



City of Maysville, Kentucky

Independent Auditors' Report

And Financial Statements

For The Year Ended

June 30, 2015

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, 2015 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 \$40 million at the close of fiscal 2015.
- The City’s general fund deficit is the result of capital outlay. The most significant purchases include a new fire truck in the amount of \$247,000 and four new police cruisers in the amount of \$99,000. In FY16, a garbage collection fee was imposed to reduce the deficit in future years.
- GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was implemented during FY15. This resulted in an approximate \$9 million dollar net pension liability.

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 <u>Activities</u>	Business-Type <u>Activities</u>	Total Primary <u>2015</u>	Totals <u>2014</u>
Current and Other Assets	\$ 13,567,212	\$ 3,346,335	\$ 16,913,547	\$ 16,567,168
Non Current and Capital Assets	<u>16,183,711</u>	<u>30,526,172</u>	<u>46,709,883</u>	<u>45,399,389</u>
Total Assets	<u>29,750,923</u>	<u>33,872,507</u>	<u>63,623,430</u>	<u>61,966,557</u>
Deferred Outflows of Resources	<u>584,403</u>	<u>102,614</u>	<u>687,017</u>	<u>-</u>
Non-Current Liabilities	8,022,924	13,541,356	21,564,280	20,318,639
Current Liabilities	<u>496,465</u>	<u>1,485,502</u>	<u>1,981,967</u>	<u>1,463,131</u>
Total Liabilities	<u>8,519,389</u>	<u>15,026,858</u>	<u>23,546,247</u>	<u>21,781,770</u>
Deferred Inflows of Resources	<u>567,200</u>	<u>103,200</u>	<u>670,400</u>	<u>-</u>
Net Position:				
Invested in Capital Assets, net of debt	14,082,801	16,240,297	30,323,098	30,097,398
Restricted	2,045,426	1,067,715	3,113,141	3,142,298
Unrestricted	<u>5,120,510</u>	<u>1,537,051</u>	<u>6,657,561</u>	<u>6,945,091</u>
Total Net Position	<u>\$ 21,248,737</u>	<u>\$ 18,845,063</u>	<u>\$ 40,093,800</u>	<u>\$ 40,184,787</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. The City has recorded a net pension liability of approximately \$9.2 million as well as related deferred outflows and

inflows of resources as a result of the new standard. In addition the City recorded a prior period adjustment of approximately \$9.4 million to beginning net assets as a result of the new pension standard.

Table A-2: Condensed Statement of Activities

	Governmental Activities	Business-type Activities	Total Primary Government 2015	Totals 2014
Program Revenues				
Charges for Services	\$ 709,596	\$ 4,623,598	\$ 5,333,194	\$ 5,475,977
Operating Grants & Contributions	537,904	-	537,904	807,197
Capital Grants & Contributions	201,831	-	201,831	189,795
Total Revenue	<u>1,449,331</u>	<u>4,623,598</u>	<u>6,072,929</u>	<u>6,472,969</u>
Program Expenses				
General government	2,824,729	-	2,824,729	2,630,638
Public works	3,164,714	-	3,164,714	3,374,404
Public safety	4,014,142	-	4,014,142	4,041,651
Ambulance service	120,720	-	120,720	122,242
Parks and recreation	409,980	-	409,980	315,706
Tourism	195,976	-	195,976	216,329
Comm. Dev.	75,000	-	75,000	50,000
Capital	450,232	-	450,232	953,613
Water	-	2,507,351	2,507,351	2,208,916
Sewer	-	1,866,130	1,866,130	1,689,232
Rental	-	107,026	107,026	109,083
Total Program Expenses	<u>11,255,493</u>	<u>4,480,507</u>	<u>15,736,000</u>	<u>15,711,814</u>
Net Revenues (Expenses)	<u>(9,806,162)</u>	<u>143,091</u>	<u>(9,663,071)</u>	<u>(9,238,845)</u>
General Revenues				
Taxes	1,956,846	-	1,956,846	1,898,647
Licenses and permits	6,590,681	-	6,590,681	6,336,520
Franchise fees	470,256	-	470,256	459,708
Fines and forfeitures	1,143	-	1,143	4,444
Grants not related to a specific program	84,777	-	84,777	77,634
Reimbursement from state for relocation of by-pass water and sewer lines	-	362,304	362,304	24,350
Other	164,238	-	164,238	507,501
Contribution from Cemetery Board	-	-	-	1,463,870
Investment income	33,591	1,248	34,839	214,091
Total General Revenue	<u>9,301,532</u>	<u>363,552</u>	<u>9,665,084</u>	<u>10,986,765</u>
Transfers	<u>(113,670)</u>	<u>20,670</u>	<u>(93,000)</u>	<u>(93,002)</u>
Net Change in Net Position	<u>\$ (618,300)</u>	<u>\$ 527,313</u>	<u>\$ (90,987)</u>	<u>\$ 1,654,918</u>

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	2015 Total Governmental Funds	2014 Total
Revenues				
Taxes	\$ 1,312,146	\$ 146,236	\$ 1,458,382	\$ 1,430,515
Licenses and permits	7,559,401	-	7,559,401	7,264,360
Intergovernmental revenue	440,290	384,222	824,512	1,074,626
Charges for services	72,219	637,377	709,596	820,648
Fines and permits	1,143	-	1,143	4,444
Investment income	14,148	19,443	33,591	168,894
Other	95,947	3,766	99,713	106,657
Total Revenues	9,495,294	1,191,044	10,686,338	10,870,144
Expenditures				
Current				
General government	2,539,594	16,121	2,555,715	2,327,675
Public works	2,972,233	-	2,972,233	3,150,936
Public safety-fire	1,780,582	-	1,780,582	1,750,920
Public safety-police	2,063,776	-	2,063,776	2,017,920
Ambulance service	-	120,720	120,720	122,242
Parks and Recreation	51,070	329,950	381,020	279,496
Tourism	-	197,889	197,889	216,329
Community Development	75,000	-	75,000	50,000
Capital	1,069,168	11,702	1,080,870	1,419,431
Total Expenditures	10,551,423	676,382	11,227,805	11,334,949
Excess (deficiency) of revenues over expenditures	\$ (1,056,129)	\$ 514,662	\$ (541,467)	\$ (464,805)

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes	\$ 1,221,000	\$ 1,312,146	\$ 91,146
Licenses and Permits	7,447,000	7,559,401	112,401
Intergovernmental	2,707,500	440,290	(2,267,210)
Other Revenues	165,100	183,457	18,357
Total Revenues	<u>\$ 11,540,600</u>	<u>\$ 9,495,294</u>	<u>\$ (2,045,306)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government	\$ 2,802,000	\$ 2,539,594	\$ 262,406
Police	2,103,000	2,063,776	39,224
Fire	1,838,000	1,780,582	57,418
Public works	3,291,000	2,972,233	318,767
Other	80,000	75,000	5,000
Parks & recreation	91,000	51,070	39,930
Capital	2,664,000	1,069,168	1,594,832
	<u>\$ 12,869,000</u>	<u>\$10,551,423</u>	<u>\$ 2,317,577</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 2015</u>	<u>Totals 2014</u>
Land	\$ 952,664	\$ 250,583	\$ 1,203,247	\$ 1,193,247
Land improvements	611,919	-	611,919	611,919
Buildings	10,227,375	4,250,742	14,478,117	14,406,713
Construction in progress	-	9,817,848	9,817,848	7,607,220
Vehicles & equipment	7,143,162	-	7,143,162	6,590,562
Infrastructure	6,510,311	-	6,510,311	6,510,311
Water utility plant	-	12,088,091	12,088,091	12,101,492
Sewer utility plant	-	15,800,969	15,800,969	15,739,841
Total Capital Assets	<u>\$25,445,431</u>	<u>\$42,208,233</u>	<u>\$67,653,664</u>	<u>\$ 64,761,304</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</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total Primary</u> <u>Government 2015</u>	<u>Totals</u> <u>2014</u>
Notes Payable	\$ -	\$ 3,335,354	\$ 3,335,354	\$ 4,328,442
Revolving Loan	-	198,907	198,907	209,360
Interim Debt Financing	-	<u>9,501,148</u>	<u>9,501,148</u>	<u>7,420,653</u>
Total Debt Outstanding	<u>\$ -</u>	<u>\$13,035,409</u>	<u>\$13,035,409</u>	<u>\$11,958,455</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 \$90,967 for the year. 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 53% of total revenue.

