

**CITY OF CALVERT CITY
CALVERT CITY, KENTUCKY**

**FINANCIAL STATEMENTS
With Independent Auditor's Report**

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Lynn Jones
Members of the City Council
City of Calvert City
Calvert City, 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 Calvert City, Kentucky, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Calvert City, Kentucky'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 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 Calvert City, Kentucky, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10, the respective budgetary comparison for the General Fund and the Special Revenue Municipal Aid Fund on pages 40-41, and pension schedules on pages 42-43 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 Calvert City, Kentucky's basic financial statements. The letter from the mayor, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages 44-45 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter from the mayor on page 11 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2018, on our consideration of the City of Calvert City, 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 Calvert City, Kentucky's internal control over financial reporting and compliance.

Kemper CPA Group, LLP

Paducah, Kentucky
April 3, 2018

REQUIRED SUPPLEMENTARY INFORMATION

CALVERT CITY, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017

This Management Discussion and Analysis of the financial condition of the City of Calvert City, Kentucky is intended to provide those who may be interested a narrative overview and analysis of the fiscal condition of the City. The information presented herein should be weighed in conjunction with the financial statements (pages 12-46) provided to fully understand the fiscal status of the City of Calvert City on June 30, 2017 and as a basis for projecting and forecasting the needs, not only for the immediate future but for the long term.

Financial Highlights:

City total assets exceeded its total liabilities on June 30, 2017 by \$32,715,977. Of this amount, \$7,870,571 is unrestricted and therefore available to meet the City's continuing obligations.

The total net assets of the City increased by \$260,920 from June 30, 2016 to June 30, 2017.

As of June 30, 2017 the City's combined ending fund balances was \$9,568,538 an increase of \$252,040 from the end of the previous year. Of this amount, \$7,318,355 of these funds was unassigned and available for current expenditures.

The unassigned fund balance of the general fund represents 177% percent of the total 2017 general fund expenditures.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Reporting the City as A Whole

Government-wide financial statements

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting, used by most private-sector companies. Current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net assets is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings, and sidewalks) to assess the overall health of the City.

The City accounts for all activities in the Statement of Net Assets and the Statement of Activities under governmental and business-type activities:

- **Governmental activities:** all of the City's basic services are reported here, including police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, and state and federal grants finance most of these activities. Fee charges to customers to help cover most of the cost of the City's refuse operations are reported here.
- **Business-Type activities:** the City's water and sewer systems services are reported here. Revenues are primarily from charges for services. Costs (expenses) are primarily to provide services.

The government-wide financial statements can be found on pages 12-13 of this report.

Reporting the City's Most Significant Funds

Fund financial statements

Our analysis of the City's major funds begins on page 14. The fund financial statements provide detailed information about the most significant-funds and not the City as a whole. Some funds are required to be established by state statutes. However the City Council establishes many other funds to help it control and manage money for particular purposes (Ex. Capital Project Fund) or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Aid Grant Fund).

Governmental funds: 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. The Governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement at the end of the fund financial statements.

Business-type funds: The City's Water and Sewer System is an enterprise fund and is reported here. Operations of the System are accounted for and financed and operated in a manner similar to private business enterprise. As such, its revenues are expected to cover the expense of providing services, capital maintenance, and debt service. As a proprietary fund, a distinction is made between operating and nonoperating revenues and expenses.

Notes to the financial statements

The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

THE CITY AS A WHOLE

The following section presents a condensed financial comparison of net assets, revenues and expenses and provides explanation for significant changes. Please see the following for the condensed Statement of Net Assets and condensed Statement of Revenues, Expenses and Changes in Net Assets for the previous and current fiscal year.

Condensed Statement of Net Assets June 30,

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 9,888,152	\$ 9,523,427	\$ 1,828,831	\$ 1,851,225	\$ 11,716,983	\$ 11,374,652
Non-current assets	13,326,842	12,951,236	12,338,392	12,000,344	25,665,234	24,951,580
Total Assets	23,214,994	22,474,663	14,167,223	13,851,569	37,382,217	36,326,232
Deferred pension contributions	811,046	588,374	166,455	163,362	977,501	295,466
Liabilities:						
Current liabilities	423,451	308,432	308,755	245,761	732,206	554,193
Non-current liabilities	2,980,010	2,292,115	1,838,113	1,487,008	4,818,123	3,779,123
Total Liabilities	3,403,461	2,600,547	2,146,868	1,732,769	5,550,329	4,333,316
Deferred Inflows of Resources	82,142	234,463	11,270	55,132	93,412	289,595
Net assets:						
Net invested in capital assets	13,302,127	12,890,804	11,034,925	11,044,998	24,337,052	23,935,802
Restricted net assets	444,741	391,288	63,613	67,639	508,354	458,927
Unrestricted net assets	6,793,569	6,945,935	1,077,002	1,114,393	7,870,571	8,060,328
Total net assets	\$20,540,437	\$20,228,027	\$12,175,540	\$12,227,030	\$32,715,977	\$32,455,057

As of June 30, 2017, the City had assets greater than its liabilities of \$32,715,977, an increase of \$260,920 from the previous year. The City's governmental activities accounted for \$312,410 of the increase in net position. The business-type activity accounted for (\$51,490) of the remainder of the increase.

The majority of the City's net assets (74%) are invested in capital assets (streets, drainage, buildings, equipment, water and sewer system, etc.). Restrictions for special purpose are imposed upon 2% of the net assets. Unrestricted assets available for general expenditures account for 24% of the City's net assets.

(Continued on next page)

**Comparison of
Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30,**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 126,615	\$ 128,397	\$ 1,626,889	\$ 1,658,089	\$ 1,753,504	\$ 1,786,486
Operating grants and contributions	43,873	37,317	-	-	43,873	37,317
Capital grants and contributions	2,250	15,088	7,053	237,403	9,303	252,491
General revenues:						
Property taxes	1,157,465	1,158,916	-	-	1,157,465	1,158,916
Payroll taxes	1,486,368	1,395,023	-	-	1,486,368	1,395,023
Other taxes	1,017,282	966,860	-	-	1,017,282	966,860
License, permits and fees	535,255	428,977	-	-	535,255	428,977
Other revenue	163,394	148,898	17,558	35,627	180,952	184,525
Total revenue	<u>4,532,502</u>	<u>4,279,476</u>	<u>1,651,500</u>	<u>1,931,119</u>	<u>6,184,002</u>	<u>6,210,595</u>
Expenses						
General government	1,151,443	1,057,335	-	-	1,151,443	1,057,335
Public safety	1,263,445	1,231,649	-	-	1,263,445	1,231,649
Sanitation	319,617	303,916	-	-	319,617	303,916
Highways and streets	898,323	871,234	-	-	898,323	871,234
Parks and recreation	484,246	467,445	-	-	484,246	467,445
Interest on long-term debt	3,018	4,543	-	-	3,018	4,543
Water and sewer			1,802,990	1,695,512	1,802,990	1,695,512
Total expense	<u>4,120,092</u>	<u>3,936,122</u>	<u>1,802,990</u>	<u>1,695,512</u>	<u>5,923,082</u>	<u>5,631,634</u>
Increase in net assets before transfers	412,410	343,354	(151,490)	235,607	260,920	578,961
Transfers	<u>(100,000)</u>	<u>(100,000)</u>	<u>100,000</u>	<u>100,000</u>		
Increase or (decrease) in net assets	312,410	243,354	(51,490)	335,607	260,920	578,961
Net assets - beginning of year	20,228,027	19,984,673	12,227,030	11,891,423	31,876,096	31,876,096
Net assets - end of year	<u>\$20,540,437</u>	<u>\$20,228,027</u>	<u>\$12,175,540</u>	<u>\$12,227,030</u>	<u>\$32,137,016</u>	<u>\$32,455,057</u>

Revenues

Normally, the City's governmental revenues are primarily from the collection of various taxes. During the fiscal year ended June 30, 2017 the major sources of revenues are: Personal and real property taxes - 26%; Payroll taxes - 33%; Franchise and Insurance Premium taxes - 22%. Charges for services, grants, contributions, fees, and licenses combined represent the balance of revenues.

The City's business-type activity revenues were primarily from charges for services - 98.5%, and grants and other revenues - 1.5%.

Expenditures

The costs of all governmental activities were \$4.1 million. The Statement of Activities shows that \$126 thousand was financed by those who use the services; \$46 thousand was financed by grants and contributions with the city's general revenues financing \$3.95 million.

Approximately 90% of the total costs (expenses) of \$1.8 million of the business-type activities were financed by charges for services.

General Fund Budgetary Highlights

The City's total revenues were \$38 thousand more than budgeted. Higher than estimated license tax revenues was the primary reason for this. There are several sources of revenue which are difficult to accurately estimate but actual total revenues were close to budget. The City's total expenditures were \$102 thousand less than budgeted and savings were distributed throughout the line items of each department.

