Comptroller

INDEPENDENT AUDITORS' REPORT

The Honorable David Cartmell, Mayor
City Commission
City of Maysville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maysville, Kentucky, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maysville, Kentucky, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension schedules on pages 1-7 and 46-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Maysville, Kentucky's basic financial statements. The combining and individual fund financial schedules and budgetary comparison information on pages 50-59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 60 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December FH, 2017 on our consideration of the City of Maysville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Maysville, Kentucky's internal control over financial reporting and compliance.

Baldwin CPA's, PLLC

Baldwin CPA's, PLLC
Richmond, Kentucky
December FH, 2017

City of Maysville, Kentucky
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2017 Total</u>
Assets			
Current Assets			
Cash	\$ 2,331,704	\$ 1,895,642	\$ 4,227,346
Certificates of deposit	7,108,680	1,694,642	8,803,322
Receivables			
User fees (net)	98,799	423,255	522,054
Taxes & license	1,897,816	-	1,897,816
Property taxes	13,155	-	13,155
Intergovernmental	705,961	33,269	739,230
Other	19,044	-	19,044
Internal balances, net	(256,899)	256,899	-
Prepaid expenses	18,775	-	18,775
Inventory, at cost	-	174,933	174,933
Total current assets	<u>11,937,035</u>	<u>4,478,640</u>	<u>16,415,675</u>
Restricted certificates of deposit > 90 days	-	109,988	109,988
Restricted investments	1,563,592	-	1,563,592
Total restricted assets	<u>1,563,592</u>	<u>109,988</u>	<u>1,673,580</u>
Noncurrent Assets			
Intergovernmental receivable	862,919	-	862,919
Note receivable	-	157,667	157,667
Capital assets, net	14,344,382	31,974,174	46,318,556
Total noncurrent assets	<u>15,207,301</u>	<u>32,131,841</u>	<u>47,339,142</u>
Total assets	<u>28,707,928</u>	<u>36,720,469</u>	<u>65,428,397</u>
Deferred Outflows of Resources	<u>2,551,198</u>	<u>361,614</u>	<u>2,912,812</u>
Liabilities			
Current liabilities			
Accounts payable	294,086	160,575	454,661
Other liabilities	291,787	155,035	446,822
Unearned revenue	518,222	-	518,222
Accrued interest payable	-	18,232	18,232
Capital lease obligation	94,487	-	94,487
Note payable	-	451,692	451,692
Total current liabilities	<u>1,198,582</u>	<u>785,534</u>	<u>1,984,116</u>
Noncurrent liabilities			
Interim debt financing	-	10,487,652	10,487,652
Capital lease obligation	96,828	-	96,828
Net pension liability	10,917,308	1,675,580	12,592,888
Total noncurrent liabilities	<u>11,014,136</u>	<u>12,163,232</u>	<u>23,177,368</u>
Total liabilities	<u>12,212,718</u>	<u>12,948,766</u>	<u>25,161,484</u>
Deferred Inflows of Resources	<u>528,327</u>	<u>28,002</u>	<u>556,329</u>
Net Position			
Investment in capital assets, net of related debt	14,153,067	21,034,830	35,187,897
Restricted	1,723,719	109,988	1,833,707
Unrestricted	2,641,295	2,960,497	5,601,792
Total net position	<u>\$ 18,518,081</u>	<u>\$ 24,105,315</u>	<u>\$ 42,623,396</u>

City of Maysville, Kentucky
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net Revenue (Expense)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 3,511,761	\$ 66,155	\$ 125,204	\$ -	\$ (3,320,402)	\$ -	\$ (3,320,402)
Public Works	3,013,125	417,293	149,903	1,276,008	(1,169,921)	-	(1,169,921)
Public Safety - Fire & Ambulance	4,860,290	661,186	335,530	393,088	(3,470,486)	-	(3,470,486)
Parks and Recreation	404,878	15,888	143,218	-	(245,772)	-	(245,772)
Tourism	257,102	87,083	1,900	-	(168,119)	-	(168,119)
Interest on Long-term Debt	3,534	-	-	-	(3,534)	-	(3,534)
Total Governmental Activities	12,050,690	1,247,605	755,755	1,669,096	(8,378,234)	-	(8,378,234)
Business-Type Activities							
Water	2,493,884	1,972,748	-	-	-	(521,136)	(521,136)
Sewer	2,122,170	2,372,676	-	-	-	250,506	250,506
Rental	315,223	259,745	-	-	-	(55,478)	(55,478)
Total Business-Type Activities	4,931,277	4,605,169	-	-	-	(326,108)	(326,108)
Total	\$ 16,981,967	\$ 5,852,774	\$ 755,755	\$ 1,669,096	(8,378,234)	(326,108)	(8,704,342)
General revenues							
Taxes:							
Real and personal property					865,117	-	865,117
Franchise					453,898	-	453,898
Bank shares					70,183	-	70,183
Vehicle					130,293	-	130,293
Payment in lieu of taxes					192,153	-	192,153
Room tax					148,529	-	148,529
Licenses and permits:							
Payroll licenses					5,523,445	-	5,523,445
Insurance licenses					949,410	-	949,410
Occupational licenses					584,712	-	584,712
Building permits					5,269	-	5,269
Liquor licenses					17,800	-	17,800
Franchise fees:							
Utilities					313,342	-	313,342
Emergency 911					88,280	-	88,280
Cable					45,977	-	45,977
Fines & forfeitures					18,055	-	18,055
Grants not related to a specific program					176,622	-	176,622
Reimbursement from state for relocation of by-pass water and sewer lines					-	96,015	96,015
Proceeds from insurance settlement					9,307	-	9,307
Gain from sale of property					33,958	-	33,958
Other					110,115	238,549	348,664
Investment income					171,216	3,189	174,405
Total general revenues					9,907,681	337,753	10,245,434
Transfers					(5,147,127)	5,057,157	(89,970)
Change in net position					(3,617,680)	5,068,802	1,451,122
Net position, July 1, 2016, as originally reported					21,825,326	19,036,513	40,861,839
Prior period adjustment (See Note 18)					310,435	-	310,435
Net position, July 1, 2016, as restated					22,135,761	19,036,513	41,172,274
Net Position, June 30, 2017					\$ 18,518,081	\$ 24,105,315	\$ 42,623,396

City of Maysville, Kentucky
Balance Sheet - Governmental Funds
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 2,331,704	\$ -	\$ 2,331,704
Certificates of deposit	7,108,680	-	7,108,680
Investments	-	1,563,592	1,563,592
Receivables			
User fees (net)	98,799	-	98,799
Taxes & license	1,897,816	-	1,897,816
Property taxes	13,155	-	13,155
Other	19,044	-	19,044
Intergovernmental	248,670	457,291	705,961
Due from other funds	567,930	333,796	901,726
Prepaid expenses	18,775	-	18,775
Total assets	<u>\$ 12,304,573</u>	<u>\$ 2,354,679</u>	<u>\$ 14,659,252</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 286,227	\$ 7,859	\$ 294,086
Payroll liabilities	291,787	-	291,787
Unearned revenue	518,222	-	518,222
Due to other funds	731,698	426,927	1,158,625
Total liabilities	<u>1,827,934</u>	<u>434,786</u>	<u>2,262,720</u>
Fund Balances			
Nonspendable	18,775	-	18,775
Restricted	-	1,723,719	1,723,719
Unassigned	10,457,864	196,174	10,654,038
Total fund balance	<u>10,476,639</u>	<u>1,919,893</u>	<u>12,396,532</u>
Total Liabilities and Fund Balances	<u>\$ 12,304,573</u>	<u>\$ 2,354,679</u>	<u>\$ 14,659,252</u>

City of Maysville, Kentucky
 Governmental Funds
 Reconciliation of the Balance Sheet to the Statement of Net Position
 June 30, 2017

Fund balances- total governmental funds		\$ 12,396,532
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, net of accumulated depreciation of \$12,215,141		14,344,382
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the fund financial statements		862,919
Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Deferred outflows related to pension	2,551,198	
Deferred inflows related to pension	<u>(528,327)</u>	2,022,871
<p>Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.</p>		
Capital lease obligation	(191,315)	
Net pension liability - Police & Fire	(1,226,607)	
Net pension liability - CERS	<u>(9,690,701)</u>	<u>(11,108,623)</u>
Net Position of governmental activities		<u>\$ 18,518,081</u>

City of Maysville, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$ 1,257,746	\$ 148,529	\$ 1,406,275
Licenses and permits	7,982,133	-	7,982,133
Intergovernmental revenue	2,118,499	482,974	2,601,473
Charges for services	1,141,219	106,384	1,247,603
Investment income	16,548	154,668	171,216
Fines and permits	18,055	-	18,055
Other	99,637	10,476	110,113
Total Revenue	12,633,837	903,031	13,536,868
Expenditures			
General Government	2,619,816	491,227	3,111,043
Public Works	2,443,694	-	2,443,694
Public Safety-Fire & Ambulance	2,014,555	-	2,014,555
Public Safety-Police	2,170,637	-	2,170,637
Parks & Recreation	54,858	310,897	365,755
Tourism	-	251,883	251,883
Debt Service	99,227	-	99,227
Capital Outlay	2,376,083	175,394	2,551,477
Total Expenditures	11,778,870	1,229,401	13,008,271
Excess of Revenues Over (Under) Expenditures	854,967	(326,370)	528,597
Other Financing Sources (Uses):			-
Proceeds from debt	287,008	-	287,008
Gain from sale of assets	33,958	-	33,958
Gain from insurance settlement	9,307	-	9,307
Transfers (to) from other funds	(3,214,537)	127,591	(3,086,946)
Total Other Financing Uses	(2,884,264)	127,591	(2,756,673)
Net Change in Fund Balance	(2,029,297)	(198,779)	(2,228,076)
Fund Balances July 1, 2016	12,505,936	2,118,672	14,624,608
Fund Balances June 30, 2017	\$ 10,476,639	\$ 1,919,893	\$ 12,396,532

City of Maysville, Kentucky
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balance to the Statement of Activities
 for the year ended June 30, 2017

Net change in fund balances - total governmental funds \$ (2,228,076)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	260,094	
Capital asset disposed	(34,689)	
Depreciation expense	(907,337)	(681,932)

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. (191,315)

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 the governmental funds. This is the amount related to the net pension liability.

