

**CITY OF AUGUSTA, KENTUCKY**  
**AUDITED BASIC FINANCIAL STATEMENTS**  
**AND REQUIRED SUPPLEMENTARY INFORMATION**  
Year the Year Ended June 30, 2015

**DONNA J. HENDRIX, CPA, PSC**  
Certified Public Accountant  
550 West First Street  
PO Box 449  
Morehead, Kentucky 40351  
(606) 784-4451

**CITY OF AUGUSTA, KENTUCKY**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2015**

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-8
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets.....	9
Statement of Activities.....	10
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets.....	12
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	16
Statement of Net Assets – Proprietary Funds.....	17
Statements of Revenues, Expenses and Changes in Net Assets - Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19

**CITY OF AUGUSTA, KENTUCKY**

**TABLE OF CONTENTS – CONTINUED**

**YEAR ENDED JUNE 30, 2015**

**Notes to the Basic Financial Statements.....20-34**

**Supplementary Information:**

Combining Balance Sheet – All Proprietary Fund Types .....35  
Combining Statement of Revenues, Expenditures and Changes  
    In Net Assets – All Proprietary Fund Types .....36  
Combining Statement of Cash Flows – All Proprietary Fund Types.....37  
Schedule of Revenues – Budget and Actual – General Fund.....38  
Schedule of Expenditures – Budget and Actual – General Fund.....39  
Water Treatment Plant Costs.....40  
    Schedule of Debt Service Requirements  
        Series A Water System Revenue Bonds.....41  
        Series B Water System Revenue Bonds.....42  
        Series B Water System Revenue Bonds.....43

**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.....44-45**

**Management Letter Comments.....46-48**

DONNA J. HENDRIX  
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

115 SOUTH MAIN CROSS  
FLEMINGSBURG, KY 41041  
(606) 845-5210

550 W. FIRST ST., PO BOX 449  
MOREHEAD, KY 40351  
(606) 784-4451  
(606) 784-8224 (FAX)

**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Augusta  
Augusta, Kentucky 41002

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta, Kentucky as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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 of the City of Augusta, Kentucky, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, on our consideration of the City of Augusta, 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 Augusta, Kentucky's internal control over financial reporting and compliance.

*Donna J. Hendrix, CPA*

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

January 11, 2016

**CITY OF AUGUSTA, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2015**

As management of the City of Augusta, Kentucky “the City”, we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

- The City ended the 2015-year with net assets (both City and Utilities) of \$3,357,000. The principal part of net assets is comprised of the City’s investment in fixed assets.
- The City received a Homeland Security Grant for \$20,000 for the purchase of the Jaws of Life for the Fire Department.
- The City received a Homeland Security Grant for \$30,200 for the purchase of a generator for the Community Center.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the City include general administration, police, sanitation, streets and recreation services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The only proprietary funds are our utility operations, all other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

**Notes to the financial statements.** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,357,000 as of June 30, 2015.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, utility line systems, vehicles, furniture and computer equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.



### Net Assets for the period ending June 30, 2015

Comparative data for 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Current Assets	\$1,284,000	\$1,105,000
Noncurrent Assets	<u>4,193,000</u>	<u>4,335,000</u>
<b>Total Assets</b>	<b>5,477,000</b>	<b>5,440,000</b>
Current Liabilities	915,000	721,000
Noncurrent Liabilities	<u>1,205,000</u>	<u>1,231,000</u>
<b>Total Liabilities</b>	<b>2,120,000</b>	<b>1,951,000</b>
<b>Net Assets</b>		
Investment in capital assets (net of debt)	3,448,000	3,447,000
Restricted	43,000	51,000
Unreserved Fund Balance	<u>(134,000)</u>	<u>(37,000)</u>
<b>Total Net Assets</b>	<b>\$3,357,000</b>	<b>\$ 3,489,000</b>

### Comments on Budget Comparisons

- The City's total revenues for the fiscal year ended June 30, 2015, net of interfund transfers were \$2,887,000.
- General fund budget compared to actual revenue varied from line to line with the ending actual revenues being \$84,000 more than budget. The main contributing factor for the variance was the miscellaneous revenue actual was more than budgeted.
- General fund budget expenditures to actual varied \$83,000 more than budget due to the streets repair and maintenance and miscellaneous expense.

The following table presents a summary of governmental fund revenues and expense for the fiscal year ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
Local revenue sources	\$1,163,000	\$ 1,031,000
Federal and State revenue sources	0	0
Other Sources	<u>0</u>	<u>0</u>
<b>Total revenues</b>	<b><u>\$1,163,000</u></b>	<b><u>\$1,031,000</u></b>
<b>Expenses:</b>		
General government	350,000	384,000
Police	167,000	196,000
Fire	21,000	15,000
Streets	61,000	52,000
Sanitation	353,000	372,000
Recreation, pool and park	104,000	111,000
Tourism	76,000	70,000
Debt Service	10,000	8,000
Capital Outlay	<u>20,000</u>	<u>13,000</u>
<b>Total expenses</b>	<b><u>\$ 1,163,000</u></b>	<b><u>\$1,222,000</u></b>
<b>Revenue in Excess of Expense</b>	<b>\$ 749</b>	<b>\$ (190,000)</b>

### **General Fund Revenue**

The majority of revenue was derived from local sources. Revenues from sanitation services were \$376,000.

### **General Fund Expenses**

Salaries comprise of \$ 292,000 of total expenses, or 25% of total expense.

### **Utility Operations**

The net results for divisions of Utility operations (net of grants for construction) were:

Water	\$(58,000)
Gas	\$ 29,000
Sewer	\$(34,000)
Water Treatment	\$ (42,000)

The cost of operating the water treatment plant decreased from \$1.95 per thousand gallons in the prior year to \$1.79 in the current year.

### **Budgetary Implications**

The City adopted a budget for 2015 in which anticipated revenue equaled expenditures. The City has a cash balance of \$108,000 for the beginning of the next fiscal year. The utility had a cash balance of \$210,000 for the beginning of the 2016 fiscal year. The City does not anticipate any significant action, which would impact the budget.

