

CITY OF FALMOUTH, KENTUCKY

June 30, 2017

*AUDITED FINANCIAL STATEMENTS*



**MADDOX & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

**Financial Section**

Independent Auditor’s Report ..... 2 - 3  
 Management’s Discussion and Analysis (MD&A) ..... 4 - 10

Basic Financial Statements

*Government-Wide Financial Statements*

Statement of Net Position ..... 11  
 Statement of Activities ..... 12

*Fund Financial Statements*

Balance Sheet – Governmental Funds..... 13  
 Reconciliation of the Balance Sheet –  
 Governmental Funds to the Statement of Net Position..... 14  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balances –Governmental Funds ..... 15  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balances – Governmental Funds to the Statement of Activities..... 16  
 Statement of Net Position – Proprietary Fund ..... 17  
 Statement of Revenues, Expenses, and Changes  
 in Net Position – Proprietary Fund ..... 18  
 Statement of Cash Flows – Proprietary Fund ..... 19

Notes to the Financial Statements..... 20 - 40

**Required Supplementary Information**

Budgetary Comparison - General Fund ..... 41  
 Pension Plan Disclosure..... 41

**Other Supplementary Information**

Combining Balance Sheets – Other Governmental Funds..... 41  
 Combining Statement of Revenues, Expenditures, and Change in  
 Fund Balances, - Other Governmental Funds..... 41  
 Schedule of Revenue and Expenses – Utility Fund ..... 50 - 51

**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* ..... 52 - 53**



## INDEPENDENT AUDITORS' REPORT

City of Falmouth, Kentucky  
230 Main Street  
Falmouth, Kentucky 41040

To the City Commission

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, and each major fund, of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary schedules, and pension schedules, as listed in the table of contents, 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 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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the schedules of fund activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity 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 schedules of fund activity 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 November 1, 2018, on our consideration of the City'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 the City's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky

November 1, 2018

**City of Falmouth, Kentucky**  
**Management's and Discussion Analysis**  
**Year Ended June 30, 2017**

As financial management of the City of Falmouth, Kentucky, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Falmouth for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**Financial Highlights:**

- The assets of the City of Falmouth exceeded liabilities at June 30, 2017, by \$9,546,304. This is an increase of \$22,636 from last year's net assets of \$9,531,088.
- At June 30, 2017, the governmental funds reported combined fund balances of \$(73,904).

**Overview of the Financial Statements:**

This discussion and analysis are intended to serve as an introduction to the City of Falmouth basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information.

**Government-wide financial statements:**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The Statement of Activities presents information showing how a government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period.
- Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Falmouth's governmental activities include police, fire protection, streets, and general government. The City of Falmouth has one business-type activity consisting of electric, water, sewer, and sanitation service.

**Fund Financial Statements:**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Falmouth, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial legal requirements. All of the funds of the City of Falmouth can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the City of Falmouth's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.
- The City of Falmouth adopts an annual appropriated budget for its general fund.
- The basic governmental fund financial statements are included in this report.

#### **Proprietary Fund:**

Proprietary funds provide the same type of information as the government-wide financial statements' business-type activities, only in more detail. The City of Falmouth maintains one proprietary fund to account for its electric, water, sewer and sanitation services.

- The basic proprietary fund financial statements are included in this report.

#### **Notes to the Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning funding progress for the City's employee pension obligation.

#### **Government-wide Financial Analysis:**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City of Falmouth's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Falmouth uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Falmouth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase or decrease reported in the business-type activities cannot be used to make up a difference reported in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water and sewer operations.

Following is a summary statement of net position as of June 30, 2017:

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets	554,979	1,840,014	2,394,993
Capital assets, net	3,335,031	8,779,361	12,114,392
Deferred outflows related to pensions	53,794	453,387	507,181
Total assets and deferred outflows of resources	<u>3,943,804</u>	<u>11,072,762</u>	<u>15,016,566</u>
<b>Liabilities:</b>			
Current liabilities	628,883	248,534	877,417
Net pension liability	112,768	1,359,102	1,471,870
Long-term liabilities	296,364	2,362,359	2,658,723
Deferred inflows related to pensions	462,252	-	462,252
Total liabilities and deferred inflows of resources	<u>1,500,267</u>	<u>3,969,995</u>	<u>5,470,262</u>
<b>Net position:</b>			
Net investment in capital assets	3,040,593	6,440,807	9,481,400
Restricted	54,230	106,896	161,126
Unrestricted	(651,286)	555,064	(96,222)
Total net position	<u>\$ 2,443,537</u>	<u>\$ 7,102,767</u>	<u>\$ 9,546,304</u>

Revenues for the City are generated from three main sources: property taxes, insurance premium taxes, and other taxes.

**Financial Analysis of the Government's Funds:**

As noted earlier, the City of Falmouth uses fund accounting to ensure and demonstrate compliance with financial and legal requirements. The focus of the City of Falmouth's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. *Unreserved fund* balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City of Falmouth's governmental funds reported combined ending fund balances of \$(73,904).

The general fund is the primary operating fund of the City. During the year Revenues exceeded Expenditures in the general fund by \$128,062.

The table below illustrates the breakdown of program costs as in compliance with GASB 34:

	<u>2017</u>	<u>2016</u>
Mayor and council	\$ 207,026	\$ 200,110
Public safety -police	425,185	553,290
Public safety - fire	149,422	113,475
Streets	197,931	12,250
Debt service	76,643	62,789
Interest	564	14,156
Total expenditures	<u>\$ 1,056,771</u>	<u>\$ 956,070</u>

**Financial Analysis of the Proprietary Funds:**

The City of Falmouth's only proprietary fund is the Utility Fund. This fund provides the same information found in the government-wide financial statements but in more detail. Unrestricted net position of the Utility Fund was \$555,064 as of June 30, 2017.

**Capital Asset Administration:**

The City of Falmouth's investment in capital assets includes land, buildings and improvements, equipment, water system, sewer systems, streets, electric system, and other infrastructure. This investment in capital assets as of June 30, 2017, was \$12,114,392 (net of accumulated depreciation).