As indicated on page 10, the City maintained an unreserved fund balance of \$6,657,561 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 \$600,000 for FY 2015, down \$150,000 from FY 2014.

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'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 2016.

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, 2015 was \$9,817,848.

BUDGET

Supplementary information on page 43 details the original budget adopted by the City for the year. There was one budget amendment during the year related to a project to construct a new water tank for \$1.9 million. Actual expenditures were \$2,317,577 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 Stanfield,
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, 2015, 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, 2015, 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 43-46 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 on pages 47-56 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 January 4, 2016 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

January 4, 2016

City of Maysville, Kentucky
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2015 Total</u>
Assets			
Current Assets			
Cash	\$ 2,174,474	\$ 960,375	\$ 3,134,849
Certificates of deposit	8,895,476	1,721,270	10,616,746
Investments	167,429	-	167,429
Receivables			
User fees (net)	60,649	410,435	471,084
Taxes & license	1,677,437	-	1,677,437
Property taxes	14,135	-	14,135
Intergovernmental	276,688	330,374	607,062
Other	19,643	-	19,643
Internal balances, net	253,601	(253,601)	-
Prepaid expenses	27,681	-	27,681
Inventory, at cost	-	177,481	177,481
Total current assets	<u>13,567,213</u>	<u>3,346,334</u>	<u>16,913,547</u>
Restricted investments	<u>1,548,425</u>	<u>1,067,715</u>	<u>2,616,140</u>
Noncurrent Assets			
Intergovernmental receivable	552,484	-	552,484
Note receivable	-	182,750	182,750
Capital assets, net	<u>14,082,801</u>	<u>29,275,707</u>	<u>43,358,508</u>
Total noncurrent assets	<u>14,635,285</u>	<u>29,458,457</u>	<u>44,093,742</u>
Total assets	<u>29,750,923</u>	<u>33,872,506</u>	<u>63,623,429</u>
Deferred Outflows of Resources			
Pension contributions - current year	<u>584,403</u>	<u>102,614</u>	<u>687,017</u>
Liabilities			
Current liabilities			
Accounts payable	260,841	636,454	897,295
Other liabilities	234,116	177,701	411,817
Deferred revenue	1,509	-	1,509
Accrued interest payable	-	17,293	17,293
Bonds and notes payable	-	654,054	654,054
Total current liabilities	<u>496,466</u>	<u>1,485,502</u>	<u>1,981,968</u>
Noncurrent liabilities			
Interim debt financing	-	9,501,148	9,501,148
Bonds and notes payable	-	2,880,208	2,880,208
Net pension liability	<u>8,022,924</u>	<u>1,160,000</u>	<u>9,182,924</u>
Total noncurrent liabilities	<u>8,022,924</u>	<u>13,541,356</u>	<u>21,564,280</u>
Total liabilities	<u>8,519,390</u>	<u>15,026,858</u>	<u>23,546,248</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>567,200</u>	<u>103,200</u>	<u>670,400</u>
NET POSITION			
Investment in capital assets, net of related debt	14,082,801	16,240,297	30,323,098
Restricted	2,299,862	1,067,715	3,367,577
Unrestricted	<u>4,866,073</u>	<u>1,537,051</u>	<u>6,403,124</u>
Total net position	<u>\$ 21,248,736</u>	<u>\$ 18,845,063</u>	<u>\$ 40,093,799</u>

City of Maysville, Kentucky
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 2,824,730	\$ 70,835	\$ 124,017	\$ -	\$ (2,629,878)	\$ -	\$ (2,629,878)
Public Works	3,164,714	4,504	87,061	201,831	(2,871,318)	-	(2,871,318)
Public Safety	4,014,142	-	155,487	-	(3,858,655)	-	(3,858,655)
Ambulance Service	120,720	534,888	10,000	-	424,168	-	424,168
Parks and Recreation	409,978	15,207	161,339	-	(233,432)	-	(233,432)
Tourism	195,978	84,162	-	-	(111,816)	-	(111,816)
Community Development	75,000	-	-	-	(75,000)	-	(75,000)
Capital	450,232	-	-	-	(450,232)	-	(450,232)
Total Governmental Activities	11,255,494	709,596	537,904	201,831	(9,806,163)	-	(9,806,163)
Business-Type Activities							
Water	2,507,351	1,978,446	-	-	-	(528,905)	(528,905)
Sewer	1,866,130	2,389,157	-	-	-	523,027	523,027
Rental	107,026	255,995	-	-	-	148,969	148,969
Total Business-Type Activities	4,480,507	4,623,598	-	-	-	143,091	143,091
Total	\$ 15,736,001	\$ 5,333,194	\$ 537,904	\$ 201,831	(9,806,163)	143,091	(9,663,072)
General revenues							
Taxes:							
					855,311	-	855,311
					498,464	-	498,464
					67,331	-	67,331
					123,408	-	123,408
					266,096	-	266,096
					146,236	-	146,236
Licenses and permits:							
					4,990,202	-	4,990,202
					1,067,306	-	1,067,306
					511,092	-	511,092
					4,732	-	4,732
					17,349	-	17,349
Franchise fees:							
					314,393	-	314,393
					109,882	-	109,882
					45,981	-	45,981
					1,143	-	1,143
					84,775	-	84,775
						-	
						362,304	362,304
					50,625	-	50,625
					13,903	-	13,903
					99,713	-	99,713
					33,591	1,248	34,839
					9,301,533	363,552	9,665,085
					(113,671)	20,670	(93,001)
					(618,301)	527,313	(90,988)
					30,040,628	19,516,750	49,557,378
					(8,173,591)	(1,199,000)	(9,372,591)
					21,867,037	18,317,750	40,184,787
					\$ 21,248,736	\$ 18,845,063	\$ 40,093,799

City of Maysville, Kentucky
Balance Sheet - Governmental Funds
June 30, 2015

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash	\$ 1,898,967	\$ 275,507	\$ 2,174,474
Certificates of deposit	8,895,476	-	8,895,476
Investments	167,429	1,548,425	1,715,854
Receivables			
User fees (net)	-	60,649	60,649
Taxes and license	1,677,437	-	1,677,437
Property taxes	14,135	-	14,135
Other	19,643	-	19,643
Intergovernmental	110,623	166,065	276,688
Prepaid expenses	27,681	-	27,681
Due from other funds	<u>760,345</u>	<u>910,198</u>	<u>1,670,543</u>
Total Assets	<u>\$13,571,736</u>	<u>\$ 2,960,844</u>	<u>\$ 16,532,580</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 241,519	\$ 19,324	\$ 260,843
Payroll liabilities	234,116	-	234,116
Deferred revenue	1,509	-	1,509
Due to other funds	<u>1,103,296</u>	<u>313,646</u>	<u>1,416,942</u>
Total Liabilities	<u>1,580,440</u>	<u>332,970</u>	<u>1,913,410</u>
Fund Balances			
Nonspendable	27,681	-	27,681
Restricted	-	2,299,862	2,299,862
Unassigned	<u>11,963,615</u>	<u>328,012</u>	<u>12,291,627</u>
Total Fund Balances	<u>11,991,296</u>	<u>2,627,874</u>	<u>14,619,170</u>
Total Liabilities and Fund Balances	<u>\$13,571,736</u>	<u>\$ 2,960,844</u>	<u>\$ 16,532,580</u>

City of Maysville, Kentucky
 Governmental Funds
 Reconciliation of the Balance Sheet to the Statement of Net Position
 June 30, 2015

Fund balances- total governmental funds		\$ 14,619,170
<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 \$11,362,630		14,082,801
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the fund financial statements		552,484
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	584,403	
Deferred inflows related to pension	<u>(567,198)</u>	17,205
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.		
Net pension liability - Police & Fire	(1,221,924)	-
Net pension liability - CERS	<u>(6,801,000)</u>	<u>(8,022,924)</u>
Net Position of governmental activities		<u>\$ 21,248,736</u>