Questions regarding this report should be directed to the Mayor Mary Zeigler or to her **REPRESENTATIVE**, City Clerk Gretchen Usleaman, or by mail at:

City of Augusta  
219 Main Street  
Augusta, Kentucky 41002

## **BASIC FINANCIAL STATEMENTS**

**CITY OF AUGUSTA, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
June 30, 2015

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	107,771	210,082	317,852
Accounts Receivable:			
Accounts	34,053	132,165	166,219
Loans	-		-
Deposits	-		-
Due from other funds	-	779,767	779,767
Restricted Cash	20,224		20,224
<b>Total Current Assets</b>	<b>162,048</b>	<b>1,122,014</b>	<b>1,284,062</b>
<b>Noncurrent Assets</b>			
Bond Issue Costs		-	-
Nondepreciated capital assets:			
Land	2,000		2,000
Depreciated capital assets:			
Buildings and improvements	2,645,804		2,645,804
Equipment	480,783		480,783
Utility Systems		6,160,730	6,160,730
Less: Accumulated depreciation	(1,669,982)	(3,426,258)	(5,096,240)
<b>Net Capital Assets</b>	<b>1,458,605</b>	<b>2,734,472</b>	<b>4,193,077</b>
<b>Total Noncurrent Assets</b>	<b>1,458,605</b>	<b>2,734,472</b>	<b>4,193,077</b>
<b>TOTAL ASSETS</b>	<b>1,620,654</b>	<b>3,856,486</b>	<b>5,477,139</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	36,662	4,083	40,746
Accrued Liabilities	14,777	7,680	22,457
Accrued interest payable		5,986	5,986
Customer Deposits		19,660	19,660
Due to Other Funds	473,276	306,491	779,767
Current portion of Bonds and Notes Payable	7,371	39,067	46,438
Total Current Liabilities	532,087	382,967	915,054
Noncurrent Liabilities			
Bonds payable		1,192,633	1,192,633
Notes Payable	12,392	-	12,392
Total Noncurrent Liabilities	12,392	1,192,633	1,205,025
<b>TOTAL LIABILITIES</b>	<b>544,479</b>	<b>1,575,600</b>	<b>2,120,079</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,438,842	2,008,797	3,447,639
Restricted for:			
Capital projects		-	-
Other purposes	43,449		43,449
Unrestricted	(406,116)	272,088	(134,028)
<b>TOTAL NET ASSETS</b>	<b>1,076,174</b>	<b>2,280,883</b>	<b>3,357,057</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,620,654</b>	<b>3,856,486</b>	<b>5,477,139</b>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF AUGUSTA, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	320,430	152,434		56,194	(111,801)	-	\$ (111,801)
Police	167,477	127			(167,350)		\$ (167,350)
Fire	20,851				(20,851)		(20,851)
Streets	61,249				(61,249)		(61,249)
Sanitation	352,719	396,902			44,183		44,183
Recreation, Pool and Parks	104,650				(104,650)		(104,650)
Tourism	44,258				(44,258)		(44,258)
Depreciation	117,715				(117,715)		(117,715)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,189,347</b>	<b>549,463</b>	<b>-</b>	<b>56,194</b>	<b>(583,689)</b>	<b>-</b>	<b>(583,689)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Utilities	1,339,983	1,234,585	-		-	(105,398)	(105,398)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,339,983</b>	<b>1,234,585</b>	<b>-</b>			<b>(105,398)</b>	<b>(105,398)</b>
<b>TOTAL CITY</b>	<b>2,529,330</b>	<b>1,784,048</b>	<b>-</b>	<b>56,194</b>	<b>(583,689)</b>	<b>(105,398)</b>	<b>(689,087)</b>
<b>General Revenues</b>							
Taxes					345,383		345,383
Federal and State Grants					26,804		26,804
Local and Other Revenues					185,436		185,436
Investment Earnings							-
<b>Total General Revenues</b>					<b>557,624</b>	<b>-</b>	<b>557,624</b>
<b>Change in Net Assets</b>							
Net Assets July 1, 2014					(26,065)	(105,398)	(131,463)
					1,102,241	2,386,282	3,488,523
<b>Net Assets June 30, 2015</b>					<b>1,076,174</b>	<b>\$ 2,280,883</b>	<b>\$ 3,357,057</b>

See independent auditor's report and accompanying notes to financial statements.

**CITY OF AUGUSTA, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2015

	General Fund	Special Revenue Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	84,546	23,225	107,771
Accounts Receivable:			-
Customers, Net	34,053		34,053
Other		-	-
Loans		-	-
Due From Other Funds			-
Deposits	-		-
Restricted Assets			-
Cash	20,224		20,224
Fixed Assets			-
Construction in Progress			-
Accumulated Depreciation			-
<b>TOTAL ASSETS</b>	<b>138,824</b>	<b>23,225</b>	<b>162,049</b>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts Payable	36,662	-	36,662
Accrued Liabilities	14,777		14,777
Accrued Interest Payable			-
Due to Other Funds	473,276	-	473,276
Notes Payable			-
<b>TOTAL LIABILITIES</b>	<b>524,716</b>	<b>-</b>	<b>524,716</b>
Fund Balance:			
Restricted	20,224	23,225	43,449
Unassigned	(406,117)		(406,116)
<b>TOTAL FUND BALANCES</b>	<b>(385,891)</b>	<b>23,225</b>	<b>(362,668)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>138,824</b>	<b>23,225</b>	<b>162,049</b>

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS

June 30, 2015

<b>Total fund balance per fund financial statements</b>	\$ (362,668)
Changes required for presentation of Net Assets in conformity with GASB34:	
 Capital assets are not reported in the fund financial statements because they are not current financial resources; however they are reported in the Statement of Net Assets.	
Total Cost	3,128,587
Accumulated Depreciation	<u>(1,669,982)</u>
	1,458,605
 Certain liabilities (such as bond payable, capital leases, the long-term portion of accrued sick leabe, and accrued interest) are not reported in the fund financial statements because they are not currently due and payable, but they are presented in the Statement of Net Assets.	
	<u>(19,763)</u>
<b>Net assets for government activities</b>	<u><u>\$ 1,076,174</u></u>



**CITY OF AUGUSTA, KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue (CDBG) Funds	TOTALS (Memorandum Only)
<b>REVENUES:</b>			
Taxes	345,383		345,383
Licenses and Permits	152,434		152,434
Fines and Forfeits	127		127
Intergovernmental Revenue	43,916		43,916
Charges for Services	396,902		396,902
Kentucky Grant	56,194		56,194
Miscellaneous	168,325	-	168,325
<b>TOTAL REVENUES</b>	1,163,282	-	1,163,282
<b>EXPENDITURES:</b>			
Current:			
General Government	350,065	-	350,065
Police	167,477		167,477
Fire	20,851		20,851
Streets	61,249		61,249
Sanitation	352,719		352,719
Recreation, Pool and Parks	104,650		104,650
Tourism	75,629		75,629
Capital Outlay	20,279	-	20,279
Debt Service	9,615		9,615
<b>TOTAL EXPENDITURES</b>	1,162,533	-	1,162,533
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	749	-	749
<b>OTHER FINANCING SOURCES (USES):</b>			
Federal Grant	-		-
CDBG Fund	-		-
Memorial Gift - Library	-		-
Transfer to Library	-		-
Transfers - Net (Utility Funds)	-		-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	749	-	749
FUND BALANCE JULY 1, 2014	(386,640)	23,225	(363,415)
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2015	\$ (385,891)	\$ 23,225	\$ (362,668)

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

June 30, 2015

**Net change in total fund balances per fund financial statements** \$ 749

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

Capital outlays are reported as expenditures in the fund financial statements  
because they use current financial resources, but they are presented as  
assets in the Statement of Net Assets and depreciated over their  
estimated economic lives. The difference is the amount by which  
capital outlays exceeds depreciation expense for the year.