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Capital assets :		
Land	\$ 638,514	\$ 638,514
Buildings	1,540,663	1,540,663
Improvements/infrastructure	1,773,405	1,773,405
Equipment	195,732	195,732
Parks	200,781	200,781
Vehicles	1,025,080	1,025,080
Total capital assets	<u>\$ 5,374,175</u>	<u>\$ 5,374,175</u>

	Business-type Activities	
	<u>2017</u>	<u>2016</u>
Land	\$ 30,000	\$ 30,000
Buildings and improvements	348,569	348,569
Water and sewer system	14,017,854	14,017,854
Electric system	920,191	920,191
Vehicles	501,199	501,199
Equipment	233,281	233,281
	<u>\$ 16,051,094</u>	<u>\$ 16,051,094</u>



**Debt Administration:**

The City of Falmouth had the following outstanding debt at June 30, 2017:

	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Due Within One Year
Compensated absences	\$ 1,926		\$ -	\$ 1,926	\$ -
Fire truck lease	137,349		(20,346)	117,003	21,302
Police cruiser lease II	11,090		(11,090)	-	
Police cruiser lease III	16,520		(5,285)	11,235	5,504
Klee farm	193,900		(27,700)	166,200	27,700
Total governmental activities	<u>\$ 360,785</u>	<u>\$ -</u>	<u>\$ (64,421)</u>	<u>\$ 296,364</u>	<u>\$ 54,506</u>
Compensated absences	\$ 23,805		\$ -	\$ 23,805	
KIA A07-02	1,824,745		(137,754)	1,686,991	139,134
KIA A0209-39	218,235		(14,058)	204,177	14,199
KIA B09-03	473,943		(26,557)	447,386	26,823
Total business-type activities	<u>\$ 2,540,728</u>	<u>\$ -</u>	<u>\$ (178,369)</u>	<u>\$ 2,362,359</u>	<u>\$ 180,156</u>

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City Clerk, 230 Main Street, Falmouth, KY 41062

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

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 412,244	\$ 987,724	\$ 1,399,968
Receivables	139,380	268,226	407,606
Intergovernmental receivables	3,355	0	3,355
Due from other funds	0	584,064	584,064
Capital assets, net	3,335,031	8,779,361	12,114,392
<b>Total assets</b>	<b>3,890,010</b>	<b>10,619,375</b>	<b>14,509,385</b>
<b>Deferred outflows of resources:</b>			
Deferred outflows related to pensions	53,794	453,387	507,181
<b>Total assets and deferred outflows of resources</b>	<b>3,943,804</b>	<b>11,072,762</b>	<b>15,016,566</b>
<b>Liabilities:</b>			
Accounts payable	7,365	143,296	150,661
Accrued expenses	12,314	10,074	22,388
Accrued wages and benefits	0	0	-
Customer deposits	0	95,164	95,164
Deferred revenue	23,665	0	23,665
Due to other funds	585,539	0	585,539
Interest payable	0	0	-
Net pension liability	112,768	1,359,102	1,471,870
Long-term liabilities:			
Due within one year	0	0	-
Due in more than one year	294,438	2,338,554	2,632,992
Compensated absences	1,926	23,805	25,731
<b>Total liabilities</b>	<b>1,038,015</b>	<b>3,969,995</b>	<b>5,008,010</b>
<b>Deferred inflows of resources:</b>			
Deferred inflows related to pensions	462,252	-	462,252
<b>Total liabilities and deferred inflows of resources</b>	<b>1,500,267</b>	<b>3,969,995</b>	<b>5,470,262</b>
<b>Net position:</b>			
Net investment in capital assets	3,040,593	6,440,807	9,481,400
Restricted	54,230	106,896	161,126
Unrestricted	(651,286)	555,064	(96,222)
<b>Total net position</b>	<b>\$ 2,443,537</b>	<b>\$ 7,102,767</b>	<b>\$ 9,546,304</b>

The accompanying notes are an integral part of these financial statements.

City of Falmouth, Kentucky  
Statement of Activities  
Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 245,314	\$ 0	\$ 36,057	\$ 0	\$ (209,257)	\$ 0	\$ (209,257)
Public safety - police	260,242		18,600		(241,642)		(241,642)
Public safety - fire	168,555	62,774			(105,781)		(105,781)
Public works	239,290				(239,290)		(239,290)
Interest	11,268		44,890		33,622		33,622
<b>Total governmental activities</b>	<b>924,669</b>	<b>62,774</b>	<b>99,547</b>	<b>0</b>	<b>(762,348)</b>	<b>0</b>	<b>(762,348)</b>
<b>Business-type activities:</b>							
Electric	1,566,111	1,772,010				205,899	205,899
Water	723,576	732,691				9,115	9,115
Sewer	685,776	478,694				(207,082)	(207,082)
Garbage	222,726	197,212				(25,514)	(25,514)
Unallocated	212,130					(212,130)	(212,130)
<b>Total business-type activities</b>	<b>3,410,319</b>	<b>3,180,607</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(229,712)</b>	<b>(229,712)</b>
<b>Total city</b>	<b>\$ 4,334,988</b>	<b>\$ 3,243,381</b>	<b>\$ 99,547</b>	<b>\$ 0</b>	<b>(762,348)</b>	<b>(229,712)</b>	<b>(992,060)</b>
		<b>General revenues:</b>					
		Property tax			409,310		409,310
		Insurance tax			290,156		290,156
		Other taxes			132,864		132,864
		Licenses			8,590		8,590
		Other revenues			9,920	68,755	78,675
		Transfers			2,543		2,543
		Sale of assets			62,502		62,502
		<b>Total general revenues</b>			<b>915,885</b>	<b>68,755</b>	<b>984,640</b>
		Change in net position			153,537	(160,957)	(7,420)
		Prior period adjustment			18,886	3,750	22,636
		Net position - beginning			2,271,114	7,259,974	9,531,088
		Net position - ending			<b>\$ 2,443,537</b>	<b>\$ 7,102,767</b>	<b>\$ 9,546,304</b>

The accompanying notes are an integral part of these financial statements.

City of Falmouth, Kentucky  
 Balance Sheet  
 Governmental Funds  
 June 30, 2017

	General Fund	Municipal Road Aid Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 263,221	\$ 57,050	\$ 91,973	\$ 412,244
Receivables:				
Taxes	108,935			108,935
Accounts	25,375	5,070		30,445
Intergovernmental	3,355	0		3,355
Interfund receivable	(72,710)		21,524	(51,186)
Total assets	<u>\$ 328,176</u>	<u>\$ 62,120</u>	<u>\$ 113,497</u>	<u>\$ 503,793</u>
<b>Liabilities:</b>				
Accounts payable	\$ 7,365	\$ 0	\$ 0	\$ 7,365
Accrued liabilities	12,314			12,314
Deferred revenue	23,665			23,665
Due to other funds	526,463	7,890	0	534,353
Total liabilities	<u>569,807</u>	<u>7,890</u>	<u>0</u>	<u>577,697</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balances:</b>				
Nonspendable	0	0	0	0
Restricted	0	54,230	113,497	167,727
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	(241,631)	(0)	0	(241,631)
Total fund balances	<u>(241,631)</u>	<u>54,230</u>	<u>113,497</u>	<u>(73,904)</u>
Total liabilities and fund balances	<u>\$ 328,176</u>	<u>\$ 62,120</u>	<u>\$ 113,497</u>	<u>\$ 503,793</u>

The accompanying notes are an integral part of these financial statements.