Capital Assets and Debt Administration

The City's investments in capital assets as of June 30, 2017 for its governmental activities were \$13.3 million, net of depreciation as reflected in the schedule below:

Capital Assets June 30, (In thousands, net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,799	\$ 4,876	\$ 283	\$ 283	\$ 5,082	\$ 5,159
Construction in progress	497	195	1,098	943	1,595	1,138
Infrastructure and land improvements	5,083	5,035			5,083	5,035
Water and sewer system			10,738	10,542	10,738	10,542
Buildings and improvements	1,633	1,636			1,633	1,636
Vehicles	480	472	140	137	620	609
General equipment and furnishings	835	737	79	95	914	832
	<u>\$ 13,327</u>	<u>\$ 12,951</u>	<u>\$ 12,338</u>	<u>\$ 12,000</u>	<u>\$ 25,665</u>	<u>\$ 24,951</u>

Major additions to capital assets during the current year include the (in thousands):

Land	\$ 23	\$ 185	\$ -	\$ -	\$ 23	\$ 185
Infrastructure and land improvements	700	365			700	365
Water and sewer system			787	1,193	787	1,193
Buildings and improvements	75	85			75	85
Vehicles	117	50	27	-	144	50
General equipment and furnishings	237	152	4	10	241	162
	<u>\$ 1,152</u>	<u>\$ 837</u>	<u>\$ 818</u>	<u>\$ 1,203</u>	<u>\$ 1,970</u>	<u>\$ 2,040</u>

At year end, the City had \$504,715 of leases payable and \$823,468 of notes payable outstanding. The leases, bonds, and notes payable were issued to finance equipment and infrastructure. Detailed information on the city's long-term debt can be found in Notes F and G on pages 36-38 of the report.

Future Operations

Calvert City conducted public hearings, workshops and surveys of the citizenry in 2014 to establish strategic goals for the city. These goals and objectives were to be the primus for the city's direction for future projects based on the responses received from the citizens. The city has begun construction on several of these projects. One of the most ambitious goals is to connect Calvert City's downtown to Kentucky Dam Village State Resort Park via a multi-use trail. The goal of this project was not just connectivity, but to promote tourism by creating an aesthetically pleasing draw for the motoring public from the I-24/I-69 interchange at US Highway 62 into both the city and the State Park highlighting the northern entrance of Kentucky Lake. This project is being constructed in segments. The first and second segments are being constructed by the state. The third and fourth segments are being constructed by the city. Segment one is under construction currently as part of the interchange reconfiguration for I-69. Segment two's design is under review and geo-testing. It will run along the southside of Hwy 62 from Truck Plaza lane to just past Airport Road in the state park. It will include the multi-use trail and a vegetation boulevard. Segment three is under design review. It will start at Hickory Street and run along the southside of East 5th Avenue, through Memorial and Old Park ending just east of the east entrance to Old Park. Segment four will extend eastward from segment three, running east on East 5th Avenue and then southward on Lone Valley Road to the westside of segment one at the intersection of US Hwy 62 and Kennedy Drive. The multi-use trail is a shared trail for pedestrians and bicyclists. Transportation Alternative Program (TAP) grants funding for multi-use trails is available on a competitive basis. The city did not receive grant funding this year but has reapplied for a TAP grant to assist in funding for the construction of segment four of the trail.

In 2017 the city contracted with a group from Washington University to conduct research and interviews with residents and non-residents to assist us with branding and to establish a course of action to increase the city's population and commerce. The study found that the city should focus on empty nest individuals, feeling that they were our best market. Other recommendations were made based on their findings including the creation of two new positions within the city, one for marketing and the other for business development.

Calvert City understands the need and strives continually to be fiscally responsible and more efficient. This includes reducing our energy costs and consumption whenever possible, efficiently utilizing our skilled workforce, and closely monitoring our expenditures. Reduction of our energy costs is typically done by utilizing new technologies that pay for themselves over a fixed period of years through cost savings. The city continues to install or replace existing lights and fixtures with LED lights and fixtures throughout the city. The city's facilities maintenance technician continues to identify and terminate electrical services that are either not needed or under-utilized. Other energy saving applications includes insulation upgrades, thermal windows, and more energy efficient HVAC systems. The city continues to incorporate applications such as automated and programmable controls and replace existing fixtures with more energy efficient systems.

The city has established a maintenance program throughout its facilities with emphasis on repair of existing or replacement with more economical systems. The goal is to move from response maintenance to preventative maintenance for the city facilities. The Fire Training Center and Frank Riley Fire substation have had numerous improvements and are almost completed. The Civic Center, park facilities and City Hall are scheduled for future renovations.

The city's workforce continues to enhance its personnel's capabilities through specialized training. The city is adding special training for employees to insure the proper management of the new splash pad operations. Equipping employees with the knowledge and tools needed to meet the ever-changing demands is a continuous and ongoing. Its design is to build employee morale and skills and insure the safety of the residents and employees.

The City's Safety Committee and safety training program is now in full stride. Periodic safety audit inspections now occur to help insure a safe working environment for employees. Results of the inspections are forwarded to the department heads for remediation of violations and affirmation of jobs well done. Employees are encouraged to help identify and address safety issues through regular meetings and safety classes and by assessing a job site and the operation(s) to be performed for possible dangers and hazards. Employees are encouraged to discuss the project and their role in the operation for clarity and safety. Employees are also encouraged to report hazardous conditions or equipment to their supervisor for repair or replacement. The city has replaced all of its early warning sirens and

added three (3) additional sirens; one at Kentucky Dam State Resort Park, one in Camelot subdivision and one on Shar-Cal Road. These are areas that were not previously served.

To increase our workforce's ability to cope with the increasing workloads, we replace aging equipment with new and better equipment. This year the city has added a new zero-turn mower, ½ -ton pickup, a 1-ton pickup and a police car.

The Calvert City Cemetery Board this year completed the new entrance from West 5th Avenue and acquired ownership of the mausoleum. The Fire Training Center has added new firefighting training props and expects to continue adding more in the future.

The Parks of Calvert City are in the fourth year of the Board's five-year strategic plan and its vision for the park system. The Memorial Park splash pad has begun construction and will soon be open to the public. The tennis court is undergoing enhancements to its electrical system and adding a water fountain. Old Park's electrical service was moved underground, and new LED lighting was installed. Field #5 fencing came in over budget and was not done. The Park Board reviewed the plans for this field and has decided to re-orient the field. This will be done in next year's budget after grading and drainage are completed. In Memorial Park, a decorative block wall was located between the parking lot and the soccer fields to provide safety and an aesthetical touch. In Doctor's Memorial Park the Basketball court surface was refinished and new safety compliant bleachers were added at fields #3 and 4.

The Calvert City Street Revitalization Program is now in its third five-year program. This program has been highly successful in getting the city streets to a very good condition. The program is developed by an independent third party engineering firm to establish an annual, accelerated, and prioritized repair of city streets based on the greatest need. Flooding and flash flooding are ever present issues of the city and it continues an aggressive storm water drainage program of culvert replacement and/or repair and reworking storm water conveyors as needed to ensure the proper drainage of storm water. Inspection and assessment of storm water infrastructure and prioritization of maintenance continue. This year's projects included Oberton Road realignment; the replacement of the bridge on West 2nd Avenue and widening of the streets in what is commonly referred to as Adamstown. Here the streets were for the most part single lanes. The widening will allow for two lanes and improve the storm water conveyors in the area.

In the area of economic development, the city maintains active involvement in the development of the Marshall County-Calvert City River Port, and continues to work with Marshall County Economic Development director Josh Tubbs. The city is preparing to conduct a study for a Transportation Master Plan which will include a Greenways Master Plan component as it continues to explore direction and funding sources for infrastructure projects.

During the audit period, the focus remained on replacement and repair of infrastructure. For the year approximately \$800,000 was expended on capital improvements to the water & sewer system. Work to reduce excessive infiltration and inflow from the sanitary sewer system serving the portion of town between the Paducah & Louisville Railroad and 5th Ave. continued. Sections of structurally deficient sewer mains were relined using cured in place liner technology. Once complete, all sewer mains, manholes and laterals on city right of way should be rehabilitated to a like new condition. Post construction flow monitoring will be conducted to evaluate the success of the program. Cost data from project activities will be used to project costs in other areas of the city. During the period, additional sanitary sewer assessments were conducted in the Camelot Subdivision, Maple Ave. and Adamstown areas to identify apparent defects. The data obtained from the assessment is being evaluated for use in developing appropriate sewer rehabilitation strategies for these areas. Two sanitary lift stations were rehabilitated by replacing piping, rail systems and pumps. Calvert City has 20 lift stations that are maintained by the Water & Sewer Department. The average life span for mechanical and electrical systems for each of the lift stations is typically on the order of 15 years. We expect that similar work will be required for 2 to 3 lift stations per year to assure reliable operation.