Total current capital outlays	100,783
Depreciation for the year	<u>(117,715)</u>
	(16,931)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the Statement of Net Assets.	<u>(9,883)</u>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------

**Change in net assets of governmental activities per Statement of Activities** \$ (26,065)

**CITY OF AUGUSTA, KENTUCKY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>			
Taxes	309,803	345,383	35,581
Licenses and Permits	160,120	152,434	(7,686)
Fines and Forfeits	400	127	(273)
Intergovernmental Revenue	44,100	43,916	(184)
Charges for Services	462,448	396,902	(65,546)
Kentucky Grant-Clopay	-	56,194	56,194
Miscellaneous	102,108	168,325	66,216
	<b>TOTAL REVENUES</b>	<b>1,078,979</b>	<b>1,163,282</b>
			<b>84,303</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	335,716	350,065	(14,349)
Police	163,386	167,477	(4,091)
Fire	29,401	20,851	8,550
Recreation and Park	90,577	104,650	(14,073)
Streets	21,045	61,249	(40,204)
Sanitation	331,000	352,719	(21,719)
Tourism	53,206	75,629	(22,423)
Capital Outlay	46,000	20,279	25,721
Debt Service	8,648	9,615	(967)
	<b>TOTAL EXPENDITURES</b>	<b>1,078,979</b>	<b>1,162,533</b>
			<b>(83,554)</b>
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	749	749
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out) - Proprietary Funds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-
<b>Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	0	749	749
FUND BALANCE JULY 1, 2014	21,277	(386,640)	407,917
Prior Period Adjustment		-	-
<b>FUND BALANCE JUNE 30, 2015</b>	<b>21,277</b>	<b>(385,891)</b>	<b>407,168</b>

**CITY OF AUGUSTA, KENTUCKY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 SPECIAL REVENUE (CDBG) FUND**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>			
Taxes			-
Licenses and Permits			-
Fines and Forfeits			-
Intergovernmental Revenue			
Charges for Service			-
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	-	-	-
<b>EXPENDITURES:</b>			
Current			-
General Government	-	-	-
Police			-
Fire			-
Recreation			-
Streets			-
Sanitation			-
Tourism			-
Capital Outlay			-
Debt Service			-
<b>TOTAL EXPENDITURES</b>	-	-	-
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in (out) - Proprietary Funds	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-
<b>Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	-	-	-
 FUND BALANCE JULY 1, 2014	37,292	23,226	(14,066)
 FUND BALANCE JUNE 30, 2015	\$ 37,292	\$ 23,226	\$ (14,066)

**CITY OF AUGUSTA, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2015

	<u>Business- type Activities</u>
<b>ASSETS AND RESOURCES</b>	
Current assets:	
Cash and cash equivalents	\$ 210,082
Accounts Receivable	132,165
Restricted cash and Investment	
Due from other funds	<u>779,767</u>
<b>Total Current assets</b>	<u>1,122,014</u>
Noncurrent assets:	
Bond Issue Costs	-
Nondepreciated capital assets:	
Land	
Depreciated capital assets:	
Building and improvements	6,160,730
Equipment	
Less accumulated depreciation	<u>(3,426,258)</u>
<b>Net Capital Assets</b>	<u>2,734,472</u>
<b>Total noncurrent assets</b>	<u>2,734,472</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,856,486</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 4,083
Accrued Liabilities	7,680
Accrued Interest Payable	5,986
Customer Deposits	19,660
Due to Other Funds	306,491
Current Portion of Bonds and Notes Payable	<u>39,067</u>
<b>Total Current Liabilities</b>	<u>382,967</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds Payable	1,192,633
Notes Payable	-
<b>Total Noncurrent Liabilities</b>	<u>1,192,633</u>
<b>TOTAL LIABILITIES</b>	1,575,600
NET ASSETS:	
Contributed Capital	2,008,797
Restricted for:	
Capital Projects	-
Unassigned	<u>272,088</u>
<b>TOTAL NET ASSETS</b>	<u>2,280,884</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,856,486</u>

**CITY OF AUGUSTA, KENTUCKY  
 COMBINES STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

<b>OPERATING REVENUES</b>	
Charges for Services	\$ 851,434
Charges for Sales to Water District	<u>372,595</u>
<b>TOTAL OPERATING REVENUES</b>	1,224,029
<b>OPERATING EXPENSES</b>	
Salaries and wages	367,404
Gas Purchases	223,643
Water Treatment Expense in Excess of Revenue	270
Chemicals and Testing	66,075
Utilities and Telephone	129,846
Professional Fees	23,990
Insurance	53,831
Repair and Supplies	130,050
Transportation	17,888
Office Expense and Other	67,726
Amortization	-
Depreciation	<u>172,230</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,252,955</u>
<b>OPERATING INCOME (LOSS)</b>	(28,926)
<b>NON-OPERATING REVENUES (Expenses)</b>	
Other Income	10,555
Interest Income	-
Interest Expense	<u>(57,283)</u>
<b>Net Loss Before Capital Contributions and Transfers</b>	(75,654)
Capital Contributions	-
Transfers - Charges to General Fund	<u>(29,745)</u>
<b>NET INCOME (LOSS)</b>	(105,398)
TOTAL NET ASSETS - JULY 1, 2014	<u>2,386,282</u>
Prior Period Adjustments	
KIA Sinking Fund Reserve	<u>                    </u>
<b>TOTAL NET ASSETS - JUNE 30, 2015</b>	<u><u>\$ 2,280,884</u></u>

**CITY OF AUGUSTA, KENTUCKY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from:	
Services	1,224,029
Other Income	10,555
Cash payments to employees for services	(367,404)
Cash payments for contract services	-
Cash payments to suppliers for goods and services	(807,414)
Cash payments for other operating expenses	-