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

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances	\$ (73,904)
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	3,335,031
Principal debt payments are recorded as expenditures in the funds but are reported as a reduction in debt in the governmental activities.	(294,438)
Deferred outflows and inflow or resources related to pensions are applicable to future periods and, therefore not reported in the funds:	
Deferred outflows related to pensions	53,794
Deferred inflows related to pension	(462,252)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	
Net pension liability	(112,768)
Compensated absences	(1,926)
Net position of governmental activities	<u><u>\$ 2,443,537</u></u>

City of Falmouth, Kentucky  
Statement of Revenues, Expenditure, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017

	General Fund	Municipal Road Aid Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property tax	\$ 409,310	\$ 0	\$ 0	\$ 409,310
Insurance premium tax	290,156			290,156
Other tax	93,317		39,547	132,864
Licenses and permits	8,590			8,590
Charges for services	62,774			62,774
Intergovernmental	21,144	42,345	36,057	99,546
Rental revenue	16,354			16,354
Other	(6,434)			(6,434)
<b>Total revenues</b>	<b>895,211</b>	<b>42,345</b>	<b>75,604</b>	<b>1,013,160</b>
<b>Expenditures:</b>				
<b>Current</b>				
Mayor and council	207,026			207,026
Public safety -police	425,185			425,185
Public safety - fire	149,422			149,422
Streets	(12,250)	210,181		197,931
Debt service	60,268		16,375	76,643
<b>Total expenditures</b>	<b>829,651</b>	<b>210,181</b>	<b>16,939</b>	<b>1,056,771</b>
<b>Net change in fund balances</b>	<b>65,560</b>	<b>(167,836)</b>	<b>58,665</b>	<b>(43,611)</b>
<b>Other financing sources (uses):</b>				
Sale of assets	62,502			62,502
Transfers in		2,544		2,544
Transfers out				0
<b>Total other financing sources (uses)</b>	<b>62,502</b>	<b>2,544</b>	<b>0</b>	<b>65,046</b>
<b>Net change in fund balances</b>	<b>128,062</b>	<b>(165,292)</b>	<b>58,665</b>	<b>21,435</b>
Prior period adjustment	18,886	0	0	18,886
Beginning fund balances	(388,579)	219,522	54,832	(114,225)
<b>Ending fund balances</b>	<b>\$ (241,631)</b>	<b>\$ 54,230</b>	<b>\$ 113,497</b>	<b>\$ (73,904)</b>

The accompanying notes are an integral part of these financial statements.

City of Falmouth, Kentucky  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds to the  
 Statement of Activities  
 Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$	21,435
Governmental funds report capital outlays as expenditures. However, for governmental activities those costs are reported in the statement of net position and allocated over their estimated useful lives and reported as depreciation expense in the statement of activities		
Capital outlay reported in governmental expenditures		-
Depreciation expense reported in the statement of activities		(118,741)
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned		
		65,941
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions, is reported as pension expense		
		186,424
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
		(1,522)
Change in net position of governmental activities	<u>\$</u>	<u>153,537</u>

The accompanying notes are an integral part of these financial statements.

City of Falmouth, Kentucky  
Statement of Net Position  
Proprietary Fund  
June 30, 2017

	Utility Fund
Assets:	
Current assets:	
Cash	\$ 987,724
Customer receivables	268,226
Due from other funds	584,064
Total current assets	<u>1,840,014</u>
Noncurrent assets:	
Depreciable capital assets	8,779,361
Total noncurrent assets	<u>8,779,361</u>
Total assets	10,619,375
Deferred outflows of resources:	
Deferred outflows related to pensions	453,387
Total assets and deferred outflows of resources	<u>\$ 11,072,762</u>
Liabilities:	
Accounts payable	\$ 143,296
Accrued expenses	10,074
Payroll and related expenses	0
Interest payable	0
Customer deposits	95,164
Compensated absences	23,805
Net pension liability	1,359,102
Long-term liabilities:	
Due within one year	0
Due in more than one year	2,338,554
Total liabilities	<u>3,969,995</u>
Deferred inflows of resources:	
Deferred inflows related to pensions	-
Total liabilities and deferred inflows of resources	<u>3,969,995</u>
Net position:	
Net investment in capital assets	6,440,807
Restricted	106,896
Unrestricted	555,064
Total net position	<u>7,102,767</u>
Total liabilities and net position	<u>\$ 11,072,762</u>

The accompanying notes are an integral part of these financial statements.



City of Falmouth, Kentucky  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
Year Ended June 30, 2017

Operating revenues	\$ 3,249,362
Operating expenses	
Salaries and wages	512,939
Other employee expenses	280,417
Purchases	1,613,370
Operating expenses	<u>516,590</u>
Total operating expenses	<u>2,923,316</u>
Operating income	326,046
Non-operating income (expense)	
Depreciation	(309,505)
Interest expense	(29,669)
Net change in pension expense	<u>(147,829)</u>
Total non-operating income (expense)	<u>(487,003)</u>
Change in net position	(160,957)
Prior period adjustment	3,750
Net position - beginning	<u>7,259,974</u>
Net position - ending	<u><u>\$ 7,102,767</u></u>

The accompanying notes are an integral part of these financial statements.

City of Falmouth, Kentucky  
Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2017

Cash flows from operating activities	
Receipts from customers	\$ 3,246,424
Payments to suppliers and service proviers	(2,031,562)
Payments to employees for salaries and benefits	(889,364)
Payments to general governement	<u>(94,206)</u>
Net cash provided by operating activities	<u>231,292</u>
Cash flows from capital and related financing activities	
Acquistion of property	-
Principal payments on bonds	(178,369)
Interest payments on bonds	(29,669)
Cash received from grants	<u>-</u>
Net cash provided by operating activities	<u>(208,038)</u>
Cash flows from investing activities	
Other cash receipts	-
Cash received from interest income	<u>-</u>
Net cash (used) by financing activities	<u>-</u>
Net increase in cash and cash equivalents	23,254
Cash and cash equivalents, beginning of year	<u>964,470</u>
Cash and cash equivalents, end of year	<u>\$ 987,724</u>

The accompanying notes are an integral part of these financial statements.

**Note 1 - Summary of Significant Accounting Policies**

These financial statements of the City of Falmouth, Kentucky (City) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant policies of the City is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

**Reporting Entity**

The City operates under a Mayor-Council form of government consisting of the mayor and six city council members. The City's major operations include fire and police protection, street maintenance, and general administrative services. In addition, the City operates a water and sewer system, and electric system, and provides solid waste collection.

The financial statements of the City include the funds for which the Mayor and Council are financially accountable. Financial accountability, as defined by Section 2100 of the Government Account Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, was determined based on the City's ability to significantly influence operations, select the governing body, participate in fiscal management, and the scope of public service. The City has no component units or entities for which the government is considered to be financially accountable.

**Basis of Accounting/Measurement Focus/Financial Statement Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*Government-Wide Financial Statements*

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in two (2) categories: 1) charges for services, and 2) operating grants and contributions.

Certain eliminations have been made as prescribed as GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all GASB Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City Applies all applicable FASB Statements and Interpretations issued after November 30<sup>th</sup>, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

#### *Governmental Fund Financial Statements*

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major Governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in balances as presented in these statements to the net assets and changes in net assets presented in the Government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending of “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance revenue sources, which have been treated as susceptible to accrual by the City, are property tax, insurance premium tax, occupational tax, intergovernmental revenues and other taxes. (See Note D) Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Fund Balance Classification: The Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Receivables as being Non-spendable.
- Restricted: This classifications includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors,

contributors, or laws or regulations of other governments, of (b) imposed by law through constitutional provisions or enabling legislation. The City has classified certain cash accounts as being restricted because their use is restricted by Kentucky Revised Statutes and/or a City Ordinance. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2017.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Mayor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. No funds have been assigned as of June 30, 2017.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

#### Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are reported as non-operating expenses.