City of Maysville, Kentucky
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue			
Taxes	\$ 1,312,146	\$ 146,236	\$ 1,458,382
Licenses and permits	7,559,401	-	7,559,401
Intergovernmental revenue	440,290	384,220	824,510
Charges for services	72,219	637,377	709,596
Investment income	14,148	19,443	33,591
Fines and permits	1,143	-	1,143
Other	95,947	3,765	99,712
	<u>9,495,294</u>	<u>1,191,041</u>	<u>10,686,335</u>
Total Revenue			
Expenditures			
General Government	2,539,594	16,122	2,555,716
Public Works	2,972,233	-	2,972,233
Public Safety - Fire	1,780,582	-	1,780,582
Public Safety - Police	2,063,776	-	2,063,776
Ambulance Service	-	120,720	120,720
Parks and Recreation	51,070	329,948	381,018
Tourism	-	197,891	197,891
Community Development	75,000	-	75,000
Capital Outlay	1,069,168	11,702	1,080,870
	<u>10,551,423</u>	<u>676,383</u>	<u>11,227,806</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>(1,056,129)</u>	<u>514,658</u>	<u>(541,471)</u>
Other Financing Sources (Uses)			
Proceeds from insurance settlement	50,625	-	50,625
Proceeds from sale of property	15,088	-	15,088
Transfers (to) from other funds	200,654	(314,325)	(113,671)
	<u>266,367</u>	<u>(314,325)</u>	<u>(47,958)</u>
Total Other Financing Uses			
Net Change in Fund Balance	(789,762)	200,333	(589,429)
Fund Balances July 1, 2014	<u>12,781,058</u>	<u>2,427,541</u>	<u>15,208,599</u>
Fund Balances June 30, 2015	<u>\$ 11,991,296</u>	<u>\$ 2,627,874</u>	<u>\$ 14,619,170</u>

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, 2015

Net change in fund balances - total governmental funds \$ (589,429)

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	630,638	
Depreciation expense	(826,196)	
Loss of disposal of property	(1,184)	(196,742)

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	(23,333)	
CERS Pension Plan	191,203	167,870

Change in Net Position of Governmental Activities \$ (618,301)

City of Maysville, Kentucky
Statement of Net Position - Proprietary Funds
June 30, 2015

	<u>Maysville Utility Commission</u>	<u>Public Building Corporation</u>	<u>2015 Total</u>
Assets			
Current Assets			
Cash	\$ 613,590	\$ 346,785	\$ 960,375
Certificates of deposit	621,270	1,100,000	1,721,270
Accounts receivable (net):			
User fees	410,435	-	410,435
Intergovernmental	330,374	-	330,374
Due from other funds	-	256,900	256,900
Inventory, at cost	<u>177,481</u>	<u>-</u>	<u>177,481</u>
Total Current Assets	<u>2,153,150</u>	<u>1,703,685</u>	<u>3,856,835</u>
Restricted assets:			
Certificates of deposit > 90 days	<u>1,067,715</u>	<u>-</u>	<u>1,067,715</u>
Total restricted assets	<u>1,067,715</u>	<u>-</u>	<u>1,067,715</u>
Noncurrent Assets			
Capital assets, net of depreciation	26,111,067	3,164,640	29,275,707
Note receivable	-	182,750	182,750
Total Noncurrent Assets	<u>26,111,067</u>	<u>3,347,390</u>	<u>29,458,457</u>
Total Assets	<u>29,331,932</u>	<u>5,051,075</u>	<u>34,383,007</u>
Deferred Outflows of Resources			
Pension contributions - current year	<u>102,614</u>	<u>-</u>	<u>102,614</u>
Liabilities			
Current Liabilities			
Accounts payable	636,454	-	636,454
Other liabilities	177,701	-	177,701
Due to other funds	510,500	-	510,500
Payable from restricted assets:			
Bonds and notes payable	654,054	-	654,054
Accrued interest payable	<u>17,293</u>	<u>-</u>	<u>17,293</u>
Total Current Liabilities	<u>1,996,002</u>	<u>-</u>	<u>1,996,002</u>
Long-term Debt			
Interim debt financing	9,501,148	-	9,501,148
Bonds and notes payable	2,880,208	-	2,880,208
Net pension liability	<u>1,160,000</u>	<u>-</u>	<u>1,160,000</u>
Total Long-term Debt	<u>13,541,356</u>	<u>-</u>	<u>13,541,356</u>
Total Liabilities	<u>15,537,358</u>	<u>-</u>	<u>15,537,358</u>
Deferred Inflows of Resources			
Net difference between projected and actual investment earnings on pension plan investments	<u>103,200</u>	<u>-</u>	<u>103,200</u>
Net Position			
Invested in capital assets, net of related debt	13,075,657	3,164,640	16,240,297
Restricted for:			
Debt service	1,067,715	-	1,067,715
Unrestricted	<u>(349,384)</u>	<u>1,886,435</u>	<u>1,537,051</u>
Total Net Position	<u>\$13,793,988</u>	<u>\$ 5,051,075</u>	<u>\$ 18,845,063</u>

See accompanying notes to financial statements.

City of Maysville, Kentucky
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Maysville Utility <u>Commission</u>	Public Building <u>Corporation</u>	2015 <u>Total</u>
Operating Revenues			
Water sales	\$ 1,737,671	\$ -	\$ 1,737,671
Water surcharge	129,116	-	129,116
Sewer charges	2,277,497	-	2,277,497
Lease income	-	255,995	255,995
Other operating income	<u>223,319</u>	<u>-</u>	<u>223,319</u>
Total Operating Revenues	<u>4,367,603</u>	<u>255,995</u>	<u>\$ 4,623,598</u>
Operating Expenses			
Water operations	1,885,451	-	1,885,451
Sewer operations	1,128,458	-	1,128,458
Public operations	-	524	524
Total Operating Expenses	<u>3,013,909</u>	<u>524</u>	<u>3,014,433</u>
Operating income before depreciation	<u>1,353,694</u>	<u>255,471</u>	<u>1,609,165</u>
Depreciation expense			
Water system	314,706	-	314,706
Sewer system	430,478	-	430,478
Public Building Corporation	<u>-</u>	<u>106,502</u>	<u>106,502</u>
Total Depreciation expenses	<u>745,184</u>	<u>106,502</u>	<u>851,686</u>
Operating income	<u>608,510</u>	<u>148,969</u>	<u>757,479</u>
Nonoperating Revenues (Expenses)			
Interest revenue	546	702	1,248
Interest expense	(254,090)	-	(254,090)
Transfers (net)	239,500	(218,830)	20,670
Reimbursement from state for relocation of by-pass water and sewer lines	362,304	-	362,304
Payments made for state relocation of by-pass water and sewer lines	<u>(360,298)</u>	<u>-</u>	<u>(360,298)</u>
Total nonoperating revenues (expenses)	<u>(12,038)</u>	<u>(218,128)</u>	<u>(230,166)</u>
Change in Net Position	596,472	(69,159)	527,313
Net Position, July 1, 2014, as originally reported	14,396,516	5,120,234	19,516,750
Prior period adjustment (see Note 14)	<u>(1,199,000)</u>	<u>-</u>	<u>(1,199,000)</u>
Net Position, July 1, 2014, as restated	<u>13,197,516</u>	<u>5,120,234</u>	<u>18,317,750</u>
Net Position, June 30, 2015	<u>\$ 13,793,988</u>	<u>\$ 5,051,075</u>	<u>18,845,063</u>

See accompanying notes to financial statements.