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 59,766

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers to General Fund	87,950
---------------------------	--------

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

Loan Proceeds	-
Principal Paid	(37,940)
Interest Paid	(57,283)
Fixed Assets Acquired	(46,972)

**NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES** (142,195)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	-
-------------------------	---

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** **\$ 5,521**

CASH AND CASH EQUIVALENTS JULY 1, 2014 204,557

**CASH AND CASH EQUIVALENTS JUNE 30, 2015** **\$ 210,082**

Reconciliation of operating income to net cash used for operating activities

Operating income	(28,926)
other income	10,456
Transfers	(29,745)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	172,230
State Grants	-
Changes in assets and liabilities:	
Receivables	(37,551)
Inventories	-
Accrued liabilities	(26,699)

Net Cash used for operating activities 59,766

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2015

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City Of Augusta, Kentucky (“City”), conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

##### Reporting Entity

The City of Augusta, Kentucky’s financial statements include the operations of all entities for which the City Council exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities included in the financial statements are the general operations of the City of Augusta with no component units.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Augusta. The financial statements presented herein do not include funds of groups and organizations, which although associated with the City, have not originated within the City Council itself such as Knoedler Memorial Library or Sternwheel Regatta, etc.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City Council or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.



## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2015

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statements of activities present a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are 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 good or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2015

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City has the following funds:

##### I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Council. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue (Grant) Funds account for the Community Development Block Grant received in 1984 and proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs.

##### II. Proprietary Fund Types

- A. Water Fund – A proprietary fund used to account for the water and sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges
- B. Gas Fund – A proprietary fund used to account for the gas services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- C. Sewer Fund – A proprietary fund used to account for the sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- D. Water Treatment Plant Fund – A proprietary fund used to account for the water treatment plant operations, sale of water to Bracken County Water, and receipt of water by the City of Augusta.

The City applies all GAS pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**CITY OF AUGUSTA, KENTUCKY**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

II. (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**CITY OF AUGUSTA, KENTUCKY**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Accounting - Continued

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are deposited into the General Fund.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.299 per \$100 valuation for real property, \$.5890 per \$100 valuation for business personal property and \$.185 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2014 fiscal year was based, was \$33,070,970

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 assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars (\$1000) with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2015

#### Basis of Accounting – Continued

#### Capital Assets – Continued

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Utility System	40 years
Vehicles	5-10 years
Furniture and fixtures	7 years
Other	10 years

#### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

#### Budgetary Process

**Budgetary Basis of Accounting:** The City’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the City Council at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the City, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2015

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### Cash and Cash Equivalents

The City considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

##### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

##### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2015

#### Fund Balance Reserves

#### Fund Financial Statements:

#### Fund Balance Designation

Beginning with fiscal year 2011, the District implemented GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The classifications are the following listed from the highest level of strength : Nonspendable, Restricted, Committed, Assigned, and Unassigned.

1. For *committed fund* balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
2. For *assigned* fund balance: (1) the body of official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given.
3. For the classification of fund balances:
  - (a) Whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and
  - (b) Whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

#### Net Positions

Net position represents the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2015

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### Basis of Accounting - Continued

##### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily charges for utility usage.

##### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

##### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### **NOTE B – ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the City's total cash and cash equivalents was \$411,588. Of the total cash balance, federal depository insurance and pledged assets covered the balance throughout the year. All cash and equivalents were covered at 6/30/15.



**CITY OF AUGUSTA, KENTUCKY**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2015

Cash and cash equivalents at June 30, 2014 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$ 399,296	\$ 325,784
Certificates of Deposit	<u>12,292</u>	<u>12,292</u>
	<u>\$ 411,588</u>	<u>\$ 338,076</u>

Breakdown per financial statements:

Governmental funds	\$127,995
Proprietary funds	<u>210,081</u>
	<u>\$338,076</u>

CITY OF AUGUSTA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2015

NOTE D - CAPITAL ASSETS

Capital asset for the fiscal year ended June 30, 2015 was as follows:

Governmental Activities	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Land	2,000			2,000
Park, pool and shelter	363,262	12,340		375,602
Buildings and improvements	963,093	58,130		1,021,223
Streets	430,239	27,700		457,939
Lighting and dock	805,381			805,381
Vehicles	152,873			152,873
Other equipment	310,957	2,613		313,570
Total at historical cost	3,027,804	100,783	-	3,128,588
Less accumulated depreciation:				
Park, pool and shelter	238,459	6,060		244,519
Building and improvements	224,099	29,919		254,018
Streets	247,552	29,028		276,579
Lighting and dock	418,890	39,153		458,042
Vehicles	119,469	11,156		130,626
Other Equipment	303,800	2,399		306,199
Total accumulated depreciation	1,552,268	117,715	-	1,669,982
Governmental Activities Capital Assets-Net	1,475,536	(16,931)	-	1,458,605
<u>Business - Type Activities</u>				
Land	9,714			9,714
Water Utility	4,164,919	18,807		4,183,726
Gas Utility	797,860	10,376		808,236
Sewer Utility	1,150,977	17,151		1,168,128
Totals at historical cost	6,123,469	46,335	-	6,169,804
Less accumulated depreciation:				
Water Utility	1,895,315	113,483		2,008,798
Gas Utility	657,726	21,506		679,232
Sewer Utility	700,984	37,241		738,225
Total accumulated depreciation	3,254,024	172,231	-	3,426,257
Business - Type Activities Capital Assets - Net	2,869,446	(125,896)	-	2,743,547

Depreciation expense is not allocated to governmental functions in the fund financial statements. Depreciation is recorded in the statement of activities as "unallocated" expense.

## CITY OF AUGUSTA, KENTUCKY

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2015

#### **NOTE E – RESERVES**

The City of Augusta is required to comply with the bond agreements of all bond issues as follows:

##### **A. Sinking Fund**

On or before the 20<sup>th</sup> day of each month the City is required to set aside an amount into a special account known as the “City of Augusta Water System Bond and Interest Sinking Fund”. The amount to be so set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

1. A sum of one-sixth of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
2. A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding December 1.

The required balance of the reserve at June 30, 2015 was \$23,948. The City has set aside \$372 into the restricted account. There was \$89,203 in deposits that was made to the sinking fund for the year. As required in (1) or (2) above, the monthly funding should be \$23,948. The account is underfunded by \$23,576.

##### **B. Depreciation Fund**

The City is required to deposit \$785 each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project.