Component Units and Fiduciary Activities

There are no government component units incorporated in the basic government-wide financial statements. A component unit is a legally separate entity that is included in the primary government's financial reporting entity using the criteria of Government Standards Accounting Board Statement No. 14.

There are no fiduciary activities incorporated in the financial statements.

Budgetary Information, Compliance, and Accountability

Annual budgets are adopted on a basis consistent with Section 91 A.030 of Kentucky Revised Statutes (KRS) for the general, enterprise fund, and the special revenue fund. Budgets for all government activities and business-type activities and adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

On or before June 30<sup>th</sup> of each year, the Mayor must present the proposed budget to the City's Commission for review. The Commission holds public hearings and a final budget must be prepared and adopted no later than July 1<sup>st</sup> of the new fiscal year.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations can be made within a City department. The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted as the object level. Transfers of appropriations between departments require the approval of the governing Commission. The legal level of budgetary control is the governing Commission. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Budgeted amounts, as amended, in the financial statements are as adopted by ordinances of the City.

**Encumbrance Accounting**

Encumbrance accounting is a system under which purchase orders, contracts and other commitments for the expenditures of City monies are recorded as a reservation of budget. The City does not use the encumbrance system of accounting to record and track budgeted expenses.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Investments**

Kentucky Revised Statutes authorize the City to invest in obligations of the U.S Treasury, agencies, and instrumentalities; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record; bankers' acceptances, repurchase agreements; and the state treasurer's investment pool.

### **Accounts Receivable**

Amounts due from private individuals, business, organizations or other government entities which pertain to charges for services rendered by the City departments are reported as receivables.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis for the age of the various accounts. The City records the amount of earned but unbilled revenues for the Water and Sewer Utilities System enterprise funds.

### **Interfund Transactions**

Interfund transactions are reflected as loans, services provided, and reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

### **Restricted Assets**

The use of certain assets of general governmental funds and business-type proprietary funds is restricted by specific provisions of City ordinances, Kentucky Revised Statutes and bond resolutions. Assets so designated are identified as restricted assets in the balance sheet. When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as non-current if they are for the acquisition or construction of capital assets, for liquidation of long-term debt or other than current operations.

### **Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. In connection with implementation of GASB Statement No. 34, the City established a threshold of \$1,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects as constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but charged to an expense account in the current year.

**Impairment Loss**

General Government Activities and Business-type Activities revenues do not include impairment losses due to the elimination of equipment (net of accumulated depreciation) that was no longer of service for City use.

**Operating and Non-Operating Revenues and Expenses**

The business-type proprietary fund financial statements distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those that result from operating revenues are charges for water and wastewater treatment services of the City's utility system. Operating expenses include the cost of sales and services, administration costs and depreciation expenses.

Non-operating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

**Compensated Absences**

It is the policy of the City to permit City employees to accumulate a limited amount of earned but unused leave benefits which will be paid to City employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned. The valuation of accrued leave benefits calculated in accordance with GASB Statement No. 16, *Accounting for compensated absences*. The liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salaries and fringe benefits.

**Net Position - Reserves and Designations**

At June 30, 2017, net position of the primary government consisted of the following:

	Governmental Activities	Business-type Activities
Net investment in capital assets	\$ 3,040,593	\$ 6,440,807
Restricted	54,230	106,896
Unrestricted	(651,286)	555,064
Total net position	\$ 2,443,537	\$ 7,102,767

None of the net position is restricted by enabling legislation.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**Property Taxes Receivable, Property Tax Calendar and Provision for Uncollectable Real Property Taxes**

Property tax (real property) rolls are prepared by the Spencer County Property Tax Assessors offices on property assessed as of the preceding January 1. The assessments are determined in accordance with Kentucky Revised Statues. The due date collection for all taxes exclusive of vehicle taxes are as follows:

Description	Date per KRS 134.015
Due date for payment	Upon receipt
2% Discount	To November 30
Face value payment period	To December 31
Past due date, 10% penalty	January 1
Interest charges	1.0% per month effective January 1

Vehicle taxes are collected by the County Clerk of Pendleton County. Vehicle taxes are due in the birth month of the licensee.

THIS SPACE LEFT INTENTIONALLY BLANK

**Note 2 - Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets :				
Land	\$ 638,514	\$	\$	\$ 638,514
Buildings	1,540,663			1,540,663
Improvements/infrastructure	1,773,405			1,773,405
Equipment	195,732			195,732
Parks	200,781			200,781
Vehicles	1,025,080			1,025,080
<b>Total capital assets</b>	<b>5,374,175</b>	<b>0</b>	<b>0</b>	<b>5,374,175</b>
Less accumulated depreciation for:				
Buildings	524,402	30,855		555,257
Improvements/infrastructure	774,595	40,615		815,210
Equipment	172,258	5,914		178,172
Parks	61,626	5,571		67,197
Vehicles	387,520	35,788		423,308
<b>Total accumulated depreciation</b>	<b>1,920,401</b>	<b>118,743</b>	<b>0</b>	<b>2,039,144</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 3,453,774</b>	<b>\$ (118,743)</b>	<b>\$ 0</b>	<b>\$ 3,335,031</b>

THIS SPACE LEFT INTENTIONALLY BLANK

CITY OF FALMOUTH, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

Business-type activities:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets:				
Land	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Buildings and improvements	348,569			348,569
Water and sewer system	14,017,854			14,017,854
Electric system	920,191			920,191
Vehicles	501,199			501,199
Equipment	233,281			233,281
Total capital assets	<u>16,051,094</u>	<u>0</u>	<u>0</u>	<u>16,051,094</u>
Less accumulated depreciation for:				
Buildings and improvements	323,700	17,671		341,371
Water and sewer system	5,190,193	273,664		5,463,857
Electric system	750,908	11,840		762,748
Vehicles	478,475	3,111		481,586
Equipment	218,952	3,219		222,171
Total accumulated depreciation	<u>6,962,228</u>	<u>309,505</u>	<u>0</u>	<u>7,271,733</u>
Business-type activities capital assets, net	<u>\$ 9,088,866</u>	<u>\$ (309,505)</u>	<u>\$ 0</u>	<u>\$ 8,779,361</u>

During the fiscal year ending June 30, 2017 depreciation expense was charged to the funds as follows:

Governmental activities:

General government	\$ 36,769
Public safety - police	21,482
Public safety - fire	19,133
Streets	41,359
	<u>\$ 118,743</u>

Business-type activities:

Electric	\$ 14,401
Water	102,226
Sewer	171,988
Unallocated	20,890
	<u>\$ 309,505</u>

Depreciation is computed using the straight-line method. The estimated service life of each class of capital asset is based upon guidelines established by the Internal Revenue Service. Donated capital assets are recorded at estimated fair value at the date of donation.