Police & Fire Pension Plan	5,501	
CERS Pension Plan	(521,858)	(516,357)

Change in Net Position of Governmental Activities \$ (3,617,680)

City of Maysville, Kentucky
Statement of Net Position - Proprietary Funds
June 30, 2017

	Maysville Utility Commission	Public Building Corporation	Total
Assets			
Current assets			
Cash	\$ 1,499,124	\$ 396,518	\$ 1,895,642
Certificates of deposit	594,642	1,100,000	1,694,642
Accounts receivable (net):			-
User fees	423,255	-	423,255
Intergovernmental	1,987	31,282	33,269
Due from other funds	-	256,899	256,899
Inventory, at cost	174,933	-	174,933
Total Current Assets	2,693,941	1,784,699	4,478,640
Restricted assets:			
Cash and certificates of deposit > 90 days	109,988	-	109,988
Total Restricted Assets	109,988	-	109,988
Noncurrent Assets			
Capital assets, net of depreciation	29,009,170	2,965,004	31,974,174
Note receivable	-	157,667	157,667
Total Noncurrent Assets	29,009,170	3,122,671	32,131,841
Total Assets	31,813,099	4,907,370	36,720,469
 Deferred Outflows of Resources	 361,614	 -	 361,614
Liabilities			
Current liabilities			
Accounts payable	160,575	-	160,575
Other liabilities	141,535	13,500	155,035
Payable from restricted assets:			-
Accrued interest payable	18,232	-	18,232
Bonds and notes payable	451,692	-	451,692
Total current liabilities	772,034	13,500	785,534
Long-term Debt			
Interim debt financing	10,487,652	-	10,487,652
Bonds and notes payable	-	-	-
Net pension liability	1,675,580	-	1,675,580
Total Long-term Debt	12,163,232	-	12,163,232
Total liabilities	12,935,266	13,500	12,948,766
 Deferred Inflows of Resources	 28,002	 -	 28,002
Net Position			
Invested in capital assets, net of related debt	18,069,826	2,965,004	21,034,830
Restricted for:			
Debt Service	109,988	-	109,988
Unrestricted	1,031,631	1,928,866	2,960,497
Total Net Position	\$ 19,211,445	\$ 4,893,870	\$ 24,105,315

City of Maysville, Kentucky
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Maysville Utility Commission	Public Building Corporation	Total
Operating Revenues			
Water sales	\$ 1,849,111	\$ -	\$ 1,849,111
Water surcharge	123,637	-	123,637
Sewer charges	2,372,676	-	2,372,676
Lease income	-	259,745	259,745
Other operating revenues	238,549	-	238,549
Total Operating Revenues	<u>4,583,973</u>	<u>259,745</u>	<u>4,843,718</u>
Operating expenses			
Water operations	1,981,218	-	1,981,218
Public operations	-	206,912	206,912
Sewer operations	1,258,546	-	1,258,546
Total Operating Expenses	<u>3,239,764</u>	<u>206,912</u>	<u>3,446,676</u>
Operating income before depreciation	<u>1,344,209</u>	<u>52,833</u>	<u>1,397,042</u>
Depreciation expense			
Water system	339,617	-	339,617
Sewer system	690,575	-	690,575
Public operations	-	108,311	108,311
Total Depreciation Expense	<u>1,030,192</u>	<u>108,311</u>	<u>1,138,503</u>
Operating income (loss)	<u>314,017</u>	<u>(55,478)</u>	<u>258,539</u>
Nonoperating Revenues (Expenses)			
Interest revenue	2,021	1,168	3,189
Interest expense	(250,082)	-	(250,082)
Transfers (net)	5,060,181	(3,024)	5,057,157
Reimbursement from state for relocation of by-pass water and sewer lines	96,015	-	96,015
Payments made for state relocation of by-pass water and sewer lines	(96,016)	-	(96,016)
Total Nonoperating Revenues (Expenses)	<u>4,812,119</u>	<u>(1,856)</u>	<u>4,810,263</u>
Change in Net Position	5,126,136	(57,334)	5,068,802
Net Position, July 1, 2016	<u>14,085,309</u>	<u>4,951,204</u>	<u>19,036,513</u>
Net Position, June 30, 2017	<u>\$ 19,211,445</u>	<u>\$ 4,893,870</u>	<u>\$ 24,105,315</u>

City of Maysville, Kentucky
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Maysville Utility Commission	Public Building Corporation	Total
Cash flows from operating activities			
Receipts from customers	\$ 4,589,369	\$ 228,463	\$ 4,817,832
Payments to suppliers	(2,021,461)	(206,912)	(2,228,373)
Payments to employees	(1,345,141)	-	(1,345,141)
Receipts from other sources	185,304	13,500	198,804
	<u>1,408,071</u>	<u>35,051</u>	<u>1,443,122</u>
Net cash provided by operating activities			
Cash flows from noncapital and financing activities			
Interfund activity	<u>3,000,000</u>	<u>(3,024)</u>	<u>2,996,976</u>
Net cash provided by (used in) noncapital financing activities	<u>3,000,000</u>	<u>(3,024)</u>	<u>2,996,976</u>
Cash flows from capital and related financing activities			
Additions to capital assets	(1,705,879)	-	(1,705,879)
Principal paid on notes and bonds	(2,880,217)	-	(2,880,217)
Borrowings on notes and bonds	609,973	-	609,973
Interest paid on notes and bonds	(250,082)	-	(250,082)
Reimbursement from state for relocation of by-pass water and sewer lines	96,015	-	96,015
Payments made for state relocation of by-pass water and sewer lines	(96,016)	-	(96,016)
Payments received on notes receivable	-	11,944	11,944
	<u>(4,226,206)</u>	<u>11,944</u>	<u>(4,214,262)</u>
Net cash provided by (used in) capital and related financing activities			
Cash flows from investing activities			
(Purchase) disposal of certificates of deposit (net)	657,105	-	657,105
Interest on certificates of deposit	2,021	1,168	3,189
	<u>659,126</u>	<u>1,168</u>	<u>660,294</u>
Net cash provided by investing activities			
Net Increase in cash	<u>840,991</u>	<u>45,139</u>	<u>886,130</u>
Cash, beginning of year	<u>658,133</u>	<u>351,379</u>	<u>1,009,512</u>
Cash, end of year	<u>\$ 1,499,124</u>	<u>\$ 396,518</u>	<u>\$ 1,895,642</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 314,017	\$ (55,478)	\$ 258,539
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,030,192	108,311	1,138,503
Change in assets and liabilities:			
Accounts receivable	190,700	(31,282)	159,418
Inventory	3,515	-	3,515
Accounts payable	(205,192)	-	(205,192)
Net pension liability	107,038	-	107,038
Accrued interest and other liabilities	(32,199)	13,500	(18,699)
	<u>\$ 1,408,071</u>	<u>\$ 35,051</u>	<u>\$ 1,443,122</u>
Net cash provided by operating activities			

City of Maysville, Kentucky
Statement of Net Position - Fiduciary Funds
June 30, 2017

	Fiduciary Funds		Total
	Pension Trust	Private-purpose	
	Police & Firemen's Pension Fund	I.N. Foster Fund	
Assets			
Cash and savings	\$ -	\$ 62,721	\$ 62,721
Certificate of deposit	-	50,000	50,000
Investments	785,480	1,393,239	2,178,719
Total assets	\$ 785,480	\$ 1,505,960	\$ 2,291,440
Net Position			
Net assets held in trust for pension benefits	785,480	-	785,480
Net assets	-	1,505,960	1,505,960
Total Net Position	\$ 785,480	\$ 1,505,960	\$ 2,291,440

City of Maysville, Kentucky
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Pension Trust</u>	<u>Private Purpose</u>	
	<u>Police and Firemen's Pension Fund</u>	<u>I.N. Foster Fund</u>	<u>Total</u>
Revenues			
Interest and dividends	\$ 18,323	\$ 19,343	\$ 37,666
Realized gain (loss) on investments	(5,668)	-	(5,668)
Unrealized gain (loss) on investments	29,002	184,609	213,611
	<hr/>	<hr/>	<hr/>
Total revenues	41,657	203,952	245,609
	<hr/>	<hr/>	<hr/>
Expenditures			
Pension payments	170,096	-	170,096
Shelter and clothing for children	-	20,925	20,925
Trustee fee	6,770	-	6,770
	<hr/>	<hr/>	<hr/>
Total expenditures	176,866	20,925	197,791
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(135,209)	183,027	47,818
	<hr/>	<hr/>	<hr/>
Transfers (to) from other funds	90,000	-	90,000
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures and transfers	(45,209)	183,027	137,818
	<hr/>	<hr/>	<hr/>
Net Position, July 1, 2016	830,689	1,322,933	2,153,622
	<hr/>	<hr/>	<hr/>
Net Position, June 30, 2017	\$ 785,480	\$ 1,505,960	\$ 2,291,440
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies

The City of Maysville, Kentucky (City) operates under a City Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture and recreation, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary Government	City of Maysville, Kentucky
Blended Component Units	Maysville Utility Commission Public Building Corporation Maysville-Mason County Recreation Park Maysville-Mason County Ambulance Service Maysville-Mason County Joint Planning Commission Maysville Tourism Commission Maysville-Mason County Cemetery

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity* and includes all component units of which the City appointed a voting majority or an equal number of the component units' governing Board, and the City has the ability to control the activities of the component unit or a financial benefit or burden relationship exists between the City and the component unit.