When the balance in the Depreciation Fund reaches \$88,200 the monthly payments may be reduced to \$50 until the fully funded level of \$91,800. When the balance reaches \$91,800, the monthly payments may be discontinued or by the order of the City Council, may be diverted into the Sinking Fund Account to be held as part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance up to \$91,800. The Depreciation Reserve requirement at June 30, 2015 was \$30,615. The City had set aside \$786 at June 30, 2015 into a restricted account. The account is underfunded by \$29,829.

**CITY OF AUGUSTA, KENTUCKY**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2015

**NOTE F. LONG-TERM DEBT**

Long-Term Debt of the City consists of Revenue Bonds payable from the Proprietary Funds and Notes Payable by the Governmental and Proprietary Funds. A detail of Long-Term Debt at June 30, 2015 is as follows.

**A. Revenue Bonds – Proprietary Funds**

Sewer Utility Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water Utility Fund:			
1995 Series A, due to USDA Rural Development at interest rate of 4.5% Per annum with final payment Due in 2036	881,500	486,314	1,367,814
1995 Series B, due to USDA Rural Development at interest rate of 4.875% Per annum with final payment due in 2036	261,300	157,119	418,419
2004 Series, due USDA Rural Development at interest rate of 4.50% per annum with final payment due in 2044	<u>88,900</u>	<u>72,243</u>	<u>161,143</u>
	<u>\$1,231,700</u>	<u>\$ 715,676</u>	<u>\$1,947,376</u>

The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2015, are as follows:

YEAR ENDING	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<u>JUNE 30</u>			
2016	33,100	55,683	88,783
2017	35,100	54,123	89,223
2018	36,600	52,483	89,083
2019	38,500	50,762	89,262
2020-2024	224,500	224,761	449,261
2025-2029	286,700	166,489	453,189
2030-2034	367,100	92,046	459,146
2035-2039	185,600	15,937	201,537
2040-2043	<u>24,500</u>	<u>3,392</u>	<u>27,892</u>
TOTAL	<u>\$1,231,700</u>	<u>\$ 715,676</u>	<u>\$1,947,376</u>

**CITY OF AUGUSTA, KENTUCKY**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2015

**B. Notes Payable**

**Governmental Fund**

Maintenance Truck

The City entered into a loan agreement for a Maintenance Truck with payments of \$853.21 monthly for 47 months, plus a final payment equal to all unpaid principal and accrued interest on January 14, 2015. The interest rate is 2.95%

The truck was paid in full in January 2015

Mower

The City entered into a loan agreement for a Mower with payments of \$246.62 monthly for 47 months, plus a final payment equal to all unpaid principal and accrued interest on July 30, 2015. The interest rate is 4.5%

The Mower was paid in full in July 2015.

Police Cruiser

The City entered into a capital lease agreement for a Police Cruiser with payments of \$791.35 monthly for 36 months, plus a final payment equal to all unpaid principal and accrued interest on August 1, 2016.

The maturities of Notes Payable at June 30, 2015 were as follows:

2016	9,269	228
2017	<u>1,580</u>	<u>3</u>
	<u>\$10,849</u>	<u>\$ 812</u>

## **CITY OF AUGUSTA, KENTUCKY**

### **NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

Year ended June 30, 2015

#### **NOTE G. CDBG GRANT AND LOANS RECEIVABLE**

The City received a Community Development Block Grant in 1984 for \$217,500. The amount was loaned to local businesses, to be repaid at 5% over 7-12 years. All repayments are to be recirculated through loans to the community for economic development. There are no outstanding loans as of June 30, 2015.

#### **NOTE H. INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The City had purchased certain policies, which are retrospective rated, which includes Worker's compensation insurance.

#### **NOTE I. PENDING LITIGATION**

The City has one pending litigation issue the City is working on, the outcome is currently unknown.

## **SUPPLEMENTARY INFORMATION**

**CITY OF AUGUSTA, KENTUCKY  
COMBINING BALANCE SHEET  
ALL PROPRIETARY FUND TYPES  
For the Year Ended June 30, 2015**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,953	\$ 66,232	\$ 114,693	\$ 10,204	\$ 210,082
Account Receivable					-
Customers - Net	33,839		10,336	27,003	71,177
Other		60,988			60,988
Due from other funds	-		779,767	-	779,767
Restricted Assets					-
Cash					-
Investments					-
Fixed Assets	360,275	3,823,451	808,874	1,168,129	6,160,730
Accumulated Depreciation	(329,710)	(1,679,089)	(679,233)	(738,226)	(3,426,258)
Construction In Progress	-	-	-	-	-
Bond Issue Costs					-
<b>TOTAL ASSETS</b>	<b>\$ 83,356</b>	<b>\$ 2,271,583</b>	<b>\$ 1,034,437</b>	<b>\$ 467,109</b>	<b>\$ 3,856,486</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 3	\$ 1,745	\$ 1,615	\$ 720	\$ 4,083
Accrued Liabilities	1,639	2,139	2,794	1,108	7,680
Accrued Interest Payable		5,986			5,986
Customer Deposits	10,660		9,000	-	19,660
Due to Other Funds	134,600	85,463		86,428	306,491
Notes Payable			-	-	-
Payable from Restricted Assets					-
Revenue Bonds Payable		1,231,700			1,231,700
<b>Total Liabilities</b>	<b>146,902</b>	<b>1,327,033</b>	<b>13,409</b>	<b>88,256</b>	<b>1,575,600</b>
<b>NET ASSETS</b>					
Reserves				-	-
Contributed Capital	70,000	1,440,428		498,369	2,008,797
Unassigned	(133,546)	(495,879)	1,021,029	(119,516)	272,088
<b>Total Net Assets</b>	<b>(63,546)</b>	<b>944,548</b>	<b>1,021,029</b>	<b>378,854</b>	<b>2,280,884</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 83,356</b>	<b>\$ 2,271,583</b>	<b>\$ 1,034,437</b>	<b>\$ 467,109</b>	<b>\$ 3,856,486</b>