**Note 3 - Long Term Debt**

Changes in the City's long-term liabilities for the year ended June 30, 2017 are as follows:

	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Due Within One Year
Compensated absences	\$ 1,926		\$ -	\$ 1,926	\$ -
Fire truck lease	137,349		(20,346)	117,003	21,302
Police cruiser lease II	11,090		(11,090)	-	
Police cruiser lease III	16,520		(5,285)	11,235	5,504
Klee farm	193,900		(27,700)	166,200	27,700
<b>Total governmental activities</b>	<b>\$ 360,785</b>	<b>\$ -</b>	<b>\$ (64,421)</b>	<b>\$ 296,364</b>	<b>\$ 54,506</b>
Compensated absences	\$ 23,805		\$ -	\$ 23,805	
KIA A07-02	1,824,745		(137,754)	1,686,991	139,134
KIA A0209-39	218,235		(14,058)	204,177	14,199
KIA B09-03	473,943		(26,557)	447,386	26,823
<b>Total business-type activities</b>	<b>\$ 2,540,728</b>	<b>\$ -</b>	<b>\$ (178,369)</b>	<b>\$ 2,362,359</b>	<b>\$ 180,156</b>

**Governmental Activities**

**Fire Truck Capital Lease**

Capital lease for the purchase of a fire truck financed for \$210,000. This lease is secured by the vehicle, carries an interest rate of 4.70%, and requires an annual payment of \$26,801 each July. Final payment is due July 2021.

**Police Cruiser III Capital Lease**

Capital lease for the purchase of a police cruiser financed for \$31,785. This lease is secured by the vehicle, carries an interest rate of 4.70%, and requires an annual payment of \$5,848 each January. Final payment is due July 2019.

**Klee Farm Capital Lease**

Capital lease for the purchase of property. This lease is secured by the property, carries an interest rate of 2.65%, and requires an annual principal payment each November and semi-annual interest payments each May and November. Final payment is due November 2019.

The following is a schedule of future debt service requirements to maturity for governmental activities at June 30, 2017:

	Fire Truck Lease		Police Cruiser Lease III	
	Principal	Interest	Principal	Interest
2018	\$ 21,302	\$ 5,499	\$ 5,504	\$ 345
2019	22,303	4,497	5,731	117
2020	23,351	3,550		
2021	24,450	2,352		
2022	25,597	1,203		
	<u>\$ 117,003</u>	<u>\$ 17,101</u>	<u>\$ 11,235</u>	<u>\$ 462</u>

  

	Klee Farm Lease		Total Governmental	
	Principal	Interest	Principal	Interest
2018	\$ 27,700	\$ 4,037	\$ 54,506	\$ 9,881
2019	27,700	3,303	55,734	7,917
2020	110,800	1,468	134,151	5,018
2021			24,450	2,352
2022			25,597	1,203
	<u>\$ 166,200</u>	<u>\$ 8,808</u>	<u>\$ 294,438</u>	<u>\$ 26,371</u>

Business-type Activities

The City has the following long-term debt payable to the Kentucky Infrastructure Authority in connect with the water and sewer systems. Revenues from the system are pledged to meet debt service requirements.

KIA Loan	Date Issued	Interest Rate	Maturity Date	Semi-Annual Payments	Balance June 30, 2017
A07-02	2/1/2008	1.00%	12/1/2028	\$ 77,829	\$ 1,686,991
A209-39	1/1/2010	1.00%	12/1/1930	\$ 8,103	204,177
B09-03	10/1/2011	1.00%	12/1/1932	\$ 31,230	447,386
					<u>\$ 2,338,554</u>

The following is a schedule of future debt service requirements to maturity for business-type activities at June 30, 2017:

	KIA Loan A07-02		KIA Loan A209-39	
	Principal	Interest	Principal	Interest
2018	139,135	16,523	14,199	2,006
2019	140,529	15,128	14,341	1,864
2020	141,938	13,719	14,485	1,720
2021	143,361	12,296	14,631	1,575
2022	144,798	10,859	14,777	1,428
2023 - 2027	746,060	32,229	76,142	4,890
2028 - 2032	231,170	2,316	55,602	1,118
2033 - 2037	0	0		
	<u>\$ 1,686,991</u>	<u>\$ 103,070</u>	<u>\$ 204,177</u>	<u>\$ 14,601</u>

	KIA Loan B09-03		Total Business-Type	
	Principal	Interest	Principal	Interest
2018	26,823	4,407	180,157	22,936
2019	27,092	4,138	181,962	21,130
2020	27,364	3,866	183,787	19,305
2021	27,638	3,592	185,630	17,463
2022	27,914	3,315	187,489	15,602
2023 - 2027	143,829	12,320	966,031	49,439
2028 - 2032	151,189	4,965	437,961	8,399
2033 - 2037	15,537	77	15,537	77
	<u>\$ 447,386</u>	<u>\$ 36,680</u>	<u>\$ 2,338,554</u>	<u>\$ 154,351</u>

**Note 4 – Governmental Fund Balance Classifications**

	General Fund	Municipal Road Aid Fund	Other Governmental Funds	Total
Restricted	\$	\$ 54,230	\$ 113,497	\$ 167,727
Unassigned	(241,631)			(241,631)
Total fund balance	<u>\$ (241,631)</u>	<u>\$ 54,230</u>	<u>\$ 113,497</u>	<u>\$ (73,904)</u>

**Note 5 - Risk Management**

The City is exposed to various risk of loss to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, natural disasters. In order to minimize its loss due to these various risks, the City has insurance with the Kentucky League of Cities Insurance Services for general liability insurance, property insurance and commercial risk insurance for all risk of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) years.

**Note 6 - Related Parties Transactions**

In a governmental entity, related parties include members of the governing body (city commissioners, etc.), Board members, administrative officials (mayor, city clerk, etc.), immediate family members of the preceding individuals, and affiliated governmental units that are not included in the financial statements as part of the reporting entity such as water sewer systems. There are no related party transactions to be disclosed.

**Note 7 - Economic Dependency**

The City is not economically dependent on one or more major taxpayers or suppliers.

**Note 8 - Pending Litigation**

The City is a defendant in various lawsuits in the normal course of business. According to legal counsel, the outcome of the lawsuits is not determinable.

**Note 9 - Retirement Plans**

The City's eligible employees are covered by the County Employees Retirement System.

**General information about the County Employees Retirement System Non-Hazardous ("CERS")**

*Plan description*—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided*—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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

At June 30, 2017, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City were as follows:

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.



City's proportionate share of the CERS net pension liability

Hazardous	\$ 112,768
Non-hazardous	<u>1,359,102</u>
Total	<u><u>\$ 1,471,870</u></u>

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the City's proportion was 0.006572% for hazardous and 0.027604% for non-hazardous.