The agencies and organizations classified as blended component units are, in substance, the same as the City, despite being legally separate from the City. Therefore, they are reported as part of the primary government. They have a governing body that is substantially the same as the governing body of the City; provide services entirely, or almost entirely, to the City; or otherwise exclusively, or almost exclusively, benefit the City even though they do not provide services directly to the City.

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and the statement of activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major fund within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or proprietary fund are at least 5% of the corresponding total for all governmental and proprietary funds combined.

Governmental Funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary Fund Types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

The following fund types are used by the City:

Governmental Funds

General Fund – The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds. Most of the essential governmental services such as police and fire protection, ambulance services, community services and general administration are reported in this fund.

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally or administratively restricted to expenditures for specific purposes. The City maintains the following Special Revenue Funds:

Maysville-Mason County Recreation Park – Established to operate a recreational facility for the citizens of the City and for Mason County. The Park is financed through user fees and subsidies from the City and Mason County Fiscal Court (County).

Maysville-Mason County Joint Planning Commission – Established by an agreement between the City and County. The Commission was established to enforce zoning laws and to make recommendations to the Mayor and City Commission. The Commission is financed through a joint funding agreement between the City and County.

Maysville Tourism Commission – Established to promote tourism within the City. The Commission is funded through tourism revenues and contributions from the City.

Municipal Road Aid / Local Government Economic Assistance – These funds are used to account for revenues and expenditures of Kentucky public safety, public works and economic development grants, liquid fuel tax, mineral and coal severance tax receipts, and law enforcement special pay programs.

Capital Grant Fund – These funds are used to account for revenues and expenditures in regards to a capital grant through rural development. This grant is being used to construct a new sewer line.

Permanent Fund – The permanent fund is used to account for the Maysville-Mason County Cemetery income and expenditures. This fund reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the program.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has the following Enterprise Funds:

Maysville Utility Commission – Established to account for the acquisition, operation and maintenance of the City's water and sewer facilities, which are entirely or predominantly supported by user charges.

Public Building Corporation – Established to account for the construction and acquisition of public facilities, which is to be supported by lease income.

Note 1 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds (Not Included in Government-Wide Statements)

Trust Funds – Trust Funds were established to account for assets held by the City in a trustee capacity for individuals, private organizations, and other governmental units. The City has the following Trust Funds:

Police and Firemen's Pension Fund – Established as a contributory retirement plan covering policemen and firemen hired prior to 1976, who elected not to have their retirement covered by the Commonwealth of Kentucky's County Employment Retirement System.

I.N. Foster Fund – Established by a citizen of the City for the purpose of providing clothing for underprivileged children.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. Their focus is on individual funds rather than reporting funds by type. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balance

In fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable. The City has adopted GASB 54 which further breaks down both non-spendable and spendable components into the following components:

Non-spendable - amounts that must be maintained intact legally or contractually.

Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – amounts constrained for a specific purpose by the City using its highest level of decision making authority.

Assigned – for all governmental funds, other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the general fund, amounts constrained, by intent, to be used for a specific purpose by the City or the elected City official given authority to assign amounts.

Unassigned – for the general fund, amounts not classified as nonspendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are nonspendable, restricted, committed or assigned.

For resources considered to be committed, the City issues an ordinance that can be changed with another corresponding ordinance.

For resources considered to be assigned, the City has designated the Mayor to carry the intent of the City Commission.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

General Fund

The General Fund has unassigned fund balance of \$10,457,864 as of June 30, 2017. Prepaid expenses related to fuel of \$18,775 are considered non-spendable.

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$21,063 that are set aside for City road repairs and the Local Government Economic Assistance Fund has restricted funds of \$139,064 for other government operations other than road repairs. The cemetery permanent fund has restricted funds of \$1,563,592 that are restricted for cemetery operations.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year.

For FY 2017, the City was over budget for capital expenditures; however, as a whole, the general fund had a favorable budget variance of \$1,487,288 when considering both revenues and expenses.

Cash and Investments

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand and savings accounts of the City. For the purposes of the proprietary fund, Statement of Cash Flows, "cash and cash equivalents" include all demand, savings accounts, and certificates of deposit with an original maturity of three months or less. Investments are carried at fair value, which is based on quoted market price.

Internal Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "internal balances". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Accounts Receivable

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, interest earnings, ambulance fees, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting in the same manner as non-exchange transactions. Ambulance service receivables amounted to \$283,906. Allowances for uncollectible accounts receivable in the Ambulance Fund totaled \$185,107 and include all accounts in excess of 30 days outstanding.

The Utility accounts receivable are for services to customers and for reimbursement for state relocation projects. If a customer fails to pay within 25 days after the prior month's bill, their water service is terminated and their deposit is applied to the unpaid bill. Any unpaid balance after applying the deposit is fully reserved. Unbilled receivables represent the water and sewer usage from the end of the last billing cycle in June through the last day of the fiscal year. Typically, the billing cycle is cut off on the 15th of the month and the usage from then until the last day of the month is not billed until the following month. Utility accounts receivable for charges for services and interest earnings in the amount of \$435,392 comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable in utilities totaled \$12,137 and are based upon historical trends and the periodic aging of accounts receivable. The Utility fund also has \$1,987 of other receivables due from the State Transportation Department for relocation projects.

Note 1 – Summary of Significant Accounting Policies (Continued)

Unearned Revenues

The City defers revenue recognition in connection with resources that have been received but not yet earned. At the end of fiscal year 2017, revenue paid in advance of \$518,222 have been deferred as these amounts have not yet been earned related to occupational licenses.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Inventory is included in the Maysville Utility Commission Fund and is valued using average cost. Inventory consists of water and sewer maintenance and repair parts and supplies.

Capital Assets

The accounting treatment for capital assets 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, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at the estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the asset's estimated useful life, using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Land improvements	10 years
Vehicles and equipment	10 years
Infrastructure	40 years
Utility plant assets	3-50 years

Restricted Assets

Certain debt proceeds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable debt agreement. Some expenditures of the City may be paid with restricted and non-restricted resources. The City has determined that when both resources are available that they will use the restricted resources first.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities

Note 1 – Summary of Significant Accounting Policies (Continued)

Non Operating Revenues and Expenses

Proprietary funds report all revenues and expenses as operating, except interest income, interest expense, amortization, and capital contributions.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Maysville.

Compensated Absences

The personnel policies of the City require employees to take their unused vacation leave in the year following the year in which it was earned. As such, no provision for accrued vacation liability has been recorded in the accompanying financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of resources of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has five items that qualify for reporting in this category. These include the City's pension contributions made subsequent to the measurement date, differences between expected and actual experience, net difference between projected and actual investment earnings on pension plan investments, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category at June 30, 2017. Refer to the *Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension* in Note 10, Retirement Plan.

Recently Issued Accounting Standards Update

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for years beginning after June 15, 2017, provides guidance for measuring the present value of the projected benefits to be provided to employees that is attributed to those employees' past periods of service. The City has not determined the effect, if any, that the adoption of this statement may have on its financial statements.

Note 2 – Cash and Investments

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. In addition, trust funds may invest in uninsured corporate securities.