The feasibility study for a new Regional Wastewater Plant was completed during the period. Cost projections have been completed and estimates of the annualized cost of operation have been provided to each of the project partners. Implementation of the project has been delayed. There is concern among the project partners regarding the

projected cost of service compared with the current cost of service with existing facilities. For the near term, it appears that existing wastewater treatment facilities will stay in place. As regulations become more stringent, the need to proceed with the project on a regional basis may become a priority. The Board of Public Utility Commissioners has decided to proceed with improvements to the City's existing wastewater plant. A project is underway to remove excess bio-solids that have accumulated during the time the plant has been in operation. Other improvement projects are planned to replace the liners in two of the lagoon cells and to make improvements to the disinfection system.

Engineering for the Phase IV – Heights Area Water Main Replacement Project has been completed. This is the final phase of the Heights area water system rehabilitation project to move the water system from the rear of lots in the area to along the streets. The project has improved fire flows through larger pipes that are configured in a strengthened grid. Calvert City received an improved ISO rating for fire protection this past inspection cycle. Calvert City Fire Chief Fred Ross attributes the improved fire flows in the system as a contributing factor in receiving the improved rating.

Going forward we will continue to focus on maintenance and rehabilitation of infrastructure. For implementation of the City's strategic objectives to be successful, the infrastructure serving the community must be reliable and meet regulatory requirements. The City's Five-Year Capital Improvements Plan is being revised and projects required to meet system needs and strategic goals and objectives are being prioritized. Improvements to the system required to maintain the current level of service will be costly. Historically, the City has been able to maintain a very competitive rate structure. Demographic trends within the community and water use trends are presenting some challenges in balancing operation and improvement expenses with available revenues. Several expense categories continue to increase at a rate greater than inflation including personnel related expenditures, utilities, and increased testing requirements needed for compliance with regulatory standards. Challenges remain with system revenues as industry conservation efforts have reduced water use and subsequently our sales have decreased in terms of volume consumed. Expenses associated with the water and sewer system do not decrease in proportion with reduced sales. The trend is evident in the income statement presented in this audit. A cost of service study and rate analysis will be completed in the upcoming year to assist management in assessing the efficiency of operations and the adequacy of the rate structure. We plan to meet the challenges associated with increased expense and a reduced operational base in an open non-biased manner. We plan to be proactive in making the changes that are necessary to maintain the best course for Calvert Water.

Requests for Additional Information

This report is intended to provide the readers with a general overview of Calvert City's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in this report or need additional information, please contact Calvert City Hall, Attn: City Administrator, 861 East 5th Ave., P.O. Box 36, Calvert City, KY 42029

OTHER SUPPLEMENTAL INFORMATION



One of my favorite books is "Oak Hill", a record of William Draffen's loving attempt to capture the magic of Calvert City's history. In this labor of love, Mr. Draffen records a brief conversation between Mr. John Tichenor and Calvert City's founder, Mr. Potilla Calvert in which Mr. Calvert challenges Mr. Tichenor, "If you ever drink out of Cypress Creek you'll never leave Calvert City." A fact for those of us who have drank, we well understand!

There is no place, anywhere near this place, quite like this place—Calvert City surely is the best place to live, play, and work. Just ask the young and old who play in our parks. Ask the members of the Calvert City Streetwalkers, and they will give testimony to the quality walking trails and sidewalks. Go ahead, check out our library, our schools, and our places of worship, all of which reflect quality!

With excitement I tell you that Calvert City's quality continues to improve. The tennis courts, the 18-hole disc golf course, the Memorial Park fountain, and the new multi-use trail provide excellent opportunity for many residents to enjoy quality of life.. Add to that, the addition of the Kentucky Dam Village State Resort Park to our City and the newly acquired Kentucky Dam Airport and you have opportunities only limited by our vision. See why in Calvert City, young and old alike, sing praises to the "City of Opportunities".

Wanting opportunities to continue and desiring to expand social and economic norms, Calvert City's government continues infrastructure development and explores new methods of attractiveness. So, you will find us restoring and building. You'll hear of environmental plans for a new water treatment plant that will provide purity for Mr. Calvert's "Cypress Creek" drinking water.

That is Calvert City—a city of unique opportunity. After sixty eight years of residency, I believe, like Mr. Calvert, that our secret is in the water. So, I invite you to drink with us!

Sincerely,

A handwritten signature in black ink, appearing to be 'Lynn B. Jones', written in a cursive style.

Lynn B. Jones
Mayor

BASIC FINANCIAL STATEMENTS

CITY OF CALVERT CITY, KENTUCKY
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,310,243	\$ 1,526,817	\$ 10,837,060
Receivables (net)	534,769	266,107	800,876
Internal balances	(2,342)	2,342	-
Prepaid expenses	45,007	31,731	76,738
Other current assets	475	1,834	2,309
Total current assets	<u>9,888,152</u>	<u>1,828,831</u>	<u>11,716,983</u>
Non-current assets:			
Capital assets, not being depreciated	5,296,070	1,380,749	6,676,819
Capital assets, net of accumulated depreciation	8,030,772	10,957,643	18,988,415
Total non-current assets	<u>13,326,842</u>	<u>12,338,392</u>	<u>25,665,234</u>
Total Assets	<u>23,214,994</u>	<u>14,167,223</u>	<u>37,382,217</u>
Deferred Outflows of Resources:			
Deferred pension contributions	811,046	166,455	977,501
Total deferred outflows of resources	<u>811,046</u>	<u>166,455</u>	<u>977,501</u>
LIABILITIES			
Current liabilities:			
Accounts payable	262,074	81,600	343,674
Accrued payroll	26,604	7,758	34,362
Accrued compensated leave and other accrued expenses	110,058	89,514	199,572
Current maturities of notes payable	-	29,883	29,883
Current maturities of lease payable	24,715	100,000	124,715
Total current liabilities	<u>423,451</u>	<u>308,755</u>	<u>732,206</u>
Noncurrent liabilities:			
Accrued compensated leave	2,243	462	2,705
Pension obligations	2,977,367	664,066	3,641,433
Lease payable	-	380,000	380,000
Notes payable	-	793,585	793,585
Unearned revenues	400	-	400
Total non-current liabilities	<u>2,980,010</u>	<u>1,838,113</u>	<u>4,818,123</u>
Total Liabilities	<u>3,403,461</u>	<u>2,146,868</u>	<u>5,550,329</u>
Deferred Inflows of Resources			
Difference between projected and actuarial earnings on pension plan investments	82,142	11,270	93,412
Total deferred inflows of resources	<u>82,142</u>	<u>11,270</u>	<u>93,412</u>
NET POSITION			
Net invested in capital assets	13,302,127	11,034,925	24,337,052
Restricted for:			
Special revenue	444,741	-	444,741
Capital projects	-	40,500	40,500
Debt service	-	23,113	23,113
Unrestricted	6,793,569	1,077,002	7,870,571
TOTAL NET POSITION	<u>\$ 20,540,437</u>	<u>\$ 12,175,540</u>	<u>\$ 32,715,977</u>

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

CITY OF CALVERT CITY, KENTUCKY
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,151,443	\$ -	\$ -	\$ 2,250	\$ (1,149,193)	\$ -	\$ (1,149,193)
Capital Outlay		-	-	-	-	-	-
Public safety	1,263,445	-	43,873	-	(1,219,572)	-	(1,219,572)
Sanitation	319,617	107,079	-	-	(212,538)	-	(212,538)
Highways and streets	898,323	-	-	-	(898,323)	-	(898,323)
Parks and recreation	484,246	19,536	-	-	(464,710)	-	(464,710)
Interest on long-term debt	3,018	-	-	-	(3,018)	-	(3,018)
Total governmental activities	<u>4,120,092</u>	<u>126,615</u>	<u>43,873</u>	<u>2,250</u>	<u>(3,947,354)</u>	<u>-</u>	<u>(3,947,354)</u>
Business-type activities:							
Public water and sewer	<u>1,802,990</u>	<u>1,626,889</u>	<u>-</u>	<u>7,053</u>	<u>-</u>	<u>(169,048)</u>	<u>(169,048)</u>
Total primary activities	<u>\$ 5,923,082</u>	<u>\$ 1,753,504</u>	<u>\$ 43,873</u>	<u>\$ 9,303</u>	<u>(3,947,354)</u>	<u>(169,048)</u>	<u>(4,116,402)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					995,552	-	995,552
Taxes, levied for bank deposits					23,102	-	23,102
Personal property					108,783	-	108,783
Omitted tangibles					20,734	-	20,734
Payments in lieu of taxes					9,294	-	9,294
Payroll taxes					1,486,368	-	1,486,368
Insurance premiums tax					944,759	-	944,759
Franchise taxes					72,523	-	72,523
License, permits and fees					535,255	-	535,255
Intergovernmental					49,946	-	49,946
Miscellaneous					40,517	5,027	45,544
Interest and investment earnings					72,931	12,531	85,462
Transfers					(100,000)	100,000	-
Total general revenues, special items, and transfers					<u>4,259,764</u>	<u>117,558</u>	<u>4,377,322</u>
Change in net position					312,410	(51,490)	260,920
Net position - beginning					<u>20,228,027</u>	<u>12,227,030</u>	<u>32,455,057</u>
Net position - ending					<u>\$ 20,540,437</u>	<u>\$ 12,175,540</u>	<u>\$ 32,715,977</u>