City of Maysville, Kentucky
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Maysville Utility Commission	Public Building Corporation	2015 Total
Cash flows from operating activities			
Receipts from customers	\$ 4,353,655	\$ 255,995	\$ 4,609,650
Payments to suppliers	(1,205,830)	(524)	(1,206,354)
Payments to employees	(1,339,506)	-	(1,339,506)
Receipts from other governments	(330,374)	-	(330,374)
	<u>1,477,945</u>	<u>255,471</u>	<u>1,733,416</u>
Net cash provided by operating activities			
Cash flows from noncapital and financing activities			
Interfund activity	-	(218,830)	(218,830)
Customer deposits (net)	11,767	-	11,767
	<u>11,767</u>	<u>(218,830)</u>	<u>(207,063)</u>
Net cash provided by (used in) noncapital financing activities			
Cash flows from capital and related financing activities			
Additions to capital assets	(2,340,220)	(10,865)	(2,351,085)
Principal paid on notes and bonds	(1,003,540)	-	(1,003,540)
Borrowings on notes and bonds	2,080,495	-	2,080,495
Interest paid on notes and bonds	(254,090)	-	(254,090)
Reimbursement from state for relocation of by-pass water and sewer lines	362,304	-	362,304
Payments made for state relocation of by-pass water and sewer lines	(360,296)	-	(360,296)
Payments received on notes receivable	-	14,333	14,333
	<u>(1,515,347)</u>	<u>3,468</u>	<u>(1,511,879)</u>
Net cash provided by (used in) capital and related financing activities			
Cash flows from investing activities			
(Purchase) disposal of certificates of deposit (net)	(66,945)	-	(66,945)
Interest on certificates of deposit	547	701	1,248
	<u>(66,398)</u>	<u>701</u>	<u>(65,697)</u>
Net cash provided by (used in) investing activities			
Net Increase (decrease) in cash	(92,033)	40,810	(51,223)
Cash, beginning of year	705,623	305,975	1,011,598
	<u>705,623</u>	<u>305,975</u>	<u>1,011,598</u>
Cash, end of year	<u>\$ 613,590</u>	<u>\$ 346,785</u>	<u>\$ 960,375</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 608,510	\$ 148,969	\$ 757,479
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	745,184	106,502	851,686
Change in assets and liabilities:			
Accounts receivable	(344,322)	-	(344,322)
Inventory	7,401	-	7,401
Prepaid expenses	8,542	-	8,542
Accounts payable	500,688	-	500,688
Net pension liability	(38,414)	-	(38,414)
Accrued liabilities	(9,644)	-	(9,644)
	<u>(9,644)</u>	<u>-</u>	<u>(9,644)</u>
Net cash provided by operating activities	<u>\$ 1,477,945</u>	<u>\$ 255,471</u>	<u>\$ 1,733,416</u>

City of Maysville, Kentucky
Statement of Net Position - Fiduciary Funds
June 30, 2015

	Fiduciary Funds		
	<u>Pension Trust</u>	<u>Private-purpose</u>	
	Police & Firemen's	I.N. Foster	2015
	<u>Pension Fund</u>	<u>Fund</u>	<u>Total</u>
Assets			
Cash and savings	\$ -	\$ 26,957	\$ 26,957
Certificates of deposit	-	90,000	90,000
Investments	<u>897,947</u>	<u>1,258,235</u>	<u>2,156,182</u>
Total Assets	<u>897,947</u>	<u>1,375,192</u>	<u>2,273,139</u>
Net Position			
Net Position held in trust for pension benefits	897,947	-	897,947
Net Position	<u>-</u>	<u>1,375,192</u>	<u>1,375,192</u>
Total Net Position and Liabilities	<u>\$ 897,947</u>	<u>\$ 1,375,192</u>	<u>\$ 2,273,139</u>

City of Maysville, Kentucky
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	<u>Fiduciary Funds</u>		
	<u>Pension Trust</u>	<u>Private-purpose</u>	
	<u>Police & Firemen's</u>	<u>I.N. Foster</u>	<u>2015</u>
	<u>Pension Fund</u>	<u>Fund</u>	<u>Total</u>
Revenues			
Interest and dividends	\$ 22,213	\$ 18,027	\$ 40,240
Realized gain on investments	6,686	-	6,686
Unrealized gain (loss) on investments	<u>(24,035)</u>	<u>1,283</u>	<u>(22,752)</u>
Total Revenues	<u>4,864</u>	<u>19,310</u>	<u>24,174</u>
Expenditures			
Pension payments	171,760	-	171,760
Shelter and clothing for children	-	42,793	42,793
Trustee fee	<u>7,146</u>	<u>-</u>	<u>7,146</u>
Total Expenditures	<u>178,906</u>	<u>42,793</u>	<u>221,699</u>
Excess (deficiency) of revenues over expenditures	<u>(174,042)</u>	<u>(23,483)</u>	<u>(197,525)</u>
Transfers from other funds	<u>93,000</u>	<u>-</u>	<u>93,000</u>
Excess (deficiency) of revenues over expenditures and transfers	<u>(81,042)</u>	<u>(23,483)</u>	<u>(104,525)</u>
Net Position, July 1, 2014	<u>978,989</u>	<u>1,398,675</u>	<u>2,377,664</u>
Net Position, June 30, 2015	<u><u>\$ 897,947</u></u>	<u><u>\$ 1,375,192</u></u>	<u><u>2,273,139</u></u>

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

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 financials 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, 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 Ambulance Service – Established by an agreement between the City and County. The service was established to provide emergency ambulance service to the residents of the City and 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.

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 non-spendable, 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 non-spendable, restricted, committed or assigned. For all other government funds, amounts expended in excess of resources that are non-spendable, 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 \$11,963,615 as of June 30, 2015. Prepaid expenses related to fuel of \$27,681 are considered non-spendable.

Other Major Funds

The Municipal Road Aid Fund has restricted funds of \$328,086 that are set aside for City road repairs and the Local Government Economic Assistance Fund has restricted funds of \$423,351 for other government operations other than road repairs. The cemetery permanent fund has restricted funds of \$1,548,425 that are restricted for cemetery operations.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

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.

The City was under budget for General Government, Police, Fire, and Public Works expenditures; as a whole, the general fund had a favorable budget variance of \$538,638 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 Fund receivables amounted to \$149,751. Allowances for uncollectible accounts receivable in the Ambulance Fund totaled \$89,102 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 \$402,633 comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable in utilities totaled \$12,182 and are based upon historical trends and the periodic aging of accounts receivable. The Utility fund also has \$350,358 of other receivables due from the State Transportation Department for relocation projects.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 2 – Cash and Investments (Continued)

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, 2015. 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

<u>Type of Deposit</u>	<u>Category</u>			<u>Total Bank Balance</u>	<u>Total Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand deposits	\$ 732,346	\$ 2,740,283	-	\$ 3,472,629	\$ 3,134,849
Savings and time deposits	1,500,000	10,138,702	52,300	11,691,002	11,684,461
	<u>\$2,232,346</u>	<u>\$12,878,985</u>	<u>\$ 52,300</u>	<u>\$15,163,631</u>	<u>\$14,819,310</u>

Investments of the City as of June 30, 2015 are summarized and categorized below in the following table:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>1 year or Less</u>	<u>1-5 years</u>	<u>more than 5 years</u>
Certificate of deposit	\$ 11,684,461	\$ 9,910,820	\$ 1,773,641	\$ -
Cash equivalents	306,089	306,089	-	-
Fixed income funds	487,598	487,598	-	-
Equity funds	852,359	852,359	-	-
Real estate	69,809	69,809	-	-
	<u>\$ 13,400,316</u>	<u>\$ 11,626,675</u>	<u>\$ 1,773,641</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, 2015, 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.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 2 – Cash and Investments (Continued)

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. 73% of the City's investments at June 30, 2015 are invested in two financial institutions.

Note 3 - Restricted Cash

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

Note 4 – Notes and Long-Term Intergovernmental Receivables

The Maysville-Mason County Industrial Development Authority originally borrowed \$627,484 from the City for park improvements. These funds are to be repaid when the land is resold. As of June 30, 2015, it remained uncertain when the land would be sold. The balance of the note at June 30, 2015 was \$552,483 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, 2015 is \$182,750. The note is secured by real estate mortgage.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 5 – Capital Assets

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 942,664	\$ 10,000	\$ -	\$ 952,664
Capital assets that are depreciated:				
Land improvements	611,919	-	-	611,919
Buildings	10,166,836	60,539	-	10,227,375
Vehicles and equipment	6,590,563	560,099	7,500	7,143,162
Totals	<u>17,369,318</u>	<u>620,638</u>	<u>7,500</u>	<u>17,982,456</u>
Total Non-Infrastructure Assets	<u>18,311,982</u>	<u>630,638</u>	<u>7,500</u>	<u>18,935,120</u>
Recording Infrastructure Assets:				
Infrastructure	6,510,311	-	-	6,510,311
Total Capital Assets	<u>24,822,293</u>	<u>630,638</u>	<u>-</u>	<u>25,445,431</u>
Less Accumulated Depreciation:				
Land improvements	246,817	41,081	-	287,898
Buildings	3,788,314	215,154	-	4,003,468
Vehicles and equipment	5,177,246	405,957	6,313	5,576,890
Infrastructure	1,330,370	164,004	-	1,494,374
Totals	<u>10,542,747</u>	<u>826,196</u>	<u>-</u>	<u>11,362,630</u>
Total capital assets, net	<u>\$ 14,279,546</u>	<u>\$ (195,558)</u>	<u>\$ (1,187)</u>	<u>\$ 14,082,801</u>
Business-Type Activities:				
Land	\$ 250,583	\$ -	\$ -	\$ 250,583
Building	4,239,877	10,865	-	4,250,742
Construction in progress	7,607,218	2,210,630	-	9,817,848
Water utility plant	12,101,492	32,851	46,252	12,088,091
Sewer utility plant	15,739,841	96,741	35,613	15,800,969
Total cost	<u>39,939,011</u>	<u>2,351,087</u>	<u>81,865</u>	<u>42,208,233</u>
Less Accumulated depreciation:				
Building	1,230,183	106,502	-	1,336,685
Water utility plant	6,077,723	314,706	46,252	6,346,177
Sewer utility plant	4,854,796	430,478	35,610	5,249,664
Total accumulated depreciation	<u>12,162,702</u>	<u>851,686</u>	<u>81,862</u>	<u>12,932,526</u>
Total capital assets, net	<u>\$ 27,776,309</u>	<u>\$ 1,499,401</u>	<u>\$ -</u>	<u>\$ 29,275,707</u>