The table presented below is designed to disclose the level of custodial credit risk assumed by the City, based upon how its deposits were insured or secured with collateral at June 30, 2017. The categories of credit risk are defined as follows:

- (1) Insured by federal deposit insurance
- (2) Uninsured and collateral held by pledging bank
- (3) Uninsured and uncollateralized

For primary government and fiduciary funds:

Type of Deposit	Category			Total Bank Balance	Total Carrying Amount
	1	2	3		
Demand deposits	\$ 487,365	\$ 4,050,232	\$ -	\$ 4,537,597	\$ 4,344,524
Savings and time deposits	1,500,000	7,408,322	-	8,908,322	8,908,322
	<u>\$ 1,987,365</u>	<u>\$ 11,458,554</u>	<u>\$ -</u>	<u>\$ 13,445,919</u>	<u>\$13,252,846</u>

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 2 – Cash and Investments (Continued)

Investments of the City as of June 30, 2017 are summarized and categorized below in the following table:

Primary Government (except Fiduciary Funds)

Investment Type	Fair Value	Investment Maturities		
		1 year or Less	1-5 years	more than 5 years
Certificate of deposit	\$8,913,310	\$7,245,810	\$ 1,667,500	\$ -
Cash equivalents	75,270	75,270	-	-
U.S. agencies obligations	79,917	-	79,917	-
Fixed income mutual funds	332,430	332,430	-	-
Equity mutual funds	1,003,460	1,003,460	-	-
Real estate mutual funds	68,990	68,990	-	-
Commodities mutual funds	3,525	3,525	-	-
	<u>\$10,476,902</u>	<u>\$8,729,485</u>	<u>\$ 1,747,417</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2017, the City's investments were comprised of equity securities, fixed income securities, certificates of deposit and U.S. listed real estate which are not rated by Standard and Poors.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. All of the City's investments at June 30, 2017 are invested at two financial institutions. No single holding is over 10% of the City's investments.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 2 – Cash and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2017:

Investments by Fair Value Level	Fair Value Measurements Using			
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 8,913,310	\$ -	\$ 8,913,310	\$ -
Cash equivalents	75,270	75,270	-	-
U.S. agencies obligations	79,917	-	79,917	-
Equity mutual funds	1,003,460	1,003,460	-	-
Fixed income funds	332,430	332,430	-	-
Real Estate mutual funds	68,990	68,990	-	-
Commodities mutual funds	3,525	3,525	-	-
Total Investments by Fair Value Level	\$ 10,476,902	\$ 1,483,675	\$ 8,993,227	\$ -

Policemen and Firemen's Pension Fund

The Police and Fireman's Pension Fund has the following recurring fair value measurements as of June 30, 2017:

Investments by Fair Value Level	Fair Value Measurements Using			
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	\$ 17,519	\$ 17,519	\$ -	\$ -
Mutual funds	767,961	767,961	-	-
Total Investments by Fair Value Level	\$ 785,480	\$ 785,480	\$ -	\$ -

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 2 – Cash and Investments (Continued)

I.N. Foster Fund

The I.N. Foster Fund has the following recurring fair value measurements as of June 30, 2017:

	Fair Value Measurements Using			
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Cash equivalents	\$ 2,759	\$ 2,759	\$ -	\$ -
Certificates of deposit	558,099	-	558,099	-
Corporate securities	832,381	832,381	-	-
Total Investments by Fair Value Level	<u>\$1,393,239</u>	<u>\$1,393,239</u>	<u>\$ 558,099</u>	<u>\$ -</u>

Note 3 - Restricted Cash

The City has restricted cash to satisfy debt requirements. These same cash accounts are considered a restriction of net position.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 4 – Capital Assets

A summary of capital asset activity during the fiscal year follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 952,664	\$ -	\$ -	\$ 952,664
Capital assets that are depreciated:				
Land improvements	611,919	-	-	611,919
Buildings	10,238,375	201,525	-	10,439,900
Construction in Process	804,080	-	(804,080)	-
Vehicles and equipment	7,402,132	634,009	(185,953)	7,850,188
Totals	<u>19,056,506</u>	<u>835,534</u>	<u>(990,033)</u>	<u>18,902,007</u>
Total Non-Infrastructure Assets	<u>20,009,170</u>	<u>835,534</u>	<u>(990,033)</u>	<u>19,854,671</u>
Recording Infrastructure Assets:				
Infrastructure	<u>7,232,285</u>	<u>228,640</u>	<u>-</u>	<u>7,460,925</u>
Total Capital Assets	<u>27,241,455</u>	<u>1,064,174</u>	<u>(990,033)</u>	<u>27,315,596</u>
Less Accumulated Depreciation:				
Land improvements	328,979	41,082	-	370,061
Buildings	4,219,486	219,826	-	4,439,312
Vehicles and equipment	6,005,837	463,519	(151,264)	6,318,092
Infrastructure	<u>1,660,839</u>	<u>182,910</u>	<u>-</u>	<u>1,843,749</u>
Totals	<u>12,215,141</u>	<u>907,337</u>	<u>(151,264)</u>	<u>12,971,214</u>
Total capital assets, net	<u>\$15,026,314</u>	<u>\$ 156,837</u>	<u>\$ (838,769)</u>	<u>\$ 14,344,382</u>
Business-Type Activities:				
Land	\$ 250,583	\$ -	\$ -	\$ 250,583
Building	4,267,005	-	-	4,267,005
Construction in progress	-	609,973	-	609,973
Water utility plant	12,249,636	3,134,627	(4,658)	15,379,605
Sewer utility plant	<u>26,362,706</u>	<u>21,457</u>	<u>-</u>	<u>26,384,163</u>
Total cost	<u>43,129,930</u>	<u>3,766,057</u>	<u>(4,658)</u>	<u>46,891,329</u>
Less Accumulated depreciation:				
Building	1,444,273	108,310	-	1,552,583
Water utility plant	6,662,604	339,617	(4,658)	6,997,563
Sewer utility plant	<u>5,676,436</u>	<u>690,573</u>	<u>-</u>	<u>6,367,006</u>
Total accumulated depreciation	<u>13,783,313</u>	<u>1,138,500</u>	<u>(4,658)</u>	<u>14,917,155</u>
Total capital assets, net	<u>\$29,346,617</u>	<u>\$ 2,627,557</u>	<u>\$ -</u>	<u>\$ 31,974,174</u>

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 4 – Capital Assets (Continued)

Depreciation Expense was charged to the Governmental functions as follows:

General Government	\$	329,031
Public Works		244,981
Public Safety		299,422
Parks and Recreation		33,904
 Total Depreciation Expense	 \$	 <u>907,337</u>

Note 5 – Rental Operations

The Public Building Corporation leases office space to various entities with terms ranging from one to fifteen years. The leases generally contain renewal options. The cost and related depreciation of the assets under lease at June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Land	\$ 250,583	\$ -	\$ -	\$ 250,583
Building	4,267,005	-	-	4,267,005
	4,517,588	-	-	4,517,588
Accumulated Depreciation	1,444,273	108,310	-	1,552,583
	\$ 3,073,315	\$ 108,310	\$ -	\$ 2,965,005

Note 6 – Notes and Long-Term Intergovernmental Receivables

The Maysville-Mason County Industrial Development Authority originally borrowed \$862,919 from the City for park improvements. These funds are to be repaid when the land is resold. As of June 30, 2017, it remained uncertain when the land would be sold. The balance of the note at June 30, 2017 was \$862,919 and classified as long-term.

On March 25, 2013, the Maysville Public Building Corporation sold property to an unrelated party in exchange for a \$215,000 note receivable. The note bears interest at 0% and requires monthly installments of principal of \$1,194 with final payment due on March 25, 2028. The balance of the note at June 30, 2017 is \$157,667. The note is secured by real estate mortgage.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 7 – General Government Activities – Long Term Debt

Capital Lease

The City leases twelve police cruisers under a capital lease that expires on March 22, 2019. The lease agreement contains a purchase option at the end of the lease term.

The following is an analysis of the leased assets included in property and equipment:

	Balance June 30, 2017
Vehicles	\$ 287,008
Less: Accumulated Depreciation	(39,334)
	\$ 247,674

Depreciation of assets leased under capital leases is included in depreciation expense.

The following is a schedule by years of future minimum lease payments required under the lease together with their present value as of June 30, 2017:

Year Ending June 30,	Amount
2018	\$ 99,227
2019	99,227
Total minimum lease payments	198,454
Less: amount representing interest	(7,139)
Present value of minimum lease payments	\$ 191,315

Note 8 – Business-Type Activities – Long Term Debt

Interim Debt Financing

The City's Board of Commissioners approved an assistance agreement dated May 1, 2010, with federally assisted Waste Water Revolving Loan Fund, Program Fund A, for \$11,000,000 to upgrade the existing waste water system. The agreement provides for interest only to be paid at 2.00% during construction. The loan will be repaid over a twenty year period upon completion of the project estimated to be completed in fiscal year 2018.

The City is currently under a consent judgment and a federal administrative order to address sanitary and combined sewer overflow issues. The City has five years to eliminate the sanitary sewer overflow (SSO) and ten years to eliminate the combined sewage overflow (CSO). The amount disbursed for construction as of June 30, 2017 was \$10,939,344. In October of 2017 the City had completed construction and entered into a permanent financing agreement. The total note, dated October 13, 2017, amount was \$10,985,868 with an interest rate of 2% to be paid over a 20 year term with bi-annual principal and interest payments of \$334,581 beginning in December of 2017.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 8 – Business-Type Activities – Long Term Debt (Continued)

The annual debt service requirements to maturity, including principal and interest, for long-term debt of the proprietary activities, as of October 13, 2017, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 451,692	\$ 217,270	\$ 668,962
2019	460,771	208,391	669,162
2020	470,033	199,130	669,163
2021	479,480	189,682	669,162
2022	489,118	180,044	669,162
2023-2027	2,597,071	748,741	3,345,812
2028-2032	2,868,782	477,030	3,345,812
2033-2037	3,168,921	176,891	3,345,811
Total	<u>\$ 10,985,868</u>	<u>\$ 2,397,179</u>	<u>\$ 13,383,046</u>

Note 9 – Changes in Long – Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
General Government Activities:				
Capital Lease	\$ -	\$ 287,008	\$ (95,693)	\$ 191,315
	<u>\$ -</u>	<u>\$ 287,008</u>	<u>\$ (95,693)</u>	<u>\$ 191,315</u>
Business-Type Activities:				
KIA Note Payable	\$ 2,691,974	\$ -	\$ (2,691,974)	\$ -
Interim Debt Financing	10,329,371	609,973	-	10,939,344
Revolving Loan	188,244	-	(188,244)	-
	<u>\$ 13,209,589</u>	<u>\$ 609,973</u>	<u>\$ (2,880,218)</u>	<u>\$ 10,939,344</u>

Note 10 – Retirement Plan

The City of Maysville is a participating employer of 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.