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

CITY OF CALVERT CITY, KENTUCKY

**Balance Sheet
Governmental Funds
June 30, 2017**

	Special Revenue Funds				
	General Fund	Construction Fund	Municipal Aid Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 6,006,056	\$ 2,859,446	\$ -	\$ -	\$ 8,865,502
Cash - restricted	-	-	415,060	29,681	444,741
Receivables					
Property and franchise tax	21,387	-	-	-	21,387
Payroll and insurance tax	513,286	-	-	-	513,286
Other	96	-	-	-	96
Due from other funds	15,208	-	-	-	15,208
Prepaid expenses	45,007	-	-	-	45,007
Restricted membership and security deposits	475	-	-	-	475
Total assets	\$ 6,601,515	\$ 2,859,446	\$ 415,060	\$ 29,681	\$ 9,905,702
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	262,627	-	-	-	262,627
Unearned revenues	400	-	-	-	400
Due to other funds	17,550	-	-	-	17,550
Other accrued expenses	29,983	-	-	-	29,983
Accrued payroll	26,604	-	-	-	26,604
Total liabilities	337,164	-	-	-	337,164
Fund balances:					
Nonspendable	45,482	-	-	-	45,482
Restricted	-	-	415,060	29,681	444,741
Committed	-	2,859,446	-	-	2,859,446
Assigned	284,126	-	-	-	284,126
Unassigned	5,934,743	-	-	-	5,934,743
Total fund balances	6,264,351	2,859,446	415,060	29,681	9,568,538
Total liabilities and fund balances	\$ 6,601,515	\$ 2,859,446	\$ 415,060	\$ 29,681	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

13,326,842

Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.

(81,765)

Pension obligations and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds.

(2,248,463)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(24,715)

Net position of governmental activities

\$ 20,540,437

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

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				Total Governmental Funds
	General Fund	Construction Fund	Municipal Aid Fund	Non-Major Governmental Funds	
REVENUES					
Taxes	\$ 3,661,115	\$ -	\$ -	\$ -	\$ 3,661,115
Licenses and permits	535,255	-	-	-	535,255
Intergovernmental	-	-	49,946	-	49,946
Charges for services	126,614	-	-	-	126,614
Fines and forfeitures	2,039	-	-	-	2,039
Grants	45,873	-	-	-	45,873
Interest	69,424	-	3,265	242	72,931
Other	138,629	-	-	-	138,629
Total revenues	<u>4,578,949</u>	<u>-</u>	<u>53,211</u>	<u>242</u>	<u>4,632,402</u>
EXPENDITURES					
Current:					
General government	749,134	-	-	-	749,134
Public safety	1,129,383	-	-	-	1,129,383
Sanitation	288,891	-	-	-	288,891
Highways and streets	696,800	-	-	-	696,800
Parks and recreation	441,819	-	-	-	441,819
Debt service:					
Principal	35,717	-	-	-	35,717
Interest	3,018	-	-	-	3,018
Capital outlay	-	935,600	-	-	935,600
Total expenditures	<u>3,344,762</u>	<u>935,600</u>	<u>-</u>	<u>-</u>	<u>4,280,362</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,234,187</u>	<u>(935,600)</u>	<u>53,211</u>	<u>242</u>	<u>352,040</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,290,020	-	-	1,290,020
Transfers out	(1,390,020)	-	-	-	(1,390,020)
Total other financing sources (uses)	<u>(1,390,020)</u>	<u>1,290,020</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	(155,833)	354,420	53,211	242	252,040
Fund balances - beginning	<u>6,420,184</u>	<u>2,505,026</u>	<u>361,849</u>	<u>29,439</u>	<u>9,316,498</u>
Fund balances - ending	<u>\$ 6,264,351</u>	<u>\$ 2,859,446</u>	<u>\$ 415,060</u>	<u>\$ 29,681</u>	<u>\$ 9,568,538</u>

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

CITY OF CALVERT CITY, KENTUCKY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ 252,040
--	------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlay of \$1,151,034 exceeded depreciation of \$675,528 in the current period.	475,506
--	---------

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the capital assets sold.	(99,900)
--	----------

The issuance of long-term debt (bonds, leases, etc.) provide current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the difference in the treatment of long-term debt.	35,717
--	--------

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.	(3,777)
--	---------

Payments of pension contributions require the use of current financial resources and, therefore, are reported as expenditures in the governmental funds. However, pension expense in the government-wide statements are reported based on the actuarial study. This amount is the difference in the treatment of pension expense.	<u>(347,176)</u>
---	------------------

Change in net position of governmental activities	<u>\$ 312,410</u>
---	-------------------

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

ASSETS

Current Assets

Cash	\$ 1,526,817
Accounts receivable - customers	251,828
Other receivable - grant	14,279
Due from the City of Calvert City	17,550
Prepaid expenses	31,731
Utility deposits	1,834
Total Current Assets	<u>1,844,039</u>

Noncurrent Assets

Capital assets, not being depreciated	1,380,749
Capital assets, being depreciated, net	10,957,643
Total Noncurrent Assets	<u>12,338,392</u>

Total Assets

14,182,431

Deferred Outflows of Resources:

Deferred pension contributions	166,455
Total deferred outflows of resources	<u>166,455</u>

LIABILITIES

Current Liabilities

Accounts payable	81,600
Accrued wages	7,758
Accrued interest	6,682
Other accrued expenses	52,471
Due to other funds	15,208
Current maturities of notes payable	29,883
Current maturities of lease payable	100,000
Customer deposits	30,361
Total Current Liabilities	<u>323,963</u>

Non-Current Liabilities

Accrued compensated leave	462
Pension obligations	664,066
Notes payable	793,585
Lease payable	380,000
Total Noncurrent Liabilities	<u>1,838,113</u>

Deferred Inflows of Resources

Difference between projected and actuarial earnings on pension plan investments	11,270
Total deferred inflows of resources	<u>11,270</u>

NET POSITION

Net invested in capital assets	11,034,925
Restricted for:	
Capital projects	40,500
Debt service	23,113
Unrestricted - net position	1,077,002

TOTAL NET POSITION

\$ 12,175,540

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

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year ended June 30, 2017

Operating Revenues

Water and sewer usage fees, net	\$ 1,575,647
Hydrant fees	17,050
Disconnect fees	7,595
Customer penalties	26,597
	<u>1,626,889</u>

Operating Expenses

Salaries and wages	388,840
Payroll taxes	26,775
Employee benefits	143,410
Contractual services	135,956
Audit and legal	18,050
Operating supplies	64,419
Training	3,494
Utilities	189,720
Communications	14,710
Maintenance	177,042
Insurance	58,445
Transportation and travel	10,943
Office supplies	9,517
Miscellaneous	32,272
Bad debts	3,211
Depreciation	479,634
	<u>1,756,438</u>

Operating income

(129,549)

Non-operating Revenues (Expenses)

Interest expense	(41,550)
Service fees	(5,002)
Gain on disposal of assets	-
Interest income	12,531
Miscellaneous expense	977
Rental income	4,050
Grant revenue	750
Total nonoperating revenue (expenses)	<u>(28,244)</u>

Income before Contributions and Transfers

(157,793)

Contributions from customers	-
Contributions - tap-on and assessment fees	6,303
Transfers from the City of Calvert City	<u>100,000</u>

Changes in net position

(51,490)

Total net position - beginning as restated

12,227,030

Total net position - ending

\$ 12,175,540

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

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year ended June 30, 2017

CASH FLOW FROM OPERATING ACTIVITIES

Collections from customers	\$ 1,650,366
Cash paid to suppliers	(721,716)
Cash paid to employees	(587,647)
Other receipts	<u>5,027</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

346,030

**CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Capital expenditures	(797,829)
Contributed capital and transfers	106,303
Proceeds from grant revenue	750
Proceeds from debt issues	463,537
Principal payments on notes and bonds	(20,416)
Principal payments on capital lease	(95,000)
Interest payments on notes, bonds, and capital leases	<u>(41,550)</u>

**NET CASH USED IN CAPITAL AND
RELATED FINANCING ACTIVITIES**

(384,205)

CASH FLOW FROM INVESTING ACTIVITIES

Interest income	<u>12,531</u>
-----------------	---------------

**NET CASH PROVIDED BY
INVESTING ACTIVITIES**

12,531

NET INCREASE IN CASH AND CASH

NET INCREASE IN CASH

(25,644)

CASH, BEGINNING OF YEAR

1,552,461

CASH, END OF YEAR

\$ 1,526,817

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING
AND FINANCING ACTIVITIES:**

Acquisition of equipment and improvements	\$ 817,682
Amount financed with trade payables	<u>(19,853)</u>
Net cash paid for equipment and improvements	<u><u>\$ 797,829</u></u>

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

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year ended June 30, 2017

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ (129,549)
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation and amortization	479,634
Non-operating revenues and expenses	25
Change in assets and liabilities:	
Accounts receivable	23,477
Accounts receivable - others	(19,469)
Other current assets	(7,533)
Accounts payable	28,143
Accrued interest and fees payable	94
Customer deposits	(170)
Pension obligation and related deferrals	(29,966)
Other current liabilities	1,344
NET CASH PROVIDED BY	
OPERATING ACTIVITIES	\$ 346,030

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

CITY OF CALVERT CITY, KENTUCKY NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Calvert City, Kentucky complies with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2017.

Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The basic financial statements include a blended component unit. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Blended Component Unit – The Calvert City Municipal Water and Sewer System serves all the citizens of the government and is governed by a board appointed by the Mayor of the City of Calvert City. The rates for user charges and debt issue authorizations are approved by the City of Calvert City's Council and the legal liability for general obligation debt of Calvert City Municipal Water and Sewer System remains with the City of Calvert City. The Calvert City Municipal Water and Sewer System is reported as an enterprise fund. Stand alone financial statements of the Calvert City Municipal Water and Sewer System can be obtained at City Hall, Calvert City, Kentucky.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information about the City as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The City reports unearned revenue on its government-wide statement of net position and on the fund financial statements. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when the City receives resources before it has a legal claim on them, as when grant funds are received prior to incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or the City has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Types and Major Funds

The accounts of the City are organized on the basis of funds, each of which is considered to be 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. 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. The City's major governmental funds are the General Fund, Construction Fund and Municipal Aid Fund. The following funds are used in the financial statements:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Construction Fund - The Construction Fund is used to account for the activities related to major capital projects of the City.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The *Municipal Aid Fund* is used to account for state aid for streets and road improvements.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Municipal Water and Sewer System are charges for water and sewer service. Operating expenses for enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

The City Council updated and adopted formal deposit and investment policies in December 1994. These policies apply to all City and component unit funds not contained in public trusts.

For the purpose of the Statement of Net Position, "cash" includes all demand and savings accounts of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash" include all restricted and unrestricted demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits and certificates of deposits are reported at carrying amount which reasonably estimates fair value. Additional cash and investment disclosures are presented in Note B.

Governmental Fund Receivables

Receivables consist of various grants and taxes net of allowances for doubtful accounts. All property taxes are due and payable on February 1st, and all taxes not paid by March 1, are deemed delinquent. There will be a penalty of six percent added to the balance due at this time. Taxes are normally levied by November 1. Property tax liens will be filed for all delinquent taxes unpaid at December 31st. City property taxes are recognized when levied to the extent that they result in current receivables.

Governmental funds report receivables for revenues that are considered available to liquidate liabilities of the current period while in the Statement of Net Position; receivables are reported for revenues when earned.

Receivable, net of reserve, as of June 30, 2017 consist of the following:

Description	Statement of Net Position	Governmental Funds
Taxes:		
Franchise (general fund)	\$ 20,653	\$ 20,653
Payroll (general fund)	366,227	366,227
Insurance (general fund)	147,058	147,058
Property (general fund)	734	734
Other (general fund)	97	97
Total	<u>\$ 534,769</u>	<u>\$ 534,769</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Receivables (continued)

Due to the uncertainty of collection of property taxes, an allowance for doubtful accounts has been provided. The reserve amount for the year ended June 30, 2017 was \$72,332.

Due to the uncertainty of collection of franchise taxes, an allowance for doubtful accounts equal to the estimate of material delinquent accounts has been provided. The reserve amount for the year ended June 30, 2017 was \$211.

Proprietary Fund Accounts Receivable and Bad Debts

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 15 days from the invoice mailing date. Unpaid accounts receivable with invoice mailing dates over 15 days old are subject to a 15% penalty on the outstanding balance. Customers are subject to disconnection after 30 days past invoice mailing date. Reconnections are subject to collect and reconnect fees. Due to the uncertainty regarding collecting, reconnect fees are recognized as income when received.

Accounts receivable are stated at amounts billed to the customer plus any accrued penalties. Customer account balances with invoices over 30 days old are considered delinquent.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoice.

No allowance for doubtful accounts has been provided since it is believed the balance in accounts receivable is fully collectible. Customer accounts are written off after one year. The effect of using this method is not significantly different from results which would be obtained by using the allowance method.

Interfund Transactions

Interfund transactions are reflected as either services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation, and are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

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.

The summary of due to/from other funds as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Municipal Water & Sewer System	\$ 15,208
Municipal Water & Sewer System	General Fund	\$ 17,550

Restricted Net Position

Certain special revenue funds and proprietary fund assets are restricted for special purpose or construction and are funded through enabling legislation or because of constraints that are externally imposed by creditors and grantors. Restricted assets are reported in various funds for cash deposited in bank accounts restricted for specified uses. Any required transfers to these funds have been made.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position (Continued)

As described in Note F, the City of Calvert City has entered into a capital lease on behalf of the Calvert City Municipal Water and Sewer System. Funds are held in the City's name for the debt service. Funds are distributed as expenditures are incurred. All required distributions have been made.

The following is a summary of restricted net position at June 30, 2017:

<u>Special Revenue</u>		<u>Proprietary Fund</u>	
Street improvements	\$ 415,059	Capital projects	\$ 40,500
Coal severance	29,682	Debt service	23,113
	<u>\$ 444,741</u>		<u>\$ 63,613</u>

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

In the government-wide financial statements, and the proprietary fund financial statements, all capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Capital assets donated are recorded at their fair market values at the date received. Depreciation is provided by the straight-line method over the estimated useful lives of the various classes of assets as follows:

<u>Government Funds</u>		<u>Proprietary Funds</u>	
	<u>Years</u>		<u>Years</u>
Buildings	25-50	Water and sewer plant	10-40
Building improvements	10-25	Equipment	5-10
General equipment & furnishings	5-25	Vehicles	5
Vehicles	5-10		
Infrastructure and land improvements	12-50		

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is earned based on years of credited service. Vacation leave accrues annually on January 1st and City policy requires use by the end of the calendar year. Sick leave for vested employees (minimum of six months service before becoming eligible) is earned on the basis of ½ day per month. Employees may accumulate a maximum of sixty days. Upon retirement, days accumulated shall have a cash value equal to 50% of their current wage. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement. As of June 30, 2017, the liability for accrued vacation and sick leave was \$81,768 for the City of Calvert City and \$31,947 for the Calvert City Municipal Water and Sewer System.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

The City fund balance reserves are reported under the requirements of GASB Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", which defines how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balances are amounts that cannot be spent either because they are not in spendable form (such as prepaid) or because they are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances includes amounts that can only be used for specific purposes (such as future construction projects) pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the City is the City Council. The City Council must approve by majority vote the establishment (and modification or rescinding) of fund balance commitments.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purpose, but are neither restricted nor committed. Assigned fund balance also includes 1) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted or committed and 2) amounts in the general fund that are intended to be used for a specific purpose (such as Cemetery, Fire Vehicles and Equipment, DARE, City Beautification).

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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.

Deferred Outflows/Inflows of Resources

Government-wide Statement

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents the consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in the category which is deferred pension related outflows reported in the statements of net position.

The deferred pension outflow results from pension contributions subsequent to the measurement date of the pension plan and various changes resulting from actuarial pension measurement. The pension contribution amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period. The various changes resulting from actuarial pension measurement are deferred and amortized in future periods as a component of the pension expense.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item reported in this category, which is deferred pension related inflows. The various changes resulting from actuarial pension measurement are deferred and amortized in future periods as a component of the pension expense.