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 5 – Capital Assets (Continued)

Depreciation Expense was charged to the Governmental functions as follows:

General Government	\$	299,606
Public Works		223,073
Public Safety		272,645
Parks and Recreation		<u>30,872</u>
 Total Depreciation Expense	 \$	 <u><u>826,196</u></u>

Note 6 – 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, 2015, are as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Land	\$ 250,583	\$ -	\$ -	\$ 250,583
Building	<u>4,239,877</u>	<u>10,865</u>	<u>-</u>	<u>4,250,742</u>
	4,490,460	10,865	-	4,501,325
 Accumulated Depreciation	 <u>1,230,183</u>	 <u>106,502</u>	 <u>-</u>	 <u>1,336,685</u>
	 <u><u>\$ 3,260,277</u></u>	 <u><u>\$ (95,637)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 3,164,640</u></u>

Future minimum rental payments under existing operating leases at June 30, 2015, are as follows:

2016	\$ <u>60,600</u>
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Note 7 – Business-Type Activities – Long Term Debt

Note Payable

The Maysville Utility Commission obtained financing for the sewer plant through the Kentucky Infrastructure Authority. The total note was to be \$12,500,000, of which, the City drew down \$11,722,252. The terms of the note require interest to be paid at 1.8%, and the loan is to be amortized over 20 years. Interest payments began in November 1998, and principal payments began on December 1, 2000, one year after the sewer plant began operations. In addition, the City has agreed to raise the user fee rates anytime the fees collected are not sufficient to meet the debt service and required deposit to the replacement reserve account. The balance of the note at June 30, 2015, was \$3,335,354.

Under terms of the loan agreement with the Kentucky Infrastructure Authority, the City is required to set aside \$100,000 per year into a Replacement Reserve until \$1,000,000 has been reserved. At June 30, 2015, this reserve was properly funded with a balance of \$1,000,215.

On June 22, 2011, the City's Board of Commissioners adopted a resolution to pay-off the Utility Commission's 2002 bonds payable. The City's General Fund provided the note proceeds and the Utility Commission is repaying the General Fund on the same schedule as the original 2002 bond issue with an interest rate of 2%. The balance of the note was paid in full during year ended June 30, 2015.

Revolving Loans

The Maysville Utility Commission obtained financing for the Washington Area Sewer project through the American Recovery and Reinvestment Act with the Kentucky Infrastructure Authority. The total revolving loan was to be \$500,000, of which 52.1%, or \$260,500, of the principal was forgiven, with the remaining 47.9%, or \$239,500, to be considered a loan. The terms of the loan require interest to be paid at 2.0%, and be repaid over a period not to exceed 20 years from the date the loan is closed. Interest payments begin on June 1 or December 1 immediately succeeding the date of the initial draw of funds, and are due each six months thereafter until the loan is repaid. Full principal payments begin on the appropriate June 1 or December 1 within twelve months from initiation of operation, and due each six months thereafter until the loan is repaid. The balance of the note at June 30, 2015, was \$198,907.

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 2016.

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, 2015 was \$9,501,148. In August of 2015, the City received notification from the Federal EPA that the City had satisfied the federal requirements of the order.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 7 – 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, excluding interim debt financing, as of June 30, 2015, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	654,054	61,079	715,123
2017	665,881	49,231	715,122
2018	677,953	37,170	715,123
2019	690,233	24,888	715,121
2020	702,736	12,387	715,123
2021-2025	61,310	11,631	72,941
2026-2030	67,722	5,218	72,940
2031	14,372	216	14,588
	<u> </u>	<u> </u>	<u> </u>
Total	\$ 3,534,261	\$ 201,820	\$ 3,736,081

Note 8 – Changes in Long – Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Business-Type Activities:				
KIA Note Payable	\$ 3,958,441	\$ -	\$ (623,087)	\$ 3,335,354
Note Payable to City***	370,000	-	(370,000)	-
Interim Debt Financing	7,420,653	2,080,495	-	9,501,148
Revolving Loan	209,360	-	(10,453)	198,907
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 11,958,454	\$ 2,080,495	\$ (1,003,540)	\$ 13,035,409

Note 9 – Retirement Plan

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27. The objective of this statement is to improve financial reporting by state and local governmental pension plans. In addition, it requires the liability of the employers and non-employer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, this statement requires additional changes to the Required Supplementary Information, among other extensive changes. This statement is effective for fiscal year 2015 and the City implemented in fiscal year 2015.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 9 – Retirement Plan (Continued)

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.

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

Plan Description

CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each 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.

Membership in CERS consisted of the following at June 30, 2014:

	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	46,112	6,006	52,118
Inactive memberships	70,231	2,038	72,269
Active plan members	<u>82,494</u>	9,189	<u>91,683</u>
	<u>198,837</u>	<u>17,233</u>	<u>216,070</u>
Number of participating employers			<u>1,137</u>

Contributions

For the year ended June 30, 2015, 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, 2015, participating employers contributed 17.67% of each non-hazardous employee's wages and 34.31% 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, 2015 the City's covered payroll for hazardous and non-hazardous positions was \$4,989,123 (\$4,100,193 City, \$888,930 Utility Commission). The City's contribution for the fiscal year ended June 30, 2015 amounted \$953,686 (\$811,216 City; \$142,470 Utility Commission), of which \$687,017 (\$584,403 City; \$102,614 Utility Commission) was contributed by the City and \$266,669 (\$226,813 City; \$39,856 Utility Commission) by the City's employees.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 9 – Retirement Plan (Continued)

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

At June 30, 2015, the City reported a liability of \$7,761,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 0.003134 percent for hazardous and .000935 percent for non-hazardous. At June 30, 2014, the Utility Commission's proportion was .000357 percent for non-hazardous.

For the year ended June 30, 2015, the City recognized pension expense of \$176,085. At June 30, 2015, 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	\$ -	\$ -
Net difference between projected and actual earnings on Plan investments	-	838,000
Amortization of deferred inflows from net difference between projected and actual earnings on Plan investments (5-years)	-	(167,600)
City contributions subsequent to the measurement date	687,017	-
Total	\$ 687,017	\$ 670,400

The \$687,017 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, 2016. 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,	
2016	\$(167,600)
2017	(167,600)
2018	(167,600)
2019	(167,600)

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization.

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.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 9 – Retirement Plan (Continued)

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. 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.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 9 – Retirement Plan (Continued)

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	%
Domestic equity	30	8.45	%
International equity	22	8.85	
Emerging Market Equity	5	10.5	
Private equity	7	11.25	
Real estate	5	4.5	
Core US Fixed Income	10	5.25	
High yield US fixed income	5	7.25	
Non US fixed income	5	5.5	
TIPS	5	5.9	
Commodities	5	7.75	
Cash	1	3.25	
Total	<u>100</u>		%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount rate	City's proportionate share of net pension liability
1% decrease	6.75%	\$ 5,801,000
Current discount rate	7.75%	\$ 7,961,000
1% increase	8.75%	\$ 10,442,000

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 10 – 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, 2015, 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 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, 2015, 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:

	<u>Required Employee Contribution</u>	<u>Required Employer Contribution</u>	<u>Required Contribution Actually Made</u>	<u>Percentage of Required Total Contribution</u>
2015	\$ -	\$ 93,000	\$ 93,000	100%
2014	\$ -	\$ 93,000	\$ 93,000	100%
2013	\$ -	\$109,000	\$109,000	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

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 10 – Police and Firemen Retirement Fund (Continued)

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, 2014, the date of the latest actuarial valuation of the Plan was \$2,119,872.