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 participating county, city, 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 state legislature.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 10 – Retirement Plan (Continued)

CERS was created by the Kentucky General Assembly. Benefits are fully vested immediately upon reaching 60 months of service and are established by state statutes. Benefits of CERS members are calculated on the basis of age, final average salary and service credit. CERS also provides survivor, disability and health care coverage. Authority to establish and amend benefits is provided by Kentucky Revised Statutes Section 61.645.

Kentucky Revised Statutes provides authority for employee and employer contributions. Employees and the City have contributed all of the required contributions for the fiscal year ending June 30, 2017.

Membership in CERS consisted of the following at June 30, 2017:

	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	51,073	6,834	58,507
Inactive memberships	75,904	2,309	78,213
Active plan members	<u>83,346</u>	<u>9,139</u>	<u>92,485</u>
	<u>210,923</u>	<u>18,282</u>	<u>229,205</u>
Number of participating employers			<u>1,140</u>

Contributions

For the year ended June 30, 2017, plan members were required to contribute 5.00% of wages for non-hazardous and 8.00% of wages for hazardous job classifications. Employers hired after August 31, 2008 and not already in the retirement system must contribute an additional 1% to subsidize health insurance premiums that are primarily withheld from CERS retirees' benefit payments. 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2017, participating employers contributed 18.66% of each non-hazardous employee's wages and 31.06% of each hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the fiscal year ended June 30, 2017 the City's covered payroll for hazardous and non-hazardous positions was \$4,846,577 (\$4,075,600 City, \$770,977 Utility Commission). The City's contribution for the fiscal year ended June 30, 2017 amounted \$1,348,338 (\$1,158,709 City; \$189,629 Utility Commission), of which \$1,060,852 (\$916,839 City; \$144,013 Utility Commission) was contributed by the City and \$287,486 (\$241,870 City; \$45,616 Utility Commission) by the City's employees.

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

At June 30, 2017, the City reported a liability of \$11,366,281 (\$9,690,701 City; \$1,675,580 Utility Commission) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 10 – Retirement Plan (Continued)

relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was 0.2520% percent for hazardous and .1089% for non-hazardous. At June 30, 2016, the Utility Commission's proportion was .034% for non-hazardous. For the year ended June 30, 2017, the City recognized pension expense of \$1,388,326 (\$1,177,691 City; \$210,635 Utility Commission). At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 93,115	\$ -
Net difference between projected and actual earnings on plan investments	1,026,809	-
Change in assumptions	621,194	-
City contributions subsequent to the measurement date	778,341	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	393,356	556,329
Total	\$ 2,912,815	\$ 556,329

The \$778,341 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2018	\$506,995
2019	506,995
2020	356,847
2021	207,307

The Schedule of Deferred Inflows and Outflows, and Pension Expense include categories of deferred outflows of resources and deferred inflows of resources. These categories include differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on plan investments, changes in the employer's proportionate share of contributions, and employer contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Actuarial Methods and Assumptions

The total pension liability (TPL) for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. June 30, 2015 was the actuarial valuation date upon which the TPL was based. An expected TPL was determined as of June 30, 2016 using standard roll forward techniques. The roll forward calculation added the annual normal cost (also called the service cost), subtracted the actual benefit payments and refunds for the plan year and then applied the expected investment rate of return for the year. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 10 – Retirement Plan (Continued)

Valuation Date	June 30, 2016
Measurement Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	
Combined Equity	44	5.40	%
Combined Fixed Income	19	1.50	
Real Return (Diversified Inflation Strategies)	10	3.50	
Real Estate	5	4.50	
Absolute Return (Diversified Hedge Funds)	10	4.25	
Private Equity	10	8.50	
Cash Equivalent	2	-.25	
Total	100		%

Note 10 – Retirement Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. The periods of projected benefit payments for all current plan members were projected through 2117.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	Discount rate	City's proportionate share of net pension liability
1% decrease	6.50%	\$ 14,207,000
Current discount rate	7.50%	\$ 11,366,000
1% increase	8.50%	\$ 8,966,000

Payables to the pension plan: At June 30, 2017, the City reported a payable of \$70,475 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

Note 11 – Police and Firemen Retirement Fund

Plan Description

The City contributes to the Police and Firefighters' Pension Fund, a single employer defined benefit retirement fund, which covers the City's policemen and firemen hired prior to 1976 that elected not to be covered by the Kentucky County Employees Retirement System. The plan was adopted pursuant to KRS 95.621 to KRS 95.629. In 1976, the City froze admission of new entrants into the plan, and all active members had the option to transfer to the Kentucky County Employees Retirement System. Members who had retired prior to 1976 remained in the Plan and continue to receive monthly benefits. The fund does not issue a stand alone financial report nor is one included in another entity's financial report. At June 30, 2017, the fund had 12 members or beneficiaries receiving monthly annuities. No active members of the plan are on the City's payroll.

Members receive 50% of their final salary plus 2% of final salary per year of service between 20 and 25 years, plus 3% of final salary per year of service between 25 and 30 years. The fund also provides death

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 11 – Police and Firemen Retirement Fund (Continued)

and disability benefits. In order to fund the Plan, the City transfers money, based on the results of the most recent actuarial study, from the General Fund to the Police and Fire Retirement Fund.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting – The accrual basis of accounting is followed by the fund. Employer contributions to the fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The financial statements are presented in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board.

Investments – Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government and U.S. Government Agencies & Instrumentalities) in any one organization that represents 5% or more of net assets available for benefits.

Rate of return, for the year ended June 30, 2017 the annual money-weighted rate of return on plan investments, net of investment expense, was 0.0 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

Contributions

The contribution requirements for the current and two prior years ended June 30, were:

	Required Employee Contribution	Required Employer Contribution	Required Contribution Actually Made	Percentage of Required Total Contribution
2017	\$ -	\$ 90,000	\$ 90,000	100%
2016	\$ -	\$ 90,000	\$ 90,000	100%
2015	\$ -	\$ 93,000	\$ 93,000	100%

The “pension benefit obligation” is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the economic status of the fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the method used to determine Fund conditions. The pension benefit obligation, without future cost-of-living increases at June 30, 2017 was \$2,012,087.

The market value of the net assets available for benefits at June 30, 2017, was \$785,480. The total unfunded pension benefit obligation applicable to the participants of the Fund at June 30, 2017, was \$1,266,607.

An actuarial calculation of the total pension liability as of June 30, 2017 was prepared using data as of June 30, 2017.

Significant actuarial assumptions used in determining the obligation include:

- a. The expected rate of earnings on any monies set aside under the fund of 4.5%
- b. The approximate number of years that a retired employee will live after retirement.
- c. The approximate number of years that a beneficiary will live after the death of the retired member.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 11 – Police and Firemen Retirement Fund (Continued)

The actuarial method of valuation used was the “entry age normal” cost method. Under this method, an annual service cost is established for each employee. This annual service cost is the level annual percent of pay, which should have been contributed each year from the date of a member’s employment until his retirement date in order to fully fund his benefits at retirement. In addition, the actuarial valuation period to compute unfunded actuarial accrued liability was over 20 years. No projected salary increases or post-retirement benefits were also assumed for the valuation. The actuarial study conducted at June 30, 2017, indicated that the annual contribution level needs to be approximately \$90,000 in order to support promised benefits with no future cost-of- living increases.

Mortality rates were used based on the RP-2000 Mortality Table projected to 2017 without collar adjustment. The long term expected rate of return on pension plan investments was determined based on the composition of the current portfolio and the projected return for different asset classes. The discount rate used to measure the total pension liability was 4.5 percent. The projection used to determine the discount rate assumed that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	25	7.0-8.0 %
Core US Fixed Income	70	4.0-5.0
Cash	5	3.0-5.0
Total	100 %	

The components of the net pension liability of the fund at June 30, 2017, were as followings:

Total pension liability	\$ 2,012,087
Plan net position	785,480
Fund’s net pension liability	\$ 1,226,607
Plan’s net position as a percentage of the total pension liability	39%

Sensitivity of the total pension liability to changes in the discount rate. The interest rate sensitivity for the total pension liability showing the impact of using a discount rate 1% higher and also 1% lower than the assumed valuation interest rate has been estimated as noted below. The calculation was based on the June 30, 2017 valuation liabilities at a discount rate 1% higher and 1% lower than the assumed valuation rate of 4.50%. The results of this estimate of total pension liability sensitivity to a 1% discount rate change are as follows:

At June 30, 2017 valuation discount rate of 4.50%	\$2,012,087
At discount rate 1% higher (i.e. 5.50%)	1,852,788
At discount rate 1% lower (i.e. 3.50%)	2,196,971

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 12 – Property Tax Calendar

Property taxes for fiscal year 2016 were levied in September 2015 on the assessed valuation of property, located in the City as of the preceding January 1, the lien date. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

Description	Date Per K.R.S. 134.020
Due date for payment of taxes	Upon receipt
2% discount period	By November 30
Face value amount payment dates	December 1 to December 31
Delinquent date, 2% penalty	January 1
10% delinquent date	February 1

Vehicle taxes are collected by the County Clerk of Mason County and are due and collected in the birth month of the vehicle's licensee.