For the year ended June 30, 2017, the City recognized pension expense of \$34,448 and \$331,422 for Hazardous and Non-hazardous, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,560	\$ 0
Changes in assumptions	78,469	0
Net difference between projected and actual earnings on pension plan investments	137,282	0
Changes in proportion and differences between City contributions and proportionate share of contributions	159,752	462,252
City contributions subsequent to the measurement date	<u>124,118</u>	<u>0</u>
	<u><u>\$ 507,181</u></u>	<u><u>\$ 462,252</u></u>

\$124,118 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	76,613
2019	76,613
2020	76,613
2021	76,613
2022	76,613

*Actuarial assumptions*—The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS
Inflation	3.25%
Projected salary increases	4.00%
Investment rate of return, net of investment expense & inflation	6.25%

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

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

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (I calculated the amounts in this schedule:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
City's proportionate share of net pension liability	\$ 1,275,621	\$ 1,471,870	\$ 1,668,119

*Pension plan fiduciary net position*—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

**Note 11- Date of Management’s Review**

Subsequent events were evaluated through November 1, 2018 which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment or disclosure in the financial statements.

City of Falmouth, Kentucky  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property taxes	\$ 420,000	\$ 420,000	\$ 409,310	\$ (10,690)
Insurance premium tax	270,000	270,000	290,156	20,156
Other taxes	96,300	96,300	93,317	(2,983)
Licenses and permits	19,000	19,000	8,590	(10,410)
Charges for services	61,500	61,500	62,774	1,274
Intergovernmental	32,000	32,000	21,144	(10,856)
Rental revenue	16,304	16,304	16,354	50
Other	31,750	31,750	(6,434)	(38,184)
Sale of property	47,000	47,000	62,502	15,502
Total revenues	<u>993,854</u>	<u>993,854</u>	<u>957,713</u>	<u>(36,141)</u>
Expenditures				
General government	247,030	247,030	207,026	40,004
Public safety - police	576,080	576,080	425,185	150,895
Public safety - fire	150,040	150,040	149,422	618
Public works			(12,250)	12,250
Debt service			60,268	(60,268)
Total expenditures	<u>973,150</u>	<u>973,150</u>	<u>829,651</u>	<u>191,517</u>
Net change in fund balance	20,704	20,704	128,062	107,358
Fund balance - beginning	<u>(388,579)</u>	<u>(388,579)</u>	<u>(388,579)</u>	<u>0</u>
Fund balance - ending	<u>\$ (367,875)</u>	<u>\$ (367,875)</u>	<u>\$ (260,517)</u>	<u>\$ 107,358</u>

City of Falmouth, Kentucky  
 Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure  
 Non-Hazardous

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.276%	0.227%	0.211%
City's proportionate share of the net pension liability	\$ 1,359,102	\$ 723,910	\$ 692,211
City's covered employee payroll	\$ 470,739	\$ 471,319	\$ 441,703
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	288.72%	153.59%	156.71%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	59.97%	66.80%

Schedule of City Contributions  
 County Employees Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 87,934	\$ 80,407	\$ 78,049
Actual contribution	87,934	80,407	78,049
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 470,739	\$ 471,319	\$ 441,703
Contributions as a percentage of covered-employee payroll	18.68%	17.06%	17.67%

City of Falmouth, Kentucky  
 Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure  
 Hazardous

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.657%	0.227%	0.576%
City's proportionate share of the net pension liability	\$ 112,768	\$ 957,661	\$ 692,211
City's covered employee payroll	\$ 193,704	\$ 252,052	\$ 312,445
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.22%	379.95%	221.55%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	59.97%	66.80%

Schedule of City Contributions  
 County Employees Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 36,184	\$ 43,000	\$ 55,209
Actual contribution	36,184	43,000	55,209
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	<u>\$ 193,704</u>	<u>\$ 252,052</u>	<u>\$ 312,445</u>
Contributions as a percentage of covered-employee payroll	18.68%	17.06%	17.67%

City of Falmouth, Kentucky  
 Balance Sheet  
 Governmental Funds  
 June 30, 2017

	ABC 2% Fund	LGEA Fund	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 47,996	\$ 43,977	\$ 91,973
Receivables:			-
Taxes			0
Accounts			0
Intergovernmental			0
Interfund receivable		21,524	21,524
Total assets	<u>\$ 47,996</u>	<u>\$ 65,501</u>	<u>\$ 91,973</u>
<b>Liabilities:</b>			
Accounts payable	\$ 0	\$ 0	\$ 0
Accrued liabilities			
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>-</u>	<u>0</u>	<u>-</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balances:</b>			
Nonspendable	0	0	0
Restricted	0	65,501	65,501
Committed	0	0	0
Assigned	0	0	0
Unassigned	<u>47,996</u>	<u>0</u>	<u>47,996</u>
Total fund balances	<u>47,996</u>	<u>65,501</u>	<u>113,497</u>
Total liabilities and fund balances	<u>\$ 47,996</u>	<u>\$ 65,501</u>	<u>\$ 113,497</u>

The accompanying notes are an integral part of these financial statements.

City of Falmouth, Kentucky  
Statement of Revenues, Expenditure, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017

	ABC 2% Fund	LGEA Fund	Total Governmental Funds
<b>Revenues:</b>			
Property tax	\$ 0	\$ 0	\$ 0
Insurance premium tax			0
Vehicle tax			0
Other tax	39,547		39,547
Licenses and permits			0
Charges for services			0
Intergovernmental	0	36,057	36,057
Franchise fees			0
Rental revenue			0
Other			0
<b>Total revenues</b>	<b>39,547</b>	<b>36,057</b>	<b>75,604</b>
<b>Expenditures:</b>			
<b>Current</b>			
Mayor and council			0
Public safety -police			0
Public safety - fire			0
Animal control			0
Streets			0
<b>Capital outlay</b>			
Streets			0
Public safety -police			0
<b>Debt service</b>			
Principal	16,375		16,375
Interest	564		564
<b>Total expenditures</b>	<b>16,939</b>	<b>0</b>	<b>16,939</b>
<b>Net change in fund balances</b>	<b>22,608</b>	<b>36,057</b>	<b>58,665</b>
<b>Other financing sources (uses):</b>			
Inception of capital lease	0	0	0
Sale of assets	0	0	0
Transfers in	0	0	0
Transfers out	0	0	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>22,608</b>	<b>36,057</b>	<b>58,665</b>
<b>Beginning fund balances</b>	<b>25,388</b>	<b>29,444</b>	<b>54,832</b>
<b>Ending fund balances</b>	<b>\$ 47,996</b>	<b>\$ 65,501</b>	<b>\$ 113,497</b>



City of Taylorsville, Kentucky  
Schedule of Water and Sewer Fund Activity  
Year Ended June 30, 2017

	Electric	Water	Sewer	Waste Collection	Unallocated	Total
Charges for services	\$ 1,772,010	\$ 732,691	\$ 478,694	\$ 197,212	\$ 68,755	\$ 3,249,362
Salaries and benefits	25,734	305,368	226,432	99,209	136,613	793,356
Purchases	1,436,873	97,754	46,440	32,303		1,613,370
Operating expenses	53,745	98,502	115,852	55,935	29,293	353,327
Total operating expenses	1,516,352	501,624	388,724	187,447	165,906	2,760,053
Operating income	255,658	231,067	89,970	9,765	(97,151)	489,309
Allocated expenses	26,136	64,951	50,841	21,335		163,263
Depreciation	14,401	102,226	171,988		20,890	309,505
Interest			29,669			29,669
Change in pension liability	9,222	54,775	44,553	13,943	25,336	147,829
Total other expenses	49,759	221,952	297,051	35,278	46,226	650,266
Net income (loss)	\$ 205,899	\$ 9,115	\$ (207,081)	\$ (25,513)	\$ (143,377)	\$ (160,957)



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*

City of Falmouth, Kentucky  
Honorable Mayor and City Council

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, and each major fund of the City of Falmouth, Kentucky (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

**Maddox & Associates CPAs, Inc.**

Fort Thomas, KY  
November 1, 2018



**City  
Uniform Financial  
Information Report  
Fiscal Year 2016 - 2017**

Part I - Reporting Information	
City Name	CITY OF FALMOUTH, KENTUCKY
Address	230 MAIN ST
City, State, Zip	FALMOUTH, KY 41040
County	PENDLETON
City Classification	HOME RULE
<small>(Please correct any error in name, address, and ZIP Code)</small>	
	Please save the worksheet to your hard drive. Once completed, attach the worksheet to an email and forward to DLG-CSD@ky.gov.