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Governmental Activities				
<i>Deferred pension contributions</i>	\$ 180,415	\$ 185,284	\$ (180,415)	\$ 185,284
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	-	239,198	(70,147)	169,051
<i>Differences between expected and actual experience</i>	31,234	-	(5,529)	25,705
<i>Change of assumptions</i>	213,975	-	(50,678)	163,297
<i>Difference between projected and actuarial earnings</i>	162,750	157,886	(52,927)	267,709
<i>Pension related deferred outflows</i>	<u>\$ 588,374</u>	<u>\$ 582,368</u>	<u>\$ (359,696)</u>	<u>\$ 811,046</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 89,429	\$ 25,874	\$ (33,161)	\$ 82,142
<i>Difference between projected and actuarial earnings</i>	145,034	-	(145,034)	-
<i>Pension related deferred inflows</i>	<u>\$ 234,463</u>	<u>\$ 25,874</u>	<u>\$ (178,195)</u>	<u>\$ 82,142</u>
Business-Type Activities				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 40,575	\$ 47,514	\$ (40,575)	\$ 47,514
<i>Changes in proportion and differences between employer contributions and proportion share of contributions</i>	-	26,083	(7,649)	18,434
<i>Differences between expected and actual experience</i>	5,377	-	(2,478)	2,899
<i>Change of assumptions</i>	65,251	-	(30,072)	35,179
<i>Difference between projected and actuarial earnings</i>	52,159	21,411	(11,141)	62,429
<i>Pension related deferred outflows</i>	<u>\$ 163,362</u>	<u>\$ 95,008</u>	<u>\$ (91,915)</u>	<u>\$ 166,455</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 8,774	\$ 8,478	\$ (5,982)	\$ 11,270
<i>Difference between projected and actuarial earnings</i>	46,358	-	(46,358)	-
<i>Pension related deferred inflows</i>	<u>\$ 55,132</u>	<u>\$ 8,478</u>	<u>\$ (52,340)</u>	<u>\$ 11,270</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget

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

1. Prior to July 1, the Mayor submits to the City Council a proposed operating budget covering the General Fund and each of the City's Special Revenue Funds for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the City to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. Budgets are adopted on a basis consistent with U.S. GAAP.

Excess of Expenditures Over Appropriation

There are no funds of the City that currently have a deficit fund balance.

NOTE B – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety. Accordingly, the City maintains collateral agreements with its financial institutions. Deposits are 100% secured with collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or City Clerk.

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended June 30, 2017, the City's only cash was demand deposits. At year end, the carrying amount and the bank balance of the City's cash was \$9,310,243 and \$9,528,926, respectively. As of June 30, 2017, \$9,278,926 of the City's bank balance was collateralized with securities held by the City's agent.

Deposits of the City's proprietary fund are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended June 30, 2017, the proprietary fund's only cash were demand deposits. At year end, the carrying amount, including restricted cash, and the bank balance of the proprietary fund's cash was \$1,526,817 and \$1,557,047, respectively. As of June 30, 2017, \$1,307,047 of the proprietary fund's bank balance was collateralized with securities held by the City's agent.

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City's City Clerk. Investing is performed in accordance with investment policies adopted by the City Council complying with State Statutes. In accordance with the City's investment policy and the State Statutes, the City may invest funds temporarily in excess of operating needs in the following:

1. Obligations of the U.S. Treasury, agencies, and instrumentalities, including obligations subject to repurchase agreements, provided delivery of obligations subject to repurchase agreements are held by the City or through an authorized agent;

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE B – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (Continued)

Investment Policies (Continued)

2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
3. Obligations of any corporation of the United States government;
4. Bonds or certificates of indebtedness of the state of Kentucky and of its agencies and instrumentalities;
5. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes;
6. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
7. Commercial paper rated in the highest category by a nationally recognized rating agency.
8. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a national recognized rating agency.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City policy provides that to the extent feasible, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. With the exception of fully collateralized investments and authorized investment pools, no more than 15% of the City's total investment portfolio shall be invested in a single security type or with a single financial institution. Unless matched to a specific cash flow, investments are not, in general, made in securities maturing more than five years from the date of purchase. Surplus cash may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as feasible with the expected use of the investment. **Concentration of credit risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy limits total cumulative investments at any one time in categories 6, 7, and 8 listed previously not to exceed 20% of the total amount of funds invested. In addition, the policy does not permit purchases on a margin basis or through the use of any similar leveraging technique.

For the year ended June 30, 2017, the City had no investments as all deposits were in demand deposit accounts.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE C – CAPITAL ASSETS

A summary of the capital asset activity for the fiscal year ended at June 30, 2017, was as follows:

<u>Governmental Funds</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 4,875,953	\$ 22,520	\$ 99,900	\$ 4,798,573
Construction in Progress	<u>195,158</u>	<u>573,536</u>	<u>271,197</u>	<u>497,497</u>
Total capital assets, not being depreciated:	<u>5,071,111</u>	<u>596,056</u>	<u>371,097</u>	<u>5,296,070</u>
<u>Capital assets, being depreciated:</u>				
Infrastructure and land improvements	11,266,015	397,707	-	11,663,722
Buildings	2,179,171	29,785	-	2,208,956
Building improvements	694,133	45,357	-	739,490
Vehicles	2,033,801	116,744	20,816	2,129,729
General equipment and furnishings	<u>2,115,225</u>	<u>236,583</u>	<u>-</u>	<u>2,351,808</u>
Totals at historical cost	<u>18,288,345</u>	<u>826,176</u>	<u>20,816</u>	<u>19,093,705</u>
Less: Accumulated depreciation				
Infrastructure and land improvements	6,231,430	349,239	-	6,580,669
Buildings	1,005,726	51,127	-	1,056,853
Building improvements	231,420	27,483	-	258,903
Vehicles	1,561,776	108,534	20,816	1,649,494
General equipment and furnishings	<u>1,377,868</u>	<u>139,145</u>	<u>-</u>	<u>1,517,013</u>
Total accumulated depreciation	<u>10,408,220</u>	<u>675,528</u>	<u>20,816</u>	<u>11,062,932</u>
Total capital assets, being depreciated, net:	<u>7,880,125</u>	<u>150,648</u>	<u>-</u>	<u>8,030,773</u>
Primary Government Activities				
Capital Assets – Net	<u>\$ 12,951,236</u>	<u>\$ 746,704</u>	<u>\$ 371,097</u>	<u>\$ 13,326,843</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE C – CAPITAL ASSETS (Continued)

<u>Proprietary Fund</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 282,886	\$ -	\$ -	\$ 282,886
Construction in Progress	942,607	787,080	631,824	1,097,863
Total capital assets, not being depreciated:	<u>1,225,493</u>	<u>787,080</u>	<u>631,824</u>	<u>1,380,749</u>
<u>Capital assets, being depreciated:</u>				
Water and sewer system	18,258,792	631,823	-	18,890,615
Vehicles	297,902	26,541	-	324,443
Equipment	306,044	4,062	-	310,106
Totals at historical cost	<u>18,862,738</u>	<u>662,426</u>	<u>-</u>	<u>19,252,164</u>
Less: Accumulated depreciation				
Water and sewer system	7,716,935	435,516	-	8,152,451
Vehicles	160,574	23,400	-	183,974
Equipment	210,378	20,718	-	231,096
Total accumulated depreciation	<u>8,087,887</u>	<u>479,634</u>	<u>-</u>	<u>8,567,521</u>
Total capital assets, being depreciated, net:	<u>10,774,851</u>	<u>182,792</u>	<u>-</u>	<u>10,957,643</u>
Component Unit Activities				
Capital Assets – Net	<u>\$ 12,000,344</u>	<u>\$ 969,872</u>	<u>\$ 631,824</u>	<u>\$ 12,338,392</u>

Depreciation expense, by function, was as follows:

General government	\$ 142,830
Public Safety	137,587
Sanitation	30,726
Parks and recreation	108,362
Highways and streets	256,023
	<u>\$ 675,528</u>
Water and Sewer System	<u>\$ 497,634</u>

NOTE D – CONSTRUCTION IN PROGRESS

The City of Calvert City had the following capital projects in process at June 30, 2017:

	<u>Cumulative Costs Incurred</u>
Shar-Cal Road upgrade	\$ 4,375
Royal Park Paving	4,860
Batting Cage Installation	16,309
Multi-Use Walking Trail	143,628
Fountain – Engineering	4,465
Fountain – Memorial Park	<u>323,860</u>
	<u>\$ 497,497</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE D – CONSTRUCTION IN PROGRESS (Continued)

The Calvert City Municipal Water and Sewer System had the following capital projects in process at June 30, 2017:

	<u>Cumulative Costs Incurred</u>
Industrial WWTP Study Project	\$ 420,742
Sewer Rehab – Phase III	581,102
Sanitary Sewer – Phase IV	41,316
Heights Water Main Replacement	27,870
Other Projects	<u>26,833</u>
	<u>\$ 1,097,863</u>

Completion of these projects is based upon the availability of additional resources.

NOTE E – EMPLOYEE RETIREMENT SYSTEM

The City provides retirement benefits to its employees through a multi-employer public employee retirement fund administered by the Kentucky County Employees Retirement System (CERS). Information regarding this plan is as follows:

County Employees' Retirement System

Plan description - The City is a participant in the County Employees Retirement System (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, non-hazardous and hazardous employees are grouped into three tiers, based on hire date:

Non-hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Not available

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE E - EMPLOYEE RETIREMENT SYSTEM (Continued)

Hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service and any age
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	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 either death after retirement or 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 non-service related disability benefits.

Plan Funding – State statute requires active members to contribute % of creditable compensation based on the tier:

<i>Non-hazardous</i>		<i>Hazardous</i>	
	<u>Required Contribution</u>		<u>Required Contribution</u>
Tier 1	5%	Tier 1	8%
Tier 2	5% plus 1% for insurance	Tier 2	8% plus 1% for insurance
Tier 3	5% plus 1% for insurance	Tier 3	8% plus 1% for insurance

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.752. The City's required contribution rate was 17.06% for non-hazardous employees and 32.95% for hazardous employees for the year ended June 30, 2016.