The market value of the net assets available for benefits at June 30, 2015, was \$897,948. The total unfunded pension benefit obligation applicable to the participants of the Fund at June 30, 2015, was approximately \$1,221,924.

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.

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, 2015, indicated that the annual contribution level needs to be approximately \$53,000 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 2015 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		%

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 10 – Police and Firemen Retirement Fund (Continued)

The components of the net pension liability of the fund at June 30, 2015, were as followings:

Total pension liability	\$ 2,119,872
Plan net position	<u>897,948</u>
Fund's net pension liability	<u>\$ 1,221,924</u>
Plan's net position as a percentage of the total pension liability	42.4%

Sensitivity of the net 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, 2015 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, 2015 valuation discount rate of 4.50%	\$2,119,872
At discount rate 1% higher (i.e. 5.50%)	1,943,722
At discount rate 1% lower (i.e. 3.50%)	2,325,750

Note 11 – Property Tax Calendar

Property taxes for fiscal year 2015 were levied in September 2014 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 12 – 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 13 – Contingencies

The Maysville-Mason County Industrial Development Authority originally borrowed \$627,484 from the City for park improvements. These funds are to be repaid when the land is resold. As of June 30, 2014, it remained uncertain when the land would be sold. The balance of the note at June 30, 2015 was \$552,483 and classified as long-term.

City of Maysville, Kentucky
Notes to Financial Statements
June 30, 2015

Note 14- Prior Period Adjustment

Government-wide net assets decreased by \$9,372,591 as a result of adjustments to the net pension liability. The adjustment impacted the net assets of governmental activities by \$8,173,591 and business-type activities by \$1,199,000.

As described in Notes 9 and 10 regarding the City's participation in the County Employee's Retirement Plan and the Police and Firemen Retirement Fund, the Government Accounting Standards Board's Statement No. 68 became effective for fiscal year 2015. The new standard required the City to report its proportionate share of the net pension liability and related deferred outflows of resources and deferred inflows of resources. That amount was calculated to be \$8,173,591 for governmental activities and \$1,199,000 for business-type activities as of June 30, 2014.

Note 15 – Interfund Receivables and Payables

Interfund Receivables and Payables as of June 30, 2015 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 760,345	\$ 1,103,296
Rec. Park Fund	-	141,625
Ambulance Fund	-	168,345
Plannig Comm. Fund	-	3,676
Tourism Fund	158,761	-
Municipal Road Fund	328,086	-
LGEA Fund	423,351	-
Maysville Utility Commission	-	510,500
Public Building Corp.	256,899	-
	<u>\$ 1,927,442</u>	<u>\$ 1,927,442</u>

Note 16 – Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through January 4, 2016, 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, 2015, have not been evaluated by the City.

City of Maysville, Kentucky
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance-Budget and Actual
 for the year ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 1,221,000	\$ 1,221,000	\$ 1,312,146	\$ 91,146
Licenses and permits	7,447,000	7,447,000	7,559,401	112,401
Intergovernmental revenue	807,500	2,707,500	440,290	(2,267,210)
Other	165,100	165,100	183,457	18,357
Total revenues	<u>9,640,600</u>	<u>11,540,600</u>	<u>9,495,294</u>	<u>(2,045,306)</u>
Expenditures				
General government	2,802,000	2,802,000	2,539,594	262,406
Police	2,103,000	2,103,000	2,063,776	39,224
Fire	1,838,000	1,838,000	1,780,582	57,418
Public works	3,291,000	3,291,000	2,972,233	318,767
Other	80,000	80,000	75,000	5,000
Parks and recreation	91,000	91,000	51,070	39,930
Capital	764,000	2,664,000	1,069,168	1,594,832
Total expenditures	<u>10,969,000</u>	<u>12,869,000</u>	<u>10,551,423</u>	<u>2,317,577</u>
Excess (deficiency) of revenues over expenditures	<u>(1,328,400)</u>	<u>(1,328,400)</u>	<u>(1,056,129)</u>	<u>272,271</u>
Other financing sources (uses):				
Proceeds from insurance settlement	-	-	50,625	50,625
Proceeds from sale of property	-	-	15,088	15,088
Transfers (to) from other funds, net	-	-	200,654	200,654
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>266,367</u>	<u>266,367</u>
Excess (deficiency) of revenues over expenditures and transfers	<u>\$ (1,328,400)</u>	<u>\$ (1,328,400)</u>	<u>(789,762)</u>	<u>\$ 538,638</u>
Fund balance, beginning of year			<u>12,781,058</u>	
FUND BALANCE, END OF YEAR			<u><u>\$ 11,991,296</u></u>	

City of Maysville, Kentucky
Required Supplemental Information
Schedule of Changes in Total Pension Liability
Police and Firefighters' Pension Fund
As of June 30, 2015

	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	July 1, 2006 to June 30, 2007	July 1, 2005 to June 30, 2006
Total pension liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	93,804	97,254	114,829	118,234	121,718	150,355	154,707	159,162	171,442	175,703
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	13,053	-	(68,273)	-	-	(255,321)	-	-	56,829	-
Changes in assumptions	7,195	-	203,824	-	-	205,963	-	-	306,097	-
Benefit payments	(171,760)	(176,436)	(177,622)	(183,120)	(187,391)	(217,278)	(226,854)	(228,681)	(228,828)	(229,128)
Net change in total pension liability	(57,708)	(79,182)	72,758	(64,886)	(65,673)	(116,281)	(72,147)	(69,519)	305,540	(53,425)
Total pension liability-beginning	2,177,580	2,256,762	2,184,004	2,248,890	2,314,563	2,430,844	2,502,991	2,572,510	2,266,970	2,320,395
Total pension liability-ending	\$ 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	\$ 2,266,970
Plan fiduciary net position										
Contribution from City	\$ 93,000	\$ 93,000	\$ 109,000	\$ 109,000	\$ 109,000	\$ 114,000	\$ 114,000	\$ 94,000	\$ 94,000	\$ 94,000
Plan net investment income	4,865	68,555	39,344	31,586	103,124	89,091	(31,894)	42,137	111,309	58,276
Benefit payments	(171,760)	(176,436)	(177,622)	(183,120)	(187,391)	(217,278)	(226,854)	(228,681)	(228,828)	(229,128)
Plan administrative expense	(7,146)	(7,242)	(7,318)	(7,323)	(4,041)	(2,980)	(4,161)	(4,993)	(5,093)	(5,215)
Other changes	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(81,041)	(22,123)	(36,596)	(49,857)	20,692	(17,167)	(148,909)	(97,537)	(28,612)	(82,067)
Plan fiduciary net position - beginning	\$ 978,989	\$ 1,001,112	\$ 1,037,708	\$ 1,087,565	\$ 1,066,873	\$ 1,084,040	\$ 1,232,949	\$ 1,330,486	\$ 1,359,098	\$ 1,441,165
Plan fiduciary net position - ending	\$ 897,948	\$ 978,989	\$ 1,001,112	\$ 1,037,708	\$ 1,087,565	\$ 1,066,873	\$ 1,084,040	\$ 1,232,949	\$ 1,330,486	\$ 1,359,098
City net pension liability	1,221,924	1,198,591	1,255,650	1,146,296	1,161,325	1,247,690	1,346,804	1,270,042	1,242,024	907,872
Plan fiduciary net position as a percentage of the total pension liability	42.4%	45.0%	44.4%	47.5%	48.4%	46.1%	44.6%	49.3%	51.7%	60.0%
Annual money-weighted rate of return	0.00%	0.00%	0.00%	0.00%	0.07%	0.18%	0.25%	0.04%	0.04%	0.00%

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 6/30/15, 6/30/2013, 6/30/2010, 6/30/2007 and 6/30/2003. The computation of the pension liability in the intervening years was estimated based on the following:

6/30/2003 liability was rolled forward to 6/30/2004 based on the assumptions used in the 2003 valuation. This roll forward generated an estimated liability as of 6/30/2004. This 6/30/2004 estimate was then rolled forward to 6/30/2005 to generate an estimate on that date using the 2003 valuation assumptions. Finally, the 6/30/2005 estimate was rolled forward in this same fashion to 6/30/2006 to generate the estimate on that date. 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.