Note 13 – Risk Management

The City of Maysville is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the City also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14 – Contingencies

The Maysville-Mason County Industrial Development Authority originally borrowed \$862,919 from the City for park improvements. These funds are to be repaid when the land is resold. As of June 30, 2017, it remained uncertain when the land would be sold. The balance of the note at June 30, 2017 was \$862,919 and classified as long-term.

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2017.

In FY 2015, City entered into a HUD grant agreement with the Kentucky Department of Local Government (DLG) for approximately \$800,000 to fund the cost of the Maysville Water Tank Project. In connection with the grant agreement, the City entered into a legal binding agreement with a non-related participating party. The participating party agreed to create, hire and retain for a five-year period 42 full-time positions and at least 51% of the positions must meet stated income levels. The City agreed to repay the DLG \$19,200 per job not properly created and retained for the duration of the grant period. In the opinion of management, the City is in compliance with the terms of the grant agreement as of June 30, 2017.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 15 – Interfund Receivables and Payables

Interfund Receivables and Payables as of June 30, 2017 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 426,308	\$ 481,578
Transit Fund	-	41,056
Rec. Park Fund	-	286,019
Plannig Comm. Fund	-	29,233
Communications Fund	-	70,000
Tourism Fund	194,732	-
Tank Fund	20,947	-
Code Enforcement Fund	9,000	-
Public Building Corp.	256,899	-
	\$ 907,886	\$ 907,886

Note 16 – Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through December FH, 2017, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2017, have not been evaluated by the City.

As of July 1, 2017 the City has dissolved the water and sewer commission and has taken over the Utility Fund.

As of July 1, 2017 the City has dissolved the Public Building Corporation and has transferred the assets over to the general fund.

On July 27, 2017 the City sold real-estate property for the amount of \$121,500.

Note 17 – Other Postemployment Benefits

Plan Description – Retired employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS. Covered employees hired after September 1, 2008, contribute 1.00% of their salaries to the CERS Insurance Fund. Members become eligible to receive the health insurance benefit depending on the hire date, Tier in which they participate, and type of service. Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the CERS. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Funding Policy – Employees working for city, county, and other local governments are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

For the year ended June 30, 2017, KRS established a contribution rate of 4.73% for nonhazardous OPEB and 9.35% for hazardous other postemployment benefits (OPEB). During the year ended June 30, 2017, the City contributed \$168,056 for nonhazardous duty OPEB and \$117,553 for hazardous duty OPEB.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2017

Note 17 – Other Postemployment Benefits (Continued)

For the year ended June 30, 2016, KRS established a contribution rate of 4.73% for nonhazardous OPEB and 9.35% for hazardous other postemployment benefits (OPEB). During the year ended June 30, 2016, the City contributed \$158,412 for nonhazardous duty OPEB and \$168,375 for hazardous duty OPEB.

For the year ended June 30, 2015, KRS established a contribution rate of 4.73% for nonhazardous OPEB and 9.35% for hazardous other postemployment benefits (OPEB). During the year ended June 30, 2015, the City contributed \$147,770 for nonhazardous duty OPEB and \$196,406 for hazardous duty OPEB.

Note 18 – Prior Period Adjustment

In fiscal year 2017 the City identified an inadvertent error in the June 30, 2016 Governmental Activities Statement of Net Position related to long-term note receivables. As a result, at June 30, 2016 long-term receivables and total assets were understated by \$310,435. Accordingly the City has restated its results for the year ended June 30, 2016 as noted below.

	<u>As previously reported</u>	<u>As restated</u>
Non-current Note Receivables	\$ 552,484	\$ 862,919
Net Position	\$ 21,825,326	\$ 22,135,761

City of Maysville, Kentucky
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
for the year ended June 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,237,625	\$ 1,237,625	\$ 1,257,746	\$ 20,121
Licenses and permits	7,442,500	7,442,500	7,982,133	539,633
Charges for services	1,031,595	1,031,595	1,141,219	109,624
Intergovernmental revenue	2,201,797	2,201,797	2,118,499	(83,298)
Other	89,500	89,500	134,240	44,740
	<u>12,003,017</u>	<u>12,003,017</u>	<u>12,633,837</u>	<u>630,820</u>
Expenditures				
General government	2,778,902	2,778,902	2,619,816	159,086
Police	2,188,000	2,188,000	2,170,637	17,363
Fire & Ambulance	2,069,200	2,069,200	2,014,555	54,645
Public works	2,906,500	2,906,500	2,443,694	462,806
Parks and recreation	83,000	83,000	54,858	28,142
Debt Service	-	-	99,227	(99,227)
Capital	2,170,000	2,170,000	2,376,083	(206,083)
	<u>12,195,602</u>	<u>12,195,602</u>	<u>11,778,870</u>	<u>416,732</u>
Excess (deficiency) of revenues over expenditures	<u>(192,585)</u>	<u>(192,585)</u>	<u>854,967</u>	<u>1,047,552</u>
Other financing sources (uses):				
Proceeds from debt	-	-	287,008	287,008
Gain from sale of assets	-	-	33,958	33,958
Proceeds from insurance settlement	-	-	9,307	9,307
Transfers (to) from other funds, net	(3,324,000)	(3,324,000)	(3,214,537)	109,463
	<u>(3,324,000)</u>	<u>(3,324,000)</u>	<u>(2,884,264)</u>	<u>439,736</u>
Excess (deficiency) of revenues over expenditures and transfers	<u>\$ (3,516,585)</u>	<u>\$ (3,516,585)</u>	<u>(2,029,297)</u>	<u>\$ 1,487,288</u>
Fund balance, beginning of year			<u>12,505,936</u>	
FUND BALANCE, END OF YEAR			<u>\$ 10,476,639</u>	

City of Maysville, Kentucky
Required Supplemental Information
Schedule of Changes in Total Pension Liability
Police and Firefighters' Pension Fund
Last Ten Fiscal Years

	July 1, 2016 to June 30, 2017	July 1, 2015 to June 30, 2016	July 1, 2014 to June 30, 2015	July 1, 2013 to June 30, 2014	July 1, 2012 to June 30, 2013	July 1, 2011 to June 30, 2012	July 1, 2010 to June 30, 2011	July 1, 2009 to June 30, 2010	July 1, 2008 to June 30, 2009	July 1, 2007 to June 30, 2008
Total pension liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	88,680	91,248	93,804	97,254	114,829	118,234	121,718	150,355	154,707	159,162
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	23,588	21,772	13,053	-	(68,273)	-	-	(255,321)	-	-
Changes in assumptions	7,117	-	7,195	-	203,824	-	-	205,963	-	-
Benefit payments	(170,095)	(170,095)	(171,760)	(176,436)	(177,622)	(183,120)	(187,391)	(217,278)	(226,854)	(228,681)
Net change in total pension liability	(50,710)	(57,075)	(57,708)	(79,182)	72,758	(64,886)	(65,673)	(116,281)	(72,147)	(69,519)
Total pension liability-beginning	2,062,797	2,119,872	2,177,580	2,256,762	2,184,004	2,248,890	2,314,563	2,430,844	2,502,991	2,572,510
Total pension liability-ending	\$ 2,012,087	\$ 2,062,797	\$ 2,119,872	\$ 2,177,580	\$ 2,256,762	\$ 2,184,004	\$ 2,248,890	\$ 2,314,563	\$ 2,430,844	\$ 2,502,991
Plan fiduciary net position										
Contribution from City	\$ 90,000	\$ 90,000	\$ 93,000	\$ 93,000	\$ 109,000	\$ 109,000	\$ 109,000	\$ 114,000	\$ 114,000	\$ 94,000
Plan net investment income	41,655	19,506	4,865	68,555	39,344	31,586	103,124	89,091	(31,894)	42,137
Benefit payments	(170,095)	(170,095)	(171,760)	(176,436)	(177,622)	(183,120)	(187,391)	(217,278)	(226,854)	(228,681)
Plan administrative expense	(6,769)	(6,670)	(7,146)	(7,242)	(7,318)	(7,323)	(4,041)	(2,980)	(4,161)	(4,993)
Other changes	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(45,209)	(67,259)	(81,041)	(22,123)	(36,596)	(49,857)	20,692	(17,167)	(148,909)	(97,537)
Plan fiduciary net position - beginning	830,689	897,948	978,989	1,001,112	1,037,708	1,087,565	1,066,673	1,084,040	1,232,949	1,330,486
Plan fiduciary net position - ending	\$ 785,480	\$ 830,689	\$ 897,948	\$ 978,989	\$ 1,001,112	\$ 1,037,708	\$ 1,087,365	\$ 1,066,873	\$ 1,084,040	\$ 1,232,949
City net pension liability	1,226,607	1,232,108	1,221,924	1,198,591	1,255,650	1,146,296	1,161,525	1,247,690	1,346,804	1,270,042
Plan fiduciary net position as a percentage of the total pension liability	39.0%	40.3%	42.4%	45.0%	44.4%	47.5%	48.4%	46.1%	44.6%	49.3%
Annual money-weighted rate of return	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.18%	0.25%	0.04%

The total pension liability is determined by means of an actuarial valuation of the pension plan. The past four actuarial valuations of the City's Police & Firefighters' Pension Fund in were prepared as of 6/30/16, 6/30/2015, 6/30/2013 and 6/30/2010. The computation of the pension liability in the intervening years was estimated based on the following:

The 6/30/2007 valuation liability was then rolled forward to 6/30/2008 using the 2007 valuation assumptions, and that 6/30/2008 estimate was subsequently rolled forward using those same assumptions to generate a 6/30/2009 estimate. The 6/30/2010 valuation liability was then rolled forward to 6/30/2011 using the 2010 valuation assumptions, and that 6/30/2011 estimate was subsequently rolled forward using those same assumptions to generate a 6/30/2012 estimate. The 6/30/2013 valuation liability was then rolled forward to 6/30/2014 using the 2013 valuation assumptions to generate the 6/30/2014 estimate. The 6/30/2015 valuation liability was rolled forward to 6/30/16 using the 2015 valuation assumptions to generate the 6/30/16 estimate.