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 was as follows:

City's non-hazardous proportionate share of the CERS net pension liability	\$ 2,377,954
City's hazardous proportionate share of the CERS net pension liability	<u>1,263,479</u>
Total CERS net pension liability associated with the City	<u>\$ 3,641,433</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE E - EMPLOYEE RETIREMENT SYSTEM (Continued)

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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, 2016, the City's non-hazardous proportion was 0.048297% percent and hazardous proportion was 0.073600% percent.

For the year ended June 30, 2017, the City recognized pension expense of \$544,069 related to CERS pension plans. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 28,604	\$ -
Changes in assumptions	198,476	-
Net difference between projected and actual earnings on pension plan investments	330,138	93,412
Changes in proportion and differences between City contributions and proportionate share of contributions	187,485	-
City contributions subsequent to the Measurement date	<u>232,798</u>	<u>-</u>
Total	<u>\$ 977,501</u>	<u>\$ 93,412</u>

The City reported \$232,798 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions which will be recognized in pension expense as follows:

	<u>Fiscal Year Ending June 30</u>	
	<u>Hazardous</u>	<u>Non- Hazardous</u>
2017	\$ 78,726	\$ 135,652
2018	78,726	105,833
2019	83,976	94,239
2020	24,303	49,836

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:

Inflation	3.25%
Projected salary increases	4.00%
Investment rate of return, net of investment expense & inflation	7.50%

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE E - EMPLOYEE RETIREMENT SYSTEM (Continued)

For CERS, Mortality rates for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 for all active and retired employees and beneficiaries. 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. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Estate	5.0%	4.50%
Private Equity	10.0%	8.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Absolute Return (Diversified Hedge Funds)	10.0%	5.50%
Cash	2.0%	(0.25%)
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that 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.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE E - EMPLOYEE RETIREMENT SYSTEM (Continued)

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 the 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
Non-hazardous' proportionate share of net pension liability	\$ 2,963,317	\$ 2,377,954	\$ 1,876,183
Hazardous' proportionate share of net pension liability	\$ 1,587,298	\$ 1,263,479	\$ 996,384

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the CERS.

NOTE F - LONG-TERM DEBT

Governmental Funds

The City of Calvert City has entered into a capital lease agreement with the Kentucky League of Cities Funding Trust for the purchase of equipment. For the year ended June 30, 2017, amortization of \$30,858 related to the leased equipment was included in depreciation.

Lease payable consists of the following:

Kentucky League of Cities Funding Trust lease, dated January 2, 2008, with fixed interest rate of 3.64%, maturing February 1, 2018, collateralized by equipment	\$ 24,715
Less current maturities	<u>24,715</u>
	<u>\$ -</u>

A detail schedule of the City's future lease and interest requirements is shown below:

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2018	3.64%	<u>1,130</u>	<u>24,715</u>	<u>25,845</u>
		<u>\$ 1,130</u>	<u>\$ 24,715</u>	<u>\$ 25,845</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE F - LONG-TERM DEBT (Continued)

The City of Calvert City has entered into a capital lease agreement, on behalf of its blended component unit, with the Kentucky League of Cities Funding Trust for the construction of an above ground water storage facility. At the end of the lease term, title of the facility will pass to the Water & Sewer System. For the year ended June 30, 2017, amortization of \$40,286 related to the leased facility was included in depreciation.

Lease payable consists of the following:

Kentucky League of Cities Funding Trust lease, dated January 30, 2002, with fixed interest rate of 4.68%, maturing October 30, 2021, collateralized by all taxable property of the City of Calvert City	\$ 480,000
Less current maturities	<u>100,000</u>
	<u>\$ 380,000</u>

A detail schedule of the blended component unit's future lease and interest requirements is shown below:

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2018	4.68%	24,321	100,000	124,321
2019	4.68%	18,907	100,000	118,907
2020	4.68%	13,511	100,000	113,511
2021	4.68%	7,728	120,000	127,728
2022	4.68%	<u>1,400</u>	<u>60,000</u>	<u>61,400</u>
		<u>\$ 65,867</u>	<u>\$ 480,000</u>	<u>\$ 545,867</u>

The City of Calvert City entered into an assistance agreement on behalf of the System with the Kentucky Infrastructure Authority (KIA) for capital projects beginning in the fiscal year 2010. This agreement provides capital project funding utilizing a combination of both long-term borrowing and federal stimulus grants funds from the American Recovery and Reinvestment Act. The notes mature December 1, 2031 with semi-annual payments principal and interest accruing at 3.00%.

Notes payable consists of the following:

Kentucky Infrastructure Authority lease, dated February 1, 2010, with fixed interest rate of 3.00%, maturing June 30, 2031, collateralized by water and sewer system property.	\$ 359,931
Less current maturities	<u>21,033</u>
	<u>\$ 338,898</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE F - LONG-TERM DEBT (Continued)

The detail schedule of future principal and interest requirements on notes payable are as follows:

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2018	3.00%	\$ 11,351	\$ 21,033	\$ 32,384
2019	3.00%	10,673	21,669	32,342
2020	3.00%	9,974	22,324	32,298
2021	3.00%	9,254	22,999	32,253
2022	3.00%	8,513	23,694	32,207
2023 - 2027	3.00%	30,633	129,655	160,288
2028 - 2031	3.00%	<u>8,684</u>	<u>118,557</u>	<u>127,241</u>
		<u>\$ 89,082</u>	<u>\$ 359,931</u>	<u>\$ 449,013</u>

The City of Calvert City entered into an assistance agreement on behalf of the System with the Kentucky Infrastructure Authority (KIA) for capital projects beginning in the fiscal year 2017. The notes mature December 1, 2037 with semi-annual payments principal and interest accruing at 2.75%.

Notes payable consists of the following:

Kentucky Infrastructure Authority lease, dated October 1, 2016,
with fixed interest rate of 2.75%, maturing December 1, 2037,
collateralized by water and sewer system property.
Less current maturities

<u>2017</u>	<u>2016</u>
\$ 463,537	\$ -
<u>8,850</u>	<u>-</u>
<u>\$ 454,687</u>	<u>\$ -</u>

The detail schedule of future principal and interest requirements is as follows:

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2018	2.75%	\$ 6,837	\$ 8,850	\$ 15,687
2019	2.75%	13,285	17,903	31,188
2020	2.75%	12,753	18,399	31,152
2021	2.75%	12,206	18,908	31,114
2022	2.75%	11,645	19,432	31,077
2023 - 2027	2.75%	49,239	105,533	154,772
2028 - 2032	2.75%	32,673	120,976	153,649
2033 - 2037	2.75%	13,684	138,678	152,362
2038	2.75%	<u>220</u>	<u>14,858</u>	<u>15,078</u>
		<u>\$ 152,542</u>	<u>\$ 463,537</u>	<u>\$ 616,079</u>

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE G – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 60,432	\$ -	\$ (35,717)	\$ 24,715	\$ 24,715
Pension obligation	2,255,198	937,222	(215,053)	2,977,367	-
Accumulated sick leave	77,991	112,100	(108,323)	81,768	79,526
Governmental activity Long-term liabilities	<u>\$ 2,393,621</u>	<u>\$1,049,322</u>	<u>\$ (359,093)</u>	<u>\$ 3,083,850</u>	<u>\$ 104,241</u>
Business-type activities:					
Bonds payable:					
Notes payable	\$ 380,347	\$ 463,537	\$ (20,416)	\$ 823,468	\$ 29,883
Capital leases	575,000	-	(95,000)	480,000	100,000
Pension obligation	647,077	55,307	(38,318)	664,066	-
Accumulated sick leave	25,759	38,194	(32,006)	31,647	31,485
Business-type activities Long-term liabilities	<u>\$ 1,628,183</u>	<u>\$ 557,038</u>	<u>\$ (185,740)</u>	<u>\$ 1,999,481</u>	<u>\$ 161,368</u>

NOTE H – DISCLOSURES REGARDING STATEMENT OF CASH FLOWS

Accounting Policy

For purposes of the Statement of Cash Flows, cash include all restricted and unrestricted highly liquid debt instruments with maturities of three months or less.

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense during the year ended June 30, 2017 was \$41,455.

NOTE I – CONCENTRATION OF CUSTOMERS

The Calvert City Municipal Water and Sewer System provide service to five significant commercial and industrial customers. These customers accounted for \$447,469 of total revenue for the year ended June 30, 2017. The City of Calvert receives approximately 57% of its payroll tax revenue from 8 industrial employers. Loss of these revenues would have a significant impact.

NOTE J – RISK MANAGEMENT

The City and the Calvert City Municipal Water & Sewer System are exposed to various risks of loss including, but not limited to property, casualty, general liability, auto liability, public officials' liability, employees' health and life, and workers compensation.