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

	June 30, 2015		
	Hazardous (City)	Non- Hazardous (City)	Non- Hazardous (Utility Comm)
City's proportion of the net pension liability	0.313412%	0.093523%	0.035739%
City's proportionate share of the net pension liability	\$ 3,767,000	\$ 3,034,000	\$ 1,160,000
City's covered-employee payroll	\$ 2,480,617	\$ 1,619,576	\$ 888,930
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	151.86%	187.33%	130.49%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	66.80%	66.80%

City of Maysville, Kentucky
Schedule of the City's Contributions
County Employees' Retirement System
For the Year Ended
June 30, 2015

	2015
Contractually required contribution (includes \$344,176 for Health Insurance Fund)	\$ 1,031,193
Contributions in relation to the contractually required contribution	(1,031,193)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 4,989,123
Contributions as a percentage of covered employee	20.67%

City of Maysville, Kentucky
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	SPECIAL REVENUE FUNDS						PERMANENT FUND		
	Maysville- Mason Co. Recreation Park	Maysville- Mason Co. Ambulance Service	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Municipal Road Aid	Local Government Economic Assistance	Total	Cemetery Trust Fund	Total
ASSETS									
Cash	\$ -	\$ 275,507	\$ -	\$ -	\$ -	\$ -	\$ 275,507	\$ -	\$ 275,507
Investments	-	-	-	-	-	-	-	1,548,425	1,548,425
Accounts receivable:									
Intergovernmental	161,339	-	4,726	-	-	-	166,065	-	166,065
User fees (net of ambulance service allowance for doubtful accounts of \$89,102)	-	60,649	-	-	-	-	60,649	-	60,649
Due from other funds	-	-	-	158,761	328,086	423,351	910,198	-	910,198
Total Assets	\$ 161,339	\$ 336,156	\$ 4,726	\$ 158,761	\$ 328,086	\$ 423,351	\$ 1,412,419	\$ 1,548,425	\$ 2,960,844
LIABILITIES AND FUND BALANCE									
Accounts payable	\$ 19,324	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,324	\$ -	\$ 19,324
Due to other funds	141,624	168,345	3,677	-	-	-	313,646	-	313,646
Total Liabilities	160,948	168,345	3,677	-	-	-	332,970	-	332,970
Fund Balance, restricted	-	-	-	-	328,086	423,351	751,437	1,548,425	2,299,862
Fund Balance, unassigned	391	167,811	1,049	158,761	-	-	328,012	-	328,012
Total Fund Balance	391	167,811	1,049	158,761	328,086	423,351	1,079,449	1,548,425	2,627,874
Total Liabilities and Fund Balance	\$ 161,339	\$ 336,156	\$ 4,726	\$ 158,761	\$ 328,086	\$ 423,351	\$ 1,412,419	\$ 1,548,425	\$ 2,960,844

City of Maysville, Kentucky
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
for the year ended June 30, 2015

	SPECIAL REVENUE FUNDS						PERMANENT FUND		
	Maysville- Mason Co. Recreation Park	Maysville- Mason Co. Ambulance Service	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Municipal Road Aid	Local Government Economic Assistance	Total	Cemetery Trust Fund	Total
Revenues									
Intergovernmental revenue	\$ 161,339	\$ 10,000	\$ 4,726	\$ 5,049	\$ 201,831	\$ 1,275	\$ 384,220	\$ -	\$ 384,220
Charges for services	15,207	534,888	3,120	84,162	-	-	637,377	-	637,377
Taxes	-	-	-	146,236	-	-	146,236	-	146,236
Investment income	-	36	-	-	-	-	36	19,407	19,443
Other	3,765	-	-	-	-	-	3,765	-	3,765
Total revenues	<u>180,311</u>	<u>544,924</u>	<u>7,846</u>	<u>235,447</u>	<u>201,831</u>	<u>1,275</u>	<u>1,171,634</u>	<u>19,407</u>	<u>1,191,041</u>
Expenditures									
Parks and Recreation	329,948	-	-	-	-	-	329,948	-	329,948
Ambulance Service	-	120,720	-	-	-	-	120,720	-	120,720
General Government	-	-	12,572	-	-	-	12,572	3,550	16,122
Tourism	-	-	-	197,891	-	-	197,891	-	197,891
Public Safety - Police	-	-	-	-	-	-	-	-	-
Capital Outlay	11,702	-	-	-	-	-	11,702	-	11,702
Total expenditures	<u>341,650</u>	<u>120,720</u>	<u>12,572</u>	<u>197,891</u>	<u>-</u>	<u>-</u>	<u>672,833</u>	<u>3,550</u>	<u>676,383</u>
Excess (deficiency) of revenues over expenditures	(161,339)	424,204	(4,726)	37,556	201,831	1,275	498,801	15,857	514,658
Other Financing Sources (Uses)									
Contributions	-	-	-	-	-	-	-	-	-
Transfers (to) from other funds	161,339	(424,204)	4,726	5,000	-	-	(253,139)	(61,186)	(314,325)
Total Other Financing Sources (Uses)	<u>161,339</u>	<u>(424,204)</u>	<u>4,726</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(253,139)</u>	<u>(61,186)</u>	<u>(314,325)</u>
Excess (deficiency) of revenues over expenditures and transfers	-	-	-	42,556	201,831	1,275	245,662	(45,329)	200,333
Fund balance, beginning of year	391	167,811	1,049	116,205	126,255	422,076	833,787	1,593,754	2,427,541
Fund balance, end of year	<u>\$ 391</u>	<u>\$ 167,811</u>	<u>\$ 1,049</u>	<u>\$ 158,761</u>	<u>\$ 328,086</u>	<u>\$ 423,351</u>	<u>\$ 1,079,449</u>	<u>\$ 1,548,425</u>	<u>\$ 2,627,874</u>

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, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental revenue	\$ 723,700	\$ 723,700	\$ 384,220	\$ (339,480)
Charges for services	514,100	514,100	637,377	123,277
Taxes	130,000	130,000	146,236	16,236
Other	87,000	87,000	3,801	(83,199)
Total revenues	<u>1,454,800</u>	<u>1,454,800</u>	<u>1,171,634</u>	<u>(283,166)</u>
Expenditures:				
Parks and Recreation	294,500	294,500	329,948	(35,448)
Ambulance service	127,000	127,000	120,720	6,280
General Government	22,000	22,000	12,572	9,428
Tourism commission	225,000	225,000	197,891	27,109
Public Safety	300,000	300,000	-	300,000
Capital Outlay	-	-	11,702	(11,702)
Total expenditures	<u>968,500</u>	<u>968,500</u>	<u>672,833</u>	<u>295,667</u>
Excess (deficiency) of revenues over expenditures	486,300	486,300	498,801	12,501
Transfers (to) from other funds	<u>-</u>	<u>-</u>	<u>(253,139)</u>	<u>(253,139)</u>
Excess (deficiency) of revenues over expenditures and transfers	486,300	486,300	245,662	(240,638)
Fund balance, beginning of year	<u>833,787</u>	<u>833,787</u>	<u>833,787</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,320,087</u></u>	<u><u>\$ 1,320,087</u></u>	<u><u>\$ 1,079,449</u></u>	<u><u>\$ (240,638)</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 137,700	\$ 161,339	\$ 23,639
Golf course	14,100	15,207	1,107
Miscellaneous	5,000	3,765	(1,235)
	<u>156,800</u>	<u>180,311</u>	<u>23,511</u>
Total revenues			
Expenditures			
Personnel	99,000	104,724	(5,724)
Contractual	35,000	43,066	(8,066)
Material and supplies	54,500	62,004	(7,504)
Other	81,000	120,152	(39,152)
Capital outlay	25,000	11,702	13,298
	<u>294,500</u>	<u>341,648</u>	<u>(47,148)</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(137,700)	(161,337)	(23,637)
Transfers (to) from other funds	137,700	161,339	23,639
	<u>391</u>	<u>391</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and transfers	-	2	2
Fund balance, beginning of year	391	391	-
	<u>391</u>	<u>393</u>	<u>2</u>
Fund balance, end of year	\$ 391	\$ 393	\$ 2