**CITY OF AUGUSTA, KENTUCKY  
COMBINES STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
<b>OPERATING REVENUES</b>					
Charges for services	\$ 205,825		\$ 496,365	\$ 149,243	\$ 851,434
Charges to Bracken Water District		372,595			372,595
Charges to Augusta Water Fund		128,283			128,283
<b>Total Revenues</b>	<u>205,825</u>	<u>500,878</u>	<u>496,365</u>	<u>149,243</u>	<u>1,352,312</u>
<b>OPERATING EXPENSES</b>					
Salaries and Wages	59,380	164,693	99,317	44,014	367,404
Gas Purchases			223,643		223,643
Water Treatment	128,553				128,553
Chemicals, Testing and Study		65,306	770		66,075
Utilities and Telephone	15,137	72,712	1,930	40,066	129,846
Professional Fees	2,780	5,300	4,755	11,155	23,990
Insurance	7,663	31,986	8,976	5,205	53,831
Repair and Supplies	27,485	48,967	19,577	34,021	130,050
Transportation	4,186	714	7,214	5,774	17,888
Office Expense and Other	5,782	1,910	55,483	4,550	67,726
Amorization				-	-
Depreciation	5,525	107,958	21,506	37,241	172,230
<b>Total Operating Expenses</b>	<u>256,492</u>	<u>499,547</u>	<u>443,171</u>	<u>182,027</u>	<u>1,381,237</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(50,667)</b>	<b>1,331</b>	<b>53,194</b>	<b>(32,784)</b>	<b>(28,926)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Other Income	(344)	13,615	(6,234)	3,519	10,555
Franchise Charges to General Fund	(6,810)	-	(18,255)	(4,680)	(29,745)
Interest Income	-	-	-	-	-
Interest Expense	-	(57,135)	(149)	-	(57,283)
<b>Net Income (Loss) Before Capital Contributions</b>	<u>(57,821)</u>	<u>(42,188)</u>	<u>28,556</u>	<u>(33,945)</u>	<u>(105,398)</u>
Capital Contributions				-	-
<b>NET INCOME (LOSS)</b>	<u>(57,821)</u>	<u>(42,188)</u>	<u>28,556</u>	<u>(33,945)</u>	<u>(105,398)</u>
Net Assets (Deficit), July 1, 2014	<u>(5,725)</u>	<u>986,737</u>	<u>992,473</u>	<u>412,799</u>	<u>2,386,282</u>
Prior Period Adjustments					-
<b>NET ASSETS (DEFICIT), JUNE 30, 2015</b>	<u>\$ (63,546)</u>	<u>\$ 944,548</u>	<u>\$ 1,021,029</u>	<u>\$ 378,854</u>	<u>\$ 2,280,884</u>

**CITY OF AUGUSTA, KENTUCKY  
COMBINING STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (50,667)	\$ 1,331	\$ 53,194	\$ (32,784)	\$ (28,926)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	5,525	107,958	21,506	37,241	172,230
Other Income	(344)	13,515	(6,234)	3,519	10,456
Transfers	(6,810)	-	(18,255)	(4,680)	(29,745)
Grants	-	-	-	-	-
(Increase) Decrease in Assets					
Accounts Receivable	(14,302)	(8,062)	(2,728)	(12,458)	(37,551)
Restricted Funds	-	-	-	-	-
Increase (Decrease) in Liabilities					
Account Payable	443	(358)	(59,958)	(880)	(60,754)
Other Liabilities	344	1,259	-	390	1,993
Due to Other Funds	71,597	36,781	-	9,317	117,695
Customer Deposits	1,120	-	1,200	-	2,320
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>6,906</b>	<b>152,425</b>	<b>(11,275)</b>	<b>(335)</b>	<b>147,719</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interest Income	-	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Loan Proceeds	-	-	-	-	-
Principal Paid	-	(31,800)	(6,140)	-	(37,940)
Interest Paid	-	(57,135)	(149)	-	(57,283)
Fixed Assets Acquired	-	(18,806)	(11,014)	(17,152)	(46,972)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>(107,741)</b>	<b>(17,303)</b>	<b>(17,152)</b>	<b>(142,195)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,906</b>	<b>44,684</b>	<b>(28,577)</b>	<b>(17,487)</b>	<b>5,523</b>
CASH AND CASH EQUIVALENTS JULY 1, 2014	12,047	21,548	143,270	27,692	204,557
<b>CASH AND CASH EQUIVALENTS JUNE 30, 2015</b>	<b>\$ 18,953</b>	<b>\$ 66,232</b>	<b>\$ 114,693</b>	<b>\$ 10,204</b>	<b>\$ 210,082</b>

**CITY OF AUGUSTA, KENTUCKY  
GENERAL FUND  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>TAXES</b>			
Property Taxes	\$ 125,000	\$ 128,987	\$ 3,987
Bank Shares Taxes	5,232	5,226	(6)
Motor Vehicle Taxes	18,800	18,661	(139)
Recreational Property Taxes	17,770	17,602	(168)
Payroll Taxes	143,000	174,907	31,907
	<u>309,803</u>	<u>345,383</u>	<u>35,581</u>
<b>LICENSES AND PERMITS</b>			
Occupational Licenses	11,000	9,584	(1,416)
Franchise Fees	54,745	59,456	4,711
Insurance Premium License Fees	93,175	80,244	(12,931)
Liquor Licenses	1,200	3,150	1,950
	<u>160,120</u>	<u>152,434</u>	<u>(7,686)</u>
<b>FINES AND FORFEITS</b>			
Arrest Fees	400	127	(273)
	<u>400</u>	<u>127</u>	<u>(273)</u>
<b>INTERGOVERNMENTAL REVENUES</b>			
Base Court Revenue	8,300	7,811	(489)
Police Incentive Pay	9,300	9,300	-
Municipal Road Aid	26,500	26,804	304
	<u>44,100</u>	<u>43,916</u>	<u>(184)</u>
<b>CHARGES FOR SERVICES</b>			
Sanitation Fees	433,928	377,192	(56,736)
Accident Reports	20	15	(5)
Pool and Marina Income	28,500	19,695	(8,805)
	<u>462,448</u>	<u>396,902</u>	<u>(65,546)</u>
<b>MISCELLANEOUS</b>			
Interest	38	21	(17)
Library Tax	17,770	17,599	(172)
Tourism	15,600	26,618	11,018
Ghostwalk	3,800	2,058	(1,742)
Riverfest Regatta	7,000	-	(7,000)
Turning Leaves Festival	600	400	(200)
Swingtime	4,600	2,217	(2,383)
Sternwheel Days	-	8,316	8,316
Blueberry Festival	-	-	-
Battle of Augusta	-	-	-
Telecommunications	5,700	5,138	(562)
Community Center	4,000	1,277	(2,723)
Contribution - Clopay Foundation	10,000	10,000	-
Grants - Local, State & Federal	13,000	56,194	43,194
Ball Park Revenue	10,000	2,713	(7,287)
Borrowed Money	-	-	-
Corridor Management	-	21,634	21,634
Restrooms Main Street	-	-	-
Transfer from Gas-Clopay	-	-	-
Miscellaneous	10,000	70,333	60,333
	<u>102,108</u>	<u>224,519</u>	<u>122,411</u>
<b>TOTAL REVENUE</b>	<u>\$ 1,078,979</u>	<u>\$ 1,163,282</u>	<u>\$ 84,303</u>