To limit exposure to these risks, the City and the Calvert City Municipal Water & Sewer System contracts for insurance coverage. During the year ended June 30, 2017, there were no significant reductions in insurance coverage. There have been no significant settlement amounts, if any, which exceed insurance coverage in the past two years. The City and Municipal System are not aware of any claims outstanding as of June 30, 2017.

**CITY OF CALVERT CITY, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

NOTE K – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The City and Municipal System, on behalf of the City, receives grant funds from various federal and state government agencies to be used for designated purpose only. The grant programs are subject to audit by agents of the granting authorities to insure compliance with conditions surrounding the granting of funds. If the grantor's review indicates the funds have not been used for the intended purpose, the grantor may request refund of funds advanced or refuse to reimburse the City for its expenditures. The amount of such future refunds and un-reimbursed expenditures, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are spent as intended and the grantor's intent to continue their programs.

Proprietary Funds

During the year ended June 30, 2015, the System entered into a contractual agreement for \$390,700 for an Industrial Wastewater Treatment Plant Study. The System began the study in the prior year and expects to complete the study in the next fiscal year. The project is funded from contributions of \$210,000 from various companies in the industrial park; \$100,000 from the System and City of Calvert City, Kentucky; and a \$200,000 matching grant from the Economic Development Administration (EDA). For the year ended June 30, 2017, the System incurred contractual costs of \$9,600 related to the Industrial Wastewater Treatment Plant Study.

NOTE L – INTERFUND TRANSFERS

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

Between Governmental and Business-Type Activities

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Municipal Water and Sewer System	\$ <u>100,000</u>	Debt service subsidy and capital project

NOTE M – TAX ABATEMENTS

The Kentucky Business Investment (KBI) Program, KRS 154.32 provides income tax credits and wage assessments to new and existing manufacturing companies, and non-retail service companies that locate or expand operations in Kentucky. The Program can be set to last up to 10 years. For the year ended June 30, 2017, the City rebated employee local payroll taxes totaling \$77,200 under this program.

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 3, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
REVENUES				
Taxes	\$ 3,181,000	\$ 3,750,400	\$ 3,661,115	\$ (89,285)
Licenses and permits	389,020	414,070	535,255	121,185
Charges for services	116,000	116,000	126,614	10,614
Fines and forfeitures	3,200	1,700	2,039	339
Interest	50,800	50,800	69,424	18,624
Grants and other	55,836	207,250	184,502	(22,748)
Total revenues	<u>3,795,856</u>	<u>4,540,220</u>	<u>4,578,949</u>	<u>38,729</u>
EXPENDITURES				
Current:				
General government	775,200	770,000	749,134	(20,866)
Public safety	1,285,100	1,185,901	1,129,383	(56,518)
Sanitation	322,150	290,000	288,891	(1,109)
Highway and streets	741,000	725,000	696,800	(28,200)
Parks and Cemetery	571,100	437,000	441,819	4,819
Debt service:				
Principal	35,717	35,717	35,717	-
Interest	2,997	2,997	3,018	21
Total expenditures	<u>3,733,264</u>	<u>3,446,615</u>	<u>3,344,762</u>	<u>(101,853)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,592</u>	<u>1,093,605</u>	<u>1,234,187</u>	<u>140,582</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100,000)</u>	<u>(1,390,000)</u>	<u>(1,390,020)</u>	<u>(20)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(1,390,000)</u>	<u>(1,390,020)</u>	<u>(20)</u>
Net change in fund balances	(37,408)	(296,395)	(155,833)	140,562
Fund balances - beginning	<u>6,420,184</u>	<u>6,420,184</u>	<u>6,420,184</u>	<u>-</u>
Fund balances - ending	<u>\$ 6,382,776</u>	<u>\$ 6,123,789</u>	<u>\$ 6,264,351</u>	<u>\$ 140,562</u>

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Municipal Aid Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
REVENUES				
Intergovernmental	\$ 50,500	\$ 53,100	\$ 49,946	\$ (3,154)
Interest	-	-	3,265	3,265
Other	-	-	-	-
Total revenues	<u>50,500</u>	<u>53,100</u>	<u>53,211</u>	<u>111</u>
EXPENDITURES				
Current:				
Public Safety	-	-	-	-
Highway and streets	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,500</u>	<u>53,100</u>	<u>53,211</u>	<u>111</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term debt	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	50,500	53,100	53,211	111
Fund balances - beginning	<u>361,849</u>	<u>361,849</u>	<u>361,849</u>	<u>-</u>
Fund balances - ending	<u>\$ 412,349</u>	<u>\$ 414,949</u>	<u>\$ 415,060</u>	<u>\$ 111</u>

CITY OF CALVERT CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS*

<u>Year Ended June 30</u>	<u>City's proportion of the net pension liability</u>	<u>City's proportionate share of the net pension liability (asset)</u>	<u>City's covered employee payroll</u>	<u>City's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>CERS Nonhazardous</u>					
2017	0.0483%	\$ 2,377,955	\$ 1,167,684	203.6471%	55.5028%
2016	0.0458%	\$ 1,970,629	\$ 1,081,582	182.1988%	59.9684%
2015	0.0484%	\$ 1,571,402	\$ 1,025,235	153.2724%	66.8010%
2014	0.0484%	\$ 1,778,089	\$ 919,617	193.3510%	66.2209%
<u>CERS Hazardous</u>					
2017	0.7360%	\$ 1,263,479	\$ 389,413	324.4573%	53.9483%
2016	0.0607%	\$ 931,646	\$ 311,161	299.4096%	57.5152%
2015	0.0675%	\$ 811,232	\$ 341,885	237.2821%	63.4574%
2014	0.0675%	\$ 905,936	\$ 323,216	280.2881%	65.7178%

* The amounts presented were determined as of the measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

**CITY OF CALVERT CITY, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
TO COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS***

<u>Year Ended June 30</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<u>CERS Nonhazardous</u>					
2017	\$ 158,957	\$ 158,957	\$ -	\$ 1,141,459	13.9258%
2016	\$ 145,295	\$ 145,295	\$ -	\$ 1,167,684	12.4430%
2015	\$ 136,843	\$ 136,843	\$ -	\$ 1,081,582	12.6521%
2014	\$ 137,441	\$ 137,441	\$ -	\$ 1,025,235	13.4058%
2013	\$ 125,017	\$ 125,017	\$ -	\$ 919,617	13.5945%
<u>CERS Hazardous</u>					
2017	\$ 73,841	\$ 73,841	\$ -	\$ 340,877	21.6621%
2016	\$ 75,695	\$ 75,695	\$ -	\$ 389,413	19.4382%
2015	\$ 65,587	\$ 65,587	\$ -	\$ 311,161	21.0782%
2014	\$ 64,954	\$ 64,954	\$ -	\$ 341,885	18.9988%
2013	\$ 65,246	\$ 65,246	\$ -	\$ 323,216	20.1865%

* The amounts presented for each fiscal year were determined as of the measurement date June 30 of the prior year.

* Schedule is intended to show information for 10 years. Additional years of supplementary information will be provided as this information becomes available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2016**

Changes of Benefit Terms:

A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions:

The assumptions were updated as of result of an experience study for the three year period ending June 30, 2013.

The amortization period of the unfunded accrued liability was reset to a closed 30 year period for the year ended June 30, 2013.

The discount rate changed from 7.75% to 7.50% for fiscal year 2016.

The inflation rate changed from 3.50% to 3.25% for fiscal year 2016.

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds		Total Nonmajor Governmental Funds
	LGEA Coal Severance	Small Grants Fund	
ASSETS			
Cash - restricted	\$ 29,681	\$ -	\$ 29,681
Grant receivable	-	-	-
Total assets	\$ 29,681	\$ -	\$ 29,681
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted:			
Program purposes	29,681	-	29,681
Total liabilities and fund balances	\$ 29,681	\$ -	\$ 29,681

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues,
Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds		Total Nonmajor Governmental Funds
	LGEA Coal Severance	Small Grants Fund	
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Grant revenue	-	-	-
Interest income	242	-	242
Total revenues	<u>242</u>	<u>-</u>	<u>242</u>
EXPENDITURES			
Current:			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>242</u>	<u>-</u>	<u>242</u>
Net change in fund balances	242	-	242
Fund balances - beginning	<u>29,439</u>	<u>-</u>	<u>29,439</u>
Fund balances - ending	<u>\$ 29,681</u>	<u>\$ -</u>	<u>\$ 29,681</u>



**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***

Honorable Lynn Jones
Members of the City Council
City of Calvert City
Calvert City, 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 Calvert City, Kentucky, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Calvert City, Kentucky's basic financial statements, and have issued our report thereon dated April 3, 2018.

Internal Control Over Financial Reporting

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

Kemper CPA Group, LLP

Paducah, Kentucky
April 3, 2018