City of Maysville, Kentucky
Maysville - Mason County Ambulance Service
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
for the year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Charges for service	\$ 500,000	\$ 534,888	\$ 34,888
Intergovernmental Revenue	10,000	10,000	-
Other	-	36	36
	<u>510,000</u>	<u>544,924</u>	<u>34,924</u>
Total revenue			
Expenditures			
Contractual	42,000	49,975	(7,975)
Material and supplies	85,000	70,745	14,255
Capital	-	-	-
	<u>127,000</u>	<u>120,720</u>	<u>6,280</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	383,000	424,204	41,204
Transfers (to) from other funds	<u>(383,000)</u>	<u>(424,204)</u>	<u>(41,204)</u>
Excess (deficiency) of revenues over expenditures and transfers	-	-	-
Fund balance, beginning of year	<u>167,810</u>	<u>167,811</u>	<u>1</u>
Fund balance, end of year	<u>\$ 167,810</u>	<u>\$ 167,811</u>	<u>\$ 1</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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 3,000	\$ 4,726	\$ 1,726
Charges for service	3,000	3,120	120
Other	-	-	-
	<u>6,000</u>	<u>7,846</u>	<u>1,846</u>
Expenditures			
Contractual	15,000	10,229	4,771
Material and supplies	7,000	2,343	4,657
	<u>22,000</u>	<u>12,572</u>	<u>9,428</u>
Excess (deficiency) of revenues over expenditures	(16,000)	(4,726)	11,274
Transfers (to) from other funds	<u>16,000</u>	<u>4,726</u>	<u>(11,274)</u>
Excess (deficiency) of revenues over expenditures and transfers	-	-	-
Fund balance, beginning of year	<u>1,049</u>	<u>1,049</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,049</u></u>	<u><u>\$ 1,049</u></u>	<u><u>\$ -</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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 130,000	\$ 146,236	\$ 16,236
Intergovernmental	13,000	5,049	(7,951)
Other	82,000	84,162	2,162
	<u>225,000</u>	<u>235,447</u>	<u>10,447</u>
Total revenues	225,000	235,447	10,447
Expenditures			
Personnel	125,400	110,836	14,564
Contractual	54,500	40,345	14,155
Material and supplies	2,500	3,297	(797)
Other	42,600	43,413	(813)
	<u>225,000</u>	<u>197,891</u>	<u>27,109</u>
Total expenditures	225,000	197,891	27,109
Excess (deficiency) of revenues over expenditures	-	37,556	37,556
Transfers (to) from other funds	5,000	5,000	-
	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and transfers	5,000	42,556	37,556
Fund balance, beginning of year	116,205	116,205	-
	<u>116,205</u>	<u>116,205</u>	<u>-</u>
Fund balance, end of year	<u>\$ 121,205</u>	<u>\$ 158,761</u>	<u>\$ 37,556</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 200,000	\$ 201,831	\$ 1,831
Other	-	-	-
	<u>200,000</u>	<u>201,831</u>	<u>1,831</u>
Total revenues	200,000	201,831	1,831
Expenditures			
Personnel	-	-	-
Congressional grant expenditures	-	-	-
Material and supplies	-	-	-
Other	-	-	-
Contractual	-	-	-
Capital	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	200,000	201,831	1,831
Transfers (to) from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and transfers	200,000	201,831	1,831
Fund balance, beginning of year	<u>126,255</u>	<u>126,255</u>	<u>-</u>
Fund balance, end of year	<u>\$ 326,255</u>	<u>\$ 328,086</u>	<u>\$ 1,831</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 360,000	\$ 1,275	\$ (358,725)
Other	-	-	-
	<u>360,000</u>	<u>1,275</u>	<u>(358,725)</u>
Total revenues			
Expenditures			
Police	100,000	-	100,000
Fire	100,000	-	100,000
Public Works	100,000	-	100,000
	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	60,000	1,275	(58,725)
Transfers (to) from other funds	-	-	-
	<u>60,000</u>	<u>1,275</u>	<u>(58,725)</u>
Excess (deficiency) of revenues over expenditures and transfers			
Fund balance, beginning of year	<u>422,076</u>	<u>422,076</u>	<u>-</u>
Fund balance, end of year	<u>\$ 482,076</u>	<u>\$ 423,351</u>	<u>\$ (58,725)</u>

City of Maysville, Kentucky
Maysville Utility Commission
Schedule of Utility Operating Expenses
for the year ended June 30, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pumping Expense			
Personnel	\$ -	60,599	\$ 60,599
Power	234,364	280,279	514,643
Maintenance	<u>47,483</u>	<u>70,860</u>	<u>118,343</u>
	<u>281,847</u>	<u>411,738</u>	<u>693,585</u>
Treatment Expense			
Personnel	174,462	88,683	263,145
Chemicals and supplies	352,221	25,044	377,265
Maintenance	<u>24,610</u>	<u>33,261</u>	<u>57,871</u>
	<u>551,293</u>	<u>146,988</u>	<u>698,281</u>
Transmission Expense			
Personnel	134,994	115,868	250,862
Supplies	6,778	6,619	13,397
Maintenance	<u>169,527</u>	<u>13,957</u>	<u>183,484</u>
	<u>311,299</u>	<u>136,444</u>	<u>447,743</u>
Customer Accounts Expense			
Personnel	99,591	49,455	149,046
Supplies and other	8,552	7,484	16,036
Uncollectible accounts	<u>6,707</u>	<u>6,036</u>	<u>12,743</u>
	<u>114,850</u>	<u>62,975</u>	<u>177,825</u>
Administrative & General Expense			
Personnel	52,806	52,806	105,612
Fringe benefits	301,843	160,341	462,184
Insurance	62,812	62,811	125,623
Transportation	55,515	52,614	108,129
Water purchase	5,629	-	5,629
Other expenses	<u>147,557</u>	<u>41,741</u>	<u>189,298</u>
	<u>626,162</u>	<u>370,313</u>	<u>996,475</u>
Total operating expenses	<u>\$ 1,885,451</u>	<u>\$ 1,128,458</u>	<u>\$ 3,013,909</u>

City of Maysville, Kentucky
 Schedule of Expenditures of Federal Awards
 for the year ended June 30, 2015

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		\$ 11,000,000	\$ 487,045
DEPARTMENT OF TRANSPORTATION				
Passed through Kentucky Transportation Cabinet				
Formula Grants for Rural Areas	20.509		124,017	124,017
Sidewalk Replacement	20.205	P02-628-110000-4809	114,200	31,582
Highway Safety Cluster; Alcohol Impaired Driving Counter Measures Incentive Grants	20.601	P02-625-15000005351	7,100	5,635
DEPARTMENT OF COMMERCE				
Economic Adjustment Assistance	11.307	04-01-06944	<u>1,152,000</u>	<u>81,060</u>
Total			<u>\$ 12,397,317</u>	<u>\$ 729,339</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Maysville, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of **OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations**. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

**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, 2015, 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 January 4, 2016.

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*.

We noted certain matters that we reported to management of the City of Maysville, Kentucky in a separate letter dated January 4, 2016.

City of Maysville, Kentucky's Response to Findings

City of Maysville, Kentucky's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

January 4, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Baldwin CPAs, PLLC

Baldwin CPAs, PLLC

January 4, 2016

City of Maysville, Kentucky
Schedule of Findings and Questioned Costs
For the year ended June 30, 2015

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Maysville, Kentucky.
2. No significant deficiencies 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.
4. No significant 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 Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

	<u>CFDA #</u>
United States Environmental Protection Agency	
Capitalization Grants for Clean Water	66.458
8. The threshold for distinguishing Types A and B Programs was \$300,000.
9. The City of Maysville, Kentucky did not 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.

City of Maysville, Kentucky
Schedule of Findings and Questioned Costs
For the year ended June 30, 2015

D. Schedule of Prior Year Audit Findings

2014-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

The City is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepted accounting principles. During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The City's limited internal resources along with the size and complexity of operations prevent the preparation of the financial statements and related note disclosures in accordance with generally accepted accounting principles. Numerous material audit adjustments were necessary to prepare the financial statements in conformity with generally accepted accounting principles. This issue was also reported as a deficiency in internal controls in the City's prior audits.

Effect:

The City was unable to prepare or review their financial statements and related note disclosures in accordance with generally accepted accounting principles. Without proper internal resources and procedures to ensure that the financial statements are prepared in accordance with generally accepted accounting principles, the risk of material misstatement is increased.

Management engaged the auditor to prepare draft financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to issuance.

Recommendation:

The City should strive to strengthen the financial reporting system and more closely adhere to governmental accounting practices. Transactions should be recorded in appropriate funds and closing entries should be posted to all funds prior to initiation of audit.

Views of responsible officials and planned corrective actions:

Management understands the need to improve the financial reporting system and more closely adhere to governmental accounting practices. In the current year, the City made all necessary closing entries prior to the start of the audit.