**Return to:**  

 Department for Local Government  
 Cities and Special Districts Branch  
 1024 Capital Center Drive, Suite 340  
 Frankfort, KY 40601

**SEND ONE ORIGINAL AND TWO COPIES OF THE COMPLETED FORM** to the Department for Local Government **BY MAY 1, 2018.**

Note - Data supplied by your city in this report will be used by State and Federal Agencies and public interest groups in Kentucky. By filing this report, you will not receive local government finance reporting forms from the U.S. Census Bureau.

**Part II - Contact Information**

<b>Name of person who completed form</b>		<b>Telephone</b>
PAUL MADDOX		859-441-2953
<b>Title</b>		<b>Date</b>
CPA		05/20/19
<b>Company (if not city)</b>	<b>Reporting Format (accounting basis)</b>	<b>Telephone</b>
MADDOX & ASSOCIATES CPAS INC	MODIFIED	859-441-2953

**RELATED ORGANIZATIONS** – Please list related organizations such as Boards, Commissions, or Utilities, whose Board members are appointed by the City's Mayor or legislative body, or who receive a major portion of their funding from city resources.

Organization/Address	Chief Executive	Telephone

**Part III - Certification - Completed report must be signed prior to filing.**

This is to certify that the data contained in this report is accurate to the best of my knowledge and belief.

<b>Signature of Official</b>	<b>Title</b>	<b>Date completed</b>
<b>Printed Name of Official</b>		<b>Telephone</b>

## Part VII - PENSION AND BENEFIT COSTS

FORM F-65(KY-3)O - 9/2017

Personnel Expenditures	
1. CERS non-hazardous	\$235,763
2. CERS hazardous	\$34,611
3. City pensions	
4. Health insurance	\$204,036
5. All other employee benefits	
<b>SUBTOTAL Pension &amp; Benefits</b>	<b>\$474,410</b>

## Part VIII - INDEBTEDNESS

List a summary of total city debt outstanding at the beginning and end of the fiscal year. Include new debt incurred during the reporting period. Segregate the total debt by revenue and general obligation bonds.

Activity	Outstanding beginning FY (a)	Issued (b)	Retired (c)	Outstanding ending FY (d)	General obligation (e)	Revenue bonds (f)
1. General governmental funds	\$360,785		\$64,421	\$296,364	\$296,364	
2. Business type funds (water, sewer, gas, electric)				\$0		
3. Private activity bonds (industrial revenue, non profits...)				\$0		
4. Short-term debt (All government funds)						
(a) Beginning of fiscal year						
(b) End of fiscal year						
5. Interest paid on						
(a) Water debt						
(b) Electric debt						
(c) Gas debt						
(d) Transit debt						
(b) All other debt				\$40,937		
<b>TOTAL Interest Paid</b>				<b>\$40,937</b>		
<b>TOTAL Municipal Expenditures</b>						
<b>Sum totals of Parts VI and VII</b>						<b>\$4,900,963</b>

## Part IX - CASH AND INVESTMENTS

1. Beginning of fiscal year	\$1,252,858
2. End of fiscal year	
(a) Sinking funds	
(b) Bond proceeds	
(c) Other reserved funds	\$149,023
(d) All non-reserved cash and investments	\$1,250,945

**Finished**

## Part IV - TAX RATES

FORM F-65(KY-3)O - 9/2017

A. Property Tax Rates	Compensating (a)	4% Increase (b)	Adopted Rate (c)
1. Real	.729	.758	.632
2. Personal	.709	.737	.750
3. Motor vehicle/watercraft			.750
<b>B. Other Rates</b>			
1. Occupational license fee (payroll tax)			
2. Net profits			
3. Gross receipt tax			
4. Insurance premium tax		.010000	
5. Bank deposits		.000250	
6. Restaurant tax			
7. Motel tax			

## Part V - TAX AND OTHER REVENUES

Please list all tax revenues received for the reporting period. Intergovernmental revenues should be listed under the source from which you received them, i.e. State, Federal, or from a City, County or a Special District. This may include revenues received from services you provide to another government.

<b>A. Property Tax</b>		
1. Real		\$409,310
2. Personal		
3. Motor vehicle/watercraft		\$19,466
4. Bank deposits franchise tax		\$25,642
5. Delinquent (all years)		
<b>SUBTOTAL Property Taxes</b>		<b>\$454,418</b>
<b>B. License and Permit Fees</b>		
1. City vehicle licensing (auto stickers)		
2. Right of way/street cut permits		
3. Alcoholic beverage licenses		\$39,547
4. Planning, zoning, development fees		
5. Other licensing and permit fees including: Animal control; building, electrical, and plumbing permits; Electrical contractors' licenses, development impact fees, unloading fees, building, electrical, plumbing and natural gas inspections.		\$575
<b>SUBTOTAL License &amp; Permit Fees</b>		<b>\$40,122</b>

Please continue on next page

## Part V – TAX AND OTHER REVENUES – Continued

FORM F-65(KY-3)O - 9/2017

### C. Occupation and Business Fees

Occupational license fees	
(a) Payroll	
(b) Net profits	
(c) Gross receipts	
2. Fixed rate business license	\$8,015
<b>SUBTOTAL for Occupation and Business Fees</b>	<b>\$8,015</b>

### D. Other Taxes/Fees

1. Franchise fees	
(a) Electric	
(b) Natural gas	
(c) Water/wastewater	
(d) Other franchise fees	\$17,735
2. Motel tax	
3. Restaurant tax	
4. Insurance premium tax	\$290,156
<b>SUBTOTAL for Other Taxes/Fees</b>	<b>\$307,891</b>

Function activity	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
<b>E. Intergovernmental Revenues</b>			
1. General Support			
2. Government payments in lieu of taxes			
3. Public Safety			
(a) Police		\$18,599	
(b) Fire/EMS			
(c) Corrections			
4. Public Services			
(a) Streets and roads		\$42,325	
5. Community Services			
(a) Parks and recreation			
(b) Public welfare			
(c) Public health			
(d) Housing and community development			
(e) Transit/bus systems			
(f) Educational support			