City of Maysville, Kentucky
Schedule of the City's Proportionate Share of the Net Pension Liability
County Employees' Retirement System
Last Three Fiscal Years

	June 30, 2015			June 30, 2016			June 30, 2017		
	Hazardous (City)	Non- Hazardous (City)	Non-Hazardous (Utility Comm)	Hazardous (City)	Non- Hazardous (City)	Non-Hazardous (Utility Comm)	Hazardous (City)	Non- Hazardous (City)	Non-Hazardous (Utility Comm)
City's proportion of the net pension liability	0.313412%	0.093523%	0.035739%	0.283436%	0.095387%	0.034165%	0.252026%	0.108986%	0.034031%
City's proportionate share of the net pension liability	\$ 3,767,000	\$ 3,034,000	\$ 1,160,000	\$ 4,351,048	\$ 4,101,201	\$ 1,468,921	\$ 4,324,000	\$ 5,366,000	\$ 1,675,000
City's covered-employee payroll	\$ 1,619,576	\$ 2,480,617	\$ 888,930	\$ 1,310,262	\$ 2,627,284	\$ 811,826	\$ 1,256,000	\$ 2,819,000	\$ 771,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	232.59%	122.31%	130.49%	332.07%	156.10%	180.94%	344.27%	190.35%	217.25%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	66.80%	66.80%	57.52%	59.97%	59.97%	53.95%	55.50%	55.50%

City of Maysville, Kentucky
Schedule of the City's Pension Contributions
County Employees' Retirement System
Last Three Fiscal Years

	June 30, 2015			June 30, 2016			June 30, 2017		
	Hazardous (City)	Non- Hazardous (City)	Non- Hazardous (Utility Comm)	Hazardous (City)	Non- Hazardous (City)	Non-Hazardous (Utility Comm)	Hazardous (City)	Non- Hazardous (City)	Non-Hazardous (Utility Comm)
Contractually required contribution	\$ 496,222	\$ 394,404	\$ 140,567	\$ 431,732	\$ 448,215	\$ 138,492	\$ 390,185	\$ 526,654	\$ 144,013
Contributions in relation to the contractually required contribution	(496,222)	(394,404)	(140,567)	(431,732)	(448,215)	(138,492)	(390,185)	(526,654)	(144,013)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,619,576	\$ 2,480,617	\$ 888,930	\$ 1,310,262	\$ 2,627,284	\$ 811,826	\$ 1,256,000	\$ 2,819,000	\$ 771,000
Contributions as a percentage of covered employee	30.64%	15.90%	15.81%	32.95%	17.06%	17.06%	31.07%	18.68%	18.68%

City of Maysville, Kentucky
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	SPECIAL REVENUE FUNDS						PERMANENT FUND		
	Maysville- Mason Co. Recreation Park	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Capital Grant Fund	Municipal Road Aid	Local Government Economic Assistance	Total	Cemetery Trust Fund	Total
ASSETS									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	1,563,592	1,563,592
Accounts receivable:									
Intergovernmental	294,272	30,281	-	111,675	21,063	-	457,291	-	457,291
Due from other funds	-	-	194,732	-	-	139,064	333,796	-	333,796
Total Assets	<u>\$ 294,272</u>	<u>\$ 30,281</u>	<u>\$ 194,732</u>	<u>\$ 111,675</u>	<u>\$ 21,063</u>	<u>\$ 139,064</u>	<u>\$ 791,087</u>	<u>\$ 1,563,592</u>	<u>\$ 2,354,679</u>
LIABILITIES AND FUND BALANCE									
Accounts payable	\$ 7,859	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,859	\$ -	\$ 7,859
Due to other funds	286,019	29,233	-	111,675	-	-	426,927	-	426,927
Total Liabilities	293,878	29,233	-	111,675	-	-	434,786	-	434,786
Fund Balance, restricted	-	-	-	-	21,063	139,064	160,127	1,563,592	1,723,719
Fund Balance, unassigned	394	1,048	194,732	-	-	-	196,174	-	196,174
Total Fund Balance	<u>394</u>	<u>1,048</u>	<u>194,732</u>	<u>-</u>	<u>21,063</u>	<u>139,064</u>	<u>356,301</u>	<u>1,563,592</u>	<u>1,919,893</u>
Total Liabilities and Fund Balance	<u>\$ 294,272</u>	<u>\$ 30,281</u>	<u>\$ 194,732</u>	<u>\$ 111,675</u>	<u>\$ 21,063</u>	<u>\$ 139,064</u>	<u>\$ 791,087</u>	<u>\$ 1,563,592</u>	<u>\$ 2,354,679</u>

City of Maysville, Kentucky
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
for the year ended June 30, 2017

	SPECIAL REVENUE FUNDS						PERMANENT FUND		
	Maysville- Mason Co. Recreation Park	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Capital Grant Fund	Municipal Road Aid	Local Government Economic Assistance	Total	Cemetery Trust Fund	Total
Revenues									
Intergovernmental revenue	\$ 143,218	\$ 25,711	\$ 12,726	\$ 111,675	\$ 175,920	\$ 13,724	\$ 482,974	\$ -	\$ 482,974
Charges for services	15,888	3,413	87,083	-	-	-	106,384	-	106,384
Taxes	-	-	148,529	-	-	-	148,529	-	148,529
Investment income	-	-	-	-	-	-	-	154,668	154,668
Other	8,576	-	1,900	-	-	-	10,476	-	10,476
Total revenues	167,682	29,124	250,238	111,675	175,920	13,724	748,363	154,668	903,031
Expenditures									
Parks and Recreation	310,897	-	-	-	-	-	310,897	-	310,897
General Government	-	75,133	-	111,675	-	300,000	486,808	4,419	491,227
Tourism	-	-	251,883	-	-	-	251,883	-	251,883
Capital Outlay	-	-	-	-	175,394	-	175,394	-	175,394
Total expenditures	310,897	75,133	251,883	111,675	175,394	300,000	1,224,982	4,419	1,229,401
Excess (deficiency) of revenues over expenditures	(143,215)	(46,009)	(1,645)	-	526	(286,276)	(476,619)	150,249	(326,370)
Other Financing Sources (Uses)									
Contributions	-	-	-	-	-	-	-	-	-
Transfers (to) from other funds	143,218	46,008	5,000	-	-	-	194,226	(66,635)	127,591
Total Other Financing Sources (Uses)	143,218	46,008	5,000	-	-	-	194,226	(66,635)	127,591
Excess (deficiency) of revenues over expenditures and transfers	3	(1)	3,355	-	526	(286,276)	(282,393)	83,614	(198,779)
Fund balance, beginning of year	391	1,049	191,377	-	20,537	425,340	638,694	1,479,978	2,118,672
Fund balance, end of year	\$ 394	\$ 1,048	\$ 194,732	\$ -	\$ 21,063	\$ 139,064	\$ 356,301	\$ 1,563,592	\$ 1,919,893

City of Maysville, Kentucky
Special Revenue Funds
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
for the year ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental revenue	\$ 369,150	\$ 369,150	\$ 482,974	\$ 113,824
Charges for services	91,600	91,600	106,384	14,784
Taxes	135,000	135,000	148,529	13,529
Other	6,000	6,000	10,476	4,476
	<u>601,750</u>	<u>601,750</u>	<u>748,363</u>	<u>146,613</u>
Expenditures:				
Parks and Recreation	325,500	325,500	310,897	14,603
General Government	73,500	73,500	186,808	(113,308)
Tourism commission	267,755	267,755	251,883	15,872
Public Safety	300,000	300,000	300,000	-
Capital Outlay	175,000	175,000	175,394	(394)
	<u>1,141,755</u>	<u>1,141,755</u>	<u>1,224,982</u>	<u>(83,227)</u>
Excess (deficiency) of revenues over expenditures	(540,005)	(540,005)	(476,619)	63,386
Transfers (to) from other funds	<u>-</u>	<u>-</u>	<u>194,226</u>	<u>194,226</u>
Excess (deficiency) of revenues over expenditures and transfers	(540,005)	(540,005)	(282,393)	257,612
Fund balance, beginning of year	<u>638,694</u>	<u>638,694</u>	<u>638,694</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 98,689</u></u>	<u><u>\$ 98,689</u></u>	<u><u>\$ 356,301</u></u>	<u><u>\$ 257,612</u></u>