**CITY OF AUGUSTA, KENTUCKY  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget	Actual	Variance Positive (Negative)
<b>GENERAL GOVERNMENT</b>			
Salaries & Fringe Benefits	\$ 72,620	\$ 73,148	\$ (528)
Professional Services	19,152	15,510	3,642
Other Legal Costs	2,500	10,582	(8,082)
Telephone and Utilities	22,600	29,546	(6,946)
Office Supplies	7,500	9,549	(2,049)
Cemeteries	12,460	8,283	4,177
Library	18,509	20,275	(1,765)
Insurance	23,859	41,098	(17,239)
Training & Travel	2,000	1,882	118
Advertisement and Dues	3,200	2,496	705
Community Center	14,251	55,379	(41,128)
Reimburse for ?	27,064	-	27,064
Investigation	-	-	-
Credit Card Reimb	75,000	-	75,000
Economic Assistance Cloday	-	-	-
Comprehensive Training	-	-	-
Miscellaneous	35,000	82,318	(47,318)
	<u>335,716</u>	<u>350,065</u>	<u>(14,349)</u>
<b>POLICE</b>			
Salaries and Fringe Benefits	145,410	148,518	(3,108)
Vehicle Expense	7,500	9,018	(1,518)
Repairs and Maintenance	3,200	6,769	(3,569)
Telephone	850	866	(16)
Training and Travel	2,500	2,306	194
Insurance	3,926	-	3,926
	<u>163,386</u>	<u>167,477</u>	<u>(4,091)</u>
<b>FIRE DEPARTMENT</b>			
Operations	29,401	20,851	8,550
	<u>29,401</u>	<u>20,851</u>	<u>8,550</u>
<b>STREETS</b>			
Salaries - Litter Abatement	10,801	19,638	(8,837)
Electric	-	-	-
Repairs and Maintenance	10,244	41,611	(31,367)
	<u>21,045</u>	<u>61,249</u>	<u>(40,204)</u>
<b>SANITATION</b>			
Refuse Contract	331,000	352,719	(21,719)
<b>RECREATION AND PARK DEPARTMENTS</b>			
Salaries	25,500	25,779	(279)
Utilities	11,707	9,525	2,182
Sternwheel/Ghostwalk/Swingtime/Turning Leaves	20,820	25,830	(5,010)
Cloday	10,000	6,449	3,551
Operation and Maintenance	22,550	37,067	(14,517)
	<u>90,577</u>	<u>104,650</u>	<u>(14,073)</u>
<b>TOURISM</b>			
Salaries and Fringe Benefits	53,206	44,258	8,949
Corridor Management -ESRI Software	-	31,371	(31,371)
	<u>53,206</u>	<u>75,629</u>	<u>(22,423)</u>
<b>CAPITAL OUTLAY</b>	46,000	20,279	25,721
<b>DEBT SERVICE</b>	8,648	9,615	(967)
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,078,979</u>	<u>\$ 1,162,533</u>	<u>\$ (83,554)</u>

**CITY OF AUGUSTA, KENTUCKY**  
**WATER TREATMENT PLANT COSTS**  
For the Year Ended June 30, 2015

Operating costs for the fiscal year 2015 that were incurred by the City were consistent with cost calculations by Public Service Commission of Commonwealth of Kentucky.

<u>OPERATING COSTS</u>	<u>2015</u>	(For Comparison) <u>2014</u>
Salaries and Benefits	\$ 177,919	\$189,260
Chemicals and Testing	65,306	96,128
Utilities	72,712	89,290
Insurance	18,760	13,244
Repairs and Supplies	35,617	26,667
Accounting & Legal	5,300	-0-
Office Expense	<u>2,623</u>	<u>3,189</u>
TOTAL OPERATING COSTS	<u>\$378,237</u>	<u>\$417,778</u>

TREATED GALLONS OF WATER

Bracken County Water	162,199,500	164,134,700
City of Augusta	<u>50,019,000</u>	<u>50,026,000</u>
TOTAL GALLONS	<u>212,218,500</u>	<u>214,160,700</u>

Cost Per 1000 Gallons	<u>\$1.79</u>	<u>\$1.95</u>
-----------------------	---------------	---------------

The above-calculated costs do not include Capital Cost charged to the users each month:

	<u>Month</u>	<u>Annual</u>
Bracken County Water	\$6,090.00	\$ 73,080
City of Augusta	<u>2,030.00</u>	<u>24,360</u>
	<u>\$8,120.00</u>	<u>\$ 97,440</u>

**CITY OF AUGUSTA, KENTUCKY**  
**SCHEDULE OF DEBIT SERVICE REQUIREMENTS**  
**SERIES A WATER SYSTEM REVENUE BONDS**  
**June 30, 2015**

Payable to: Rural Development  
Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2015-2016	4.50%	19,834	19,283	24,500	63,617
2016-2017	4.50%	19,283	18,698	26,000	63,981
2017-2018	4.50%	18,698	18,090	27,000	63,788
2018-2019	4.50%	18,090	17,449	28,500	64,039
2019-2020	4.50%	17,449	16,774	30,000	64,223
2020-2021	4.50%	16,774	16,065	31,500	64,339
2021-2022	4.50%	16,065	15,323	33,000	64,388
2022-2023	4.50%	15,323	14,535	35,000	64,858
2023-2024	4.50%	14,535	13,714	36,500	64,749
2024-2025	4.50%	13,714	12,848	38,500	65,062
2025-2026	4.50%	12,848	11,948	40,000	64,796
2026-2027	4.50%	11,948	10,991	42,500	65,439
2027-2028	4.50%	10,991	10,001	44,000	64,992
2028-2029	4.50%	10,001	8,955	46,500	65,456
2029-2030	4.50%	8,955	7,853	49,000	65,808
2030-2031	4.50%	7,853	6,694	51,500	66,047
2031-2032	4.50%	6,694	5,479	54,000	66,173
2032-2033	4.50%	5,479	4,208	56,500	66,187
2033-2034	4.50%	4,208	2,869	59,500	66,577
2034-2035	4.50%	2,869	1,463	62,500	66,832
2035-2036	4.50%	1,463		65,000	66,463
<b>Totals</b>		<u>253,074</u>	<u>233,240</u>	<u>881,500</u>	<u>1,367,814</u>