Please continue on next page

## Part V - Tax and Other Revenues - Continued

FORM F-65(KY-3)O - 9/2017

	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
<b>E. Intergovernmental Revenues - Continued</b>			
6. Utilities			
(a) Water supply			
(b) Sewerage systems			
(c) Electric power systems			
(d) Natural gas systems			
(e) Telecommunications			
7. Other intergovernmental revenues (Include: Local government economic assistance; area development fund grant; other from local, state or federal governments.)		\$36,057	
<b>SUBTOTAL for Intergovernment Revenues</b>	<b>\$0</b>	<b>\$96,981</b>	<b>\$0</b>
<b>F. Other Revenues/Charges</b>			
1. Airport revenue			
2. Utility sales			
(a) Water		\$1,840,765	
(b) Sewerage		\$478,694	
(c) Electric		\$732,691	
(d) Natural gas			
(e) Telecommunications/cable			
3. Parking (lots, meters, garages, etc)			
4. Parks and recreation receipts			
5. River ports, locks, etc.			
6. Special assessments			
7. Sale of real or surplus property		\$62,502	
8. Investment/interest earnings (Exclude construction and pensions)			
9. Fines and forfeits (including parking violations)			
10. Transit authority			
11. Penalties and interest			
12. Donations			
13. Rents		\$16,354	

Please continue on next page



## Part V - TAX AND OTHER REVENUES - Continued

FORM F-65(KY-3)O - 9/2017

14. Solid waste collection and disposal	\$197,212
Other miscellaneous revenues (Include: recoveries, impounded vehicles, ambulance runs, fire protection, police arrest fees, etc)	\$26,877
16. Bond proceeds	
<b>SUBTOTAL Other Revenues/Charges</b>	<b>\$3,355,095</b>
<b>TOTAL Municipal Revenues</b>	<b>\$4,262,522</b>

## Part VI – EXPENDITURES

List all city spending both as direct expenditures and costs associated with services provided by other governments. An example might be spending for sewerage treatment by another city, or police or fire services provided by the county government. Include costs your city incurs for services provided by other non-profit agencies such as social services, public health, and public welfare.

Function activity	To other cities, counties, or special districts (a)	To State (b)	To Federal (c)
<b>A. Intergovernmental Expenditures ---</b> (all payments to other governments for services, programs, or reimbursements)			
1. General government			
2. Public safety			
3. Public services			
4. Community services			
5. Utilities			
<b>SUBTOTAL for Intergovernmental Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Provide spending directly attributed to the city's operations by salaries and wages, other operations, and capital outlay. Salaries and wages should only include direct salary costs including any overtime and differential pay. Do not include fringe benefits or other costs such as unemployment insurance. Operations include all other costs including materials, supplies, contractual services and other miscellaneous costs. Capital outlay is normally defined as items costing at least \$1,000 and having a useful life of more than three years.

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
<b>B. Direct Expenditures by the City</b>				
1. General government (Administrative, legal, overhead, public buildings)	\$45,404	\$161,622		
2. General government: Financial Administration				
3. Public Safety				
(a) Police	\$245,759	\$179,426		
(b) Fire/EMS/Ambulance	\$55,365	\$94,057		
(c) Code enforcement/inspection				
(d) Corrections				
(e) Other costs (e.g., dispatch)				
<b>SUBTOTAL Direct Expenditures by City</b>	<b>\$346,528</b>	<b>\$435,105</b>	<b>\$0</b>	<b>\$0</b>

Please continue on next page

## Part VI – EXPENDITURES - Continued

FORM F-65(KY-3)O - 9/2017

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
<b>4. Public services</b>				
(a) Streets and roads		\$197,931		
(b) Sanitation/solid waste	\$58,465	\$164,260		
(c) Natural resources				
(d) Riverport facilities				
(e) Parking facilities				
(f) Cemeteries				
<b>SUBTOTAL for Public Services</b>	<b>\$58,465</b>	<b>\$362,191</b>	<b>\$0</b>	<b>\$0</b>
<b>5. Community services</b>				
(a) Parks and recreation				
(b) Public health				
(c) Public welfare				
(d) Housing and community development				
(e) Transit/bus system				
(f) Educational support				
<b>SUBTOTAL for Community Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>6. Utilities</b>				
(a) Water systems	\$207,933	\$515,643		
(b) Sewerage systems	\$144,870	\$540,905		
(c) Electric power systems	\$101,670	\$1,636,036		
(d) Natural gas systems				
(e) Cable/telecommunications				
<b>SUBTOTAL for Utilities</b>	<b>\$454,473</b>	<b>\$2,692,584</b>	<b>\$0</b>	<b>\$0</b>
<b>7. Debt payments (include all principal and interest)</b>				
(a) General Government		\$76,643		
(b) Public safety				
(c) Public services				
(d) Community services				
(e) Utilities				
<b>SUBTOTAL for Debt Payments</b>		<b>\$76,643</b>		
8. Bond insurance costs				
9. Miscellaneous expenditures		\$564		
<b>SUBTOTAL Bond Ins &amp; Misc Expenditures</b>	<b>\$0</b>	<b>\$564</b>	<b>\$0</b>	<b>\$0</b>
<b>SUBTOTAL Direct Expenditures by City</b>	<b>\$859,466</b>	<b>\$3,567,087</b>	<b>\$0</b>	<b>\$0</b>

Please continue on next page

## Part VII - PENSION AND BENEFIT COSTS

FORM F-65(KY-3)O - 9/2017

<b>Personnel Expenditures</b>	
1. CERS non-hazardous	\$235,763
2. CERS hazardous	\$34,611
3. City pensions	
4. Health insurance	\$204,036
5. All other employee benefits	
<b>SUBTOTAL Pension &amp; Benefits</b>	<b>\$474,410</b>

## Part VIII - INDEBTEDNESS

List a summary of total city debt outstanding at the beginning and end of the fiscal year. Include new debt incurred during the reporting period. Segregate the total debt by revenue and general obligation bonds.

Activity	Outstanding beginning FY (a)	Issued (b)	Retired (c)	Outstanding ending FY (d)	General obligation (e)	Revenue bonds (f)
1. General governmental funds	\$360,785		\$64,421	\$296,364	\$296,364	
2. Business type funds (water, sewer, gas, electric)				\$0		
3. Private activity bonds (industrial revenue, non profits...)				\$0		
4. Short-term debt (All government funds)						
(a) Beginning of fiscal year						
(b) End of fiscal year						
5. Interest paid on						
(a) Water debt						
(b) Electric debt						
(c) Gas debt						
(d) Transit debt						
(b) All other debt				\$40,937		
<b>TOTAL Interest Paid</b>				<b>\$40,937</b>		
<b>TOTAL Municipal Expenditures</b> Sum totals of Parts VI and VII						<b>\$4,900,963</b>

## Part IX - CASH AND INVESTMENTS

1. Beginning of fiscal year	\$1,252,858
2. End of fiscal year	
(a) Sinking funds	
(b) Bond proceeds	
(c) Other reserved funds	\$149,023
(d) All non-reserved cash and investments	\$1,250,945

**Finished**