City of Maysville, Kentucky
Maysville - Mason County Recreation Park
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
for the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 153,250	\$ 143,218	\$ (10,032)
Golf course	15,000	15,888	888
Miscellaneous	4,000	8,576	4,576
	<u>172,250</u>	<u>167,682</u>	<u>(4,568)</u>
Expenditures			
Personnel	123,000	135,504	(12,504)
Contractual	48,500	46,527	1,973
Material and supplies	38,000	34,306	3,694
Other	108,000	86,095	21,905
Capital outlay	8,000	8,465	(465)
	<u>325,500</u>	<u>310,897</u>	<u>14,603</u>
Excess (deficiency) of revenues over expenditures	(153,250)	(143,215)	10,035
Transfers (to) from other funds	<u>153,250</u>	<u>143,218</u>	<u>(10,032)</u>
Excess (deficiency) of revenues over expenditures and transfers	-	3	3
Fund balance, beginning of year	<u>391</u>	<u>391</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 391</u></u>	<u><u>\$ 394</u></u>	<u><u>\$ 3</u></u>

City of Maysville, Kentucky
Maysville - Mason County Joint Planning Commission
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
for the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 26,500	\$ 25,711	\$ (789)
Charges for service	3,000	3,413	413
	<u>29,500</u>	<u>29,124</u>	<u>(376)</u>
Expenditures			
Contractual	10,000	9,908	92
Material and supplies	63,500	65,225	(1,725)
	<u>73,500</u>	<u>75,133</u>	<u>(1,633)</u>
Excess (deficiency) of revenues over expenditures	(44,000)	(46,009)	(2,009)
Transfers (to) from other funds	44,000	46,008	2,008
	<u>44,000</u>	<u>46,008</u>	<u>2,008</u>
Excess (deficiency) of revenues over expenditures and transfers	-	(1)	(1)
Fund balance, beginning of year	1,049	1,049	-
	<u>1,049</u>	<u>1,049</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,049</u></u>	<u><u>\$ 1,048</u></u>	<u><u>\$ (1)</u></u>

City of Maysville, Kentucky
Maysville Tourism Commission
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
for the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 135,000	\$ 148,529	\$ 13,529
Charges for services	76,600	87,083	10,483
Intergovernmental	14,400	12,726	(1,674)
Other	2,000	1,900	(100)
	<u>228,000</u>	<u>250,238</u>	<u>22,238</u>
Expenditures			
Personnel	153,300	156,492	(3,192)
Contractual	59,000	42,799	16,201
Material and supplies	3,000	2,060	940
Other	52,455	50,532	1,923
	<u>267,755</u>	<u>251,883</u>	<u>15,872</u>
Excess (deficiency) of revenues over expenditures	(39,755)	(1,645)	38,110
Transfers (to) from other funds	39,755	5,000	(34,755)
Excess (deficiency) of revenues over expenditures and transfers	-	3,355	3,355
Fund balance, beginning of year	191,377	191,377	-
Fund balance, end of year	<u>\$ 191,377</u>	<u>\$ 194,732</u>	<u>\$ 3,355</u>

City of Maysville, Kentucky
Municipal Road Aid
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
for the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 175,000	\$ 175,920	\$ 920
Total revenues	175,000	175,920	920
Expenditures			
Capital	175,000	175,394	(394)
Total expenditures	175,000	175,394	(394)
Excess (deficiency) of revenues over expenditures	-	526	526
Transfers (to) from other funds	-	-	-
Excess (deficiency) of revenues over expenditures and transfers	-	526	526
Fund balance, beginning of year	20,537	20,537	-
Fund balance, end of year	<u>\$ 20,537</u>	<u>\$ 21,063</u>	<u>\$ 526</u>

City of Maysville, Kentucky
 Local Governmental Economic Assistance
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 for the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ -	\$ 13,724	\$ 13,724
Total revenues	<u>-</u>	<u>13,724</u>	<u>13,724</u>
Expenditures			
Police	100,000	100,000	-
Fire	100,000	100,000	-
Public Works	100,000	100,000	-
Total expenditures	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(300,000)	(286,276)	13,724
Transfers (to) from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and transfers	(300,000)	(286,276)	13,724
Fund balance, beginning of year	<u>425,340</u>	<u>425,340</u>	<u>-</u>
Fund balance, end of year	<u>\$ 125,340</u>	<u>\$ 139,064</u>	<u>\$ 13,724</u>

City of Maysville, Kentucky
Rural Development Grant
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
for the year ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ -	\$ 111,675	\$ 111,675
Total revenues	<u>-</u>	<u>111,675</u>	<u>111,675</u>
Expenditures			
General Government	<u>-</u>	<u>111,675</u>	<u>(111,675)</u>
Total expenditures	<u>-</u>	<u>111,675</u>	<u>(111,675)</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Maysville, Kentucky
Maysville Utility Commission
Schedule of Utility Operating Expenses
for the year ended June 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pumping Expense			
Personnel	\$ -	\$ 42,226	\$ 42,226
Power	298,176	269,708	567,884
Maintenance	54,183	131,557	185,740
	<u>352,359</u>	<u>443,491</u>	<u>795,850</u>
Treatment Expense			
Personnel	-	-	-
Chemicals and supplies	342,740	34,917	377,657
Maintenance	29,528	31,400	60,928
	<u>372,268</u>	<u>66,317</u>	<u>438,585</u>
Transmission Expense			
Personnel	372,762	281,472	654,234
Supplies	10,923	10,650	21,573
Maintenance	184,874	2,183	187,057
	<u>568,559</u>	<u>294,305</u>	<u>862,864</u>
Customer Accounts Expense			
Personnel	-	-	-
Supplies and other	6,006	5,570	11,576
Uncollectible accounts	7,119	6,700	13,819
	<u>13,125</u>	<u>12,270</u>	<u>25,395</u>
Administrative & General Expense			
Personnel	72,669	72,669	145,338
Fringe benefits	363,952	219,012	582,964
Insurance	59,783	64,072	123,855
Transportation	41,768	39,684	81,452
Water purchase	728	-	728
Other expenses	136,007	46,726	182,733
	<u>674,907</u>	<u>442,163</u>	<u>1,117,070</u>
Total Operating Expenses	<u>\$ 1,981,218</u>	<u>\$ 1,258,546</u>	<u>\$ 3,239,764</u>

City of Maysville, Kentucky
Schedule of Expenditures of Federal Awards
for the year ended June 30, 2017

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Award Amount	Expenditures
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Kentucky Infrastructure Authority Capitalization Grants for Clean Water - Revolving Loan Fund	66.458	A09-13	\$ 11,000,000	\$ 61,291
DEPARTMENT OF THE INTERIOR				
Historic Preservation Fund Grants-In-Aid	15.904	n/a	9,000	9,000
DEPARTMENT OF HOUSING AND URBAN GOVERNMENT				
Community Development Block Grants/State's programs and Non-Entitlement Grants in Hawaii	14.228	14-005	806,400	135,148
DEPARTMENT OF HOMELAND SECURITY				
Homeland Security Grant Program	97.067	n/a	66,000	64,961
DEPARTMENT OF TRANSPORTATION				
Passed through Kentucky Transportation Cabinet				
Formula Grants for Rural Areas	20.509	n/a	125,204	125,204
Sidewalk Replacement	20.205	P02-628-1500002160	200,000	140,723
Highway Planning and Construction	20.205		635,190	62,453
Highway Safety Cluster: State and Community Highwat Safety	20.600		8,250	8,250
Highway Safety Cluster: State and Community Highwat Safety	20.600		2,000	<u>2,000</u>
Total Department of Transportation				338,630
DEPARTMENT OF COMMERCE				
Economic Adjustment Assistance	11.307	04-01-06944	1,152,000	964,941
DEPARTMENT OF AGRICULTURE				
Water and Waste Disposal Systems for Rural Communities	10.760		2,515,000	<u>111,675</u>
Total				<u>\$ 1,685,646</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. De Minimis Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S 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

The Honorable David Cartmell, Mayor
City Commission
City of Maysville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maysville, Kentucky ("City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Maysville, Kentucky's basic financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Baldwin CPA's, PLLC

Baldwin CPA's, PLLC

Richmond, Kentucky

December 13, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable David Cartmell, Mayor
City Commission
City of Maysville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited City of Maysville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Maysville, Kentucky's major federal programs for the year ended June 30, 2017. City of Maysville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

Opinion on Each Major Federal Program

In our opinion, City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC
Richmond, Kentucky
December 13, 2017

City of Maysville, Kentucky
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

A. Summary of Audit Results

Financial Statements:

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Maysville, Kentucky.
2. No deficiencies in internal controls over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Maysville, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards:

4. No deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal awards programs for the City of Maysville, Kentucky expresses an unmodified opinion on all major federal programs.
6. No audit findings were required to be reported in accordance with 2 CFR 2005.16(a).
7. The programs tested as major programs included: CFDA #

Economic Adjustment Assistance 11.307
8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. The City of Maysville, Kentucky did qualify to be a low risk auditee.

B. Financial Statement Findings

No matters were reported.

C. Major Federal Award Findings and Questioned Costs

No matters were reported.

D. Schedule of Prior Year Audit Findings

No matters were reported