**CITY OF AUGUSTA, KENTUCKY**  
**SCHEDULE OF DEBIT SERVICE REQUIREMENTS**  
**SERIES B WATER SYSTEM REVENUE BONDS**  
**June 30, 2015**

Payable to: Rural Development  
 Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2015-2016	4.50%	6,369	6,196	7,100	19,665
2016-2017	4.50%	6,196	6,013	7,500	19,709
2017-2018	4.50%	6,013	5,821	7,900	19,734
2018-2019	4.50%	5,821	5,618	8,300	19,739
2019-2020	4.50%	5,618	5,406	8,700	19,724
2020-2021	4.50%	5,406	5,182	9,200	19,788
2021-2022	4.50%	5,182	4,946	9,700	19,828
2022-2023	4.50%	4,946	4,697	10,200	19,843
2023-2024	4.50%	4,697	4,436	10,700	19,833
2024-2025	4.50%	4,436	4,161	11,300	19,897
2025-2026	4.50%	4,161	3,871	11,900	19,932
2026-2027	4.50%	3,871	3,566	12,500	19,937
2027-2028	4.50%	3,566	3,247	13,100	19,913
2028-2029	4.50%	3,247	2,908	13,900	20,055
2029-2030	4.50%	2,908	2,555	14,500	19,963
2030-2031	4.50%	2,555	2,179	15,400	20,134
2031-2032	4.50%	2,179	1,787	16,100	20,066
2032-2033	4.50%	1,787	1,372	17,000	20,159
2033-2034	4.50%	1,372	936	17,900	20,208
2034-2035	4.50%	936	478	18,800	20,214
2035-2036	4.50%	478		19,600	20,078
<b>Totals</b>		<u>81,744</u>	<u>75,375</u>	<u>261,300</u>	<u>418,419</u>

**CITY OF AUGUSTA, KENTUCKY**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**SERIES 2004 WATER SYSTEM REVENUE BONDS**  
**June 30, 2015**

Payable to: Rural Development  
Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2015-2016	4.50%	2,001	2,000	1,500	5,501
2016-2017	4.50%	1,967	1,966	1,600	5,533
2017-2018	4.50%	1,931	1,930	1,700	5,561
2018-2019	4.50%	1,892	1,892	1,700	5,484
2019-2020	4.50%	1,854	1,854	1,800	5,508
2020-2021	4.50%	1,814	1,814	1,900	5,528
2021-2022	4.50%	1,771	1,771	2,000	5,542
2022-2023	4.50%	1,726	1,726	2,100	5,552
2023-2024	4.50%	1,679	1,679	2,200	5,558
2024-2025	4.50%	1,629	1,629	2,300	5,558
2025-2026	4.50%	1,577	1,577	2,400	5,554
2026-2027	4.50%	1,523	1,523	2,500	5,546
2027-2028	4.50%	1,467	1,467	2,600	5,534
2028-2029	4.50%	1,409	1,409	2,700	5,518
2029-2030	4.50%	1,348	1,348	2,900	5,596
2030-2031	4.50%	1,283	1,283	3,000	5,566
2031-2032	4.50%	1,215	1,215	3,100	5,530
2032-2033	4.50%	1,145	1,145	3,300	5,590
2033-2034	4.50%	1,071	1,071	3,400	5,542
2034-2035	4.50%	995	995	3,600	5,590
2035-2036	4.50%	914	914	3,800	5,628
2036-2037	4.50%	828	828	3,900	5,556
2037-2038	4.50%	740	740	4,100	5,580
2038-2039	4.50%	648	648	4,300	5,596
2039-2040	4.50%	551	551	4,500	5,602
2040-2041	4.50%	450	450	4,700	5,600
2041-2042	4.50%	344	344	4,900	5,588
2042-2043	4.50%	234	234	5,200	5,668
2043-2044	4.50%	117	117	5,200	5,434
<b>Totals</b>		<u>36,123</u>	<u>36,120</u>	<u>88,900</u>	<u>161,143</u>



DONNA J. HENDRIX  
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

115 SOUTH MAIN CROSS  
FLEMINGSBURG, KY 41041  
(606) 845-5210

550 W. FIRST ST., PO BOX 449  
MOREHEAD, KY 40351  
(606) 784-4451  
(606) 784-8224 (FAX)

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*

To the Mayor and City Council  
City of Augusta, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta, Kentucky as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Augusta, Kentucky, Kentucky's basic financial statements and have issued our report thereon dated January 11, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Augusta, 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 Augusta, Kentucky, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Augusta, Kentucky, 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. However, as discussed below, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

*Donna J. Hendrix, CPA*

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

January 11, 2016

DONNA J. HENDRIX  
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.  
A.I.C.P.A.

115 SOUTH MAIN CROSS  
FLEMINGSBURG, KY 41041  
(606) 845-5210

550 W. FIRST ST., PO BOX 449  
MOREHEAD, KY 40351  
(606) 784-4451  
(606) 784-8224 (FAX)

ACCOUNTANT'S REPORT ON  
MANAGEMENT POINTS

Mayor and City Council  
City of Augusta  
Augusta, Kentucky 41002

In planning and performing my audit of the basic financial statements of City of Augusta for the year ended June 30, 2015, I considered the City's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated January 11, 2016, on the financial statements of the City of Augusta.

I will review the status of these comments and suggestions with various City personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Donna J. Hendrix, CPA*

DONNA J. HENDRIX, CPA, PSC  
Morehead, Kentucky

January 11, 2016

CITY OF AUGUSTA, KENTUCKY  
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES  
Year Ended June 30, 2015

*Status of Prior Year Management Points*

2014-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$20,409 and the Sinking fund balance was short by \$\$23,103.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2015.

Status: Reserve is still underfunded see 2015-1.

2014-2 Credit Card Approvals

Condition: During the test of disbursements it was discovered that the credit card statements are not being approved by a signature on each credit card statement.

Recommendation: The Mayor or a member of the City Council should review and approve each monthly credit card statement with a signature on each statement.

Response: The City will investigate a new procedure concerning the monthly credit card statements.

Status: This has been resolved.

2014-3 Employee Expense Report Approvals

Condition: During the test of disbursements it was discovered that the employee expense reports are not being approved and the reason for reimbursement is not stated.

Recommendation: The employee expense reports should explain why they are requesting reimbursement and it should be approved prior to being reimbursed.

Response: The City will investigate a new procedure concerning the employee expense reports.

Status: This has been resolved

CITY OF AUGUSTA, KENTUCKY  
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES  
Year Ended June 30, 2015

*Current year Management Points*

2015-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$29,829 and the Sinking fund balance was short by \$23,576.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2016.