

CITY OF GRAND RIVERS, KENTUCKY

FINANCIAL STATEMENTS
With Independent Auditor's report

FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable B.T. Moodie, Mayor
Members of the City Council
City of Grand Rivers
Grand Rivers, 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 Grand Rivers, Kentucky as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Rivers, Kentucky, as of June 30, 2013, 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 3-7 and 32-33 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 Grand Rivers, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section 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 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 introductory and statistical sections have 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 them.

Cummer, Bryan, Watts & Elliott, CPAs, PLLC

Grand Rivers, KY
February 7, 2014

CITY OF GRAND RIVERS, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

As management of the City of Grand Rivers, Kentucky (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. The City first implemented GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, for the fiscal year ended June 30, 2004. GASB (Governmental Accounting Standards Board) establishes accounting practices for state and local governments. GASB 34 requires the City to present a Management Discussion and Analysis (MD&A) as part of the audited financial statements. To fully understand the City's financial activities, this information should be read in conjunction with the basic financial statements (pages 8 - 16) provided in this document.

Nature of Organization and Reporting Entity

The City was formed in 1892 and provides water and sewer, streets, parks, cemetery, and general administration services for its residents.

In evaluating the City as a reporting entity, management has addressed its relationship with other governments and organizations and concluded that, in accordance with the criteria set forth in Sections 2100 and 2600 of the Governmental Accounting Standards Board Codification, the City is a separate reporting entity.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), Basic Financial Statements, and Supplementary Information. The Basic Financial Statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) include notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

The Statement of Net Assets presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net assets. Monitoring increases and/or decreases in net assets over time may serve as a useful indicator of whether the financial position of the City is improving, stagnating, or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All net asset changes are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Revenues and expenses are reported in the Statement of Activities for some items that will only result in cash flows in the future (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish City functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other City functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). City governmental activities include general government, public safety, parks and recreation, and interest on long-term debt. Business-type activities of the City include Water and Sewer systems.

The government-wide financial statements can be found on pages 8-9 of this report.

(Continued)

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over segregated resources for specific activities or objectives. The City of Grand Rivers, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into two categories:

1) *Governmental Funds*. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike government-wide financial statements, however, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a city's near term financing requirements.

The City maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Tourism Commission and Storm Damage Funds, which are considered to be major funds. Data from the other five (5) funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Readers may better understand the long-term impact of the City's near term financing decisions by comparing the narrow-focus governmental funds financial statements with governmental activities in the government-wide financial statements. Pages 11 and 13 provide a reconciliation to ease comparison between the fund financial statements and the government-wide statements.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

2) *Proprietary Funds*. The City has been using two enterprise funds to account for the water and sewer utility systems. During the year, the City added an additional enterprise fund to account for the operations of a Wi-Fi service. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These operations are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The basic proprietary fund financial statements can be found on pages 14-16 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 17-31 of this report.

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison schedules for general and major special revenue fund. This information can be found on pages 32-33 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required budgetary supplementary information. Combining and individual fund statements and schedules can be found on pages 34-38 of this report.

(Continued)

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$4.568 million as of June 30, 2013.

The largest portion of the City's net position (90%) reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide service to citizens and, as a result, these assets are not available for future spending. The City's capital assets investment is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The following statements present comparison of the current year government-wide data with the prior year government-wide data for analyses purposes:

The City of Grand Rivers, Kentucky Condensed Statements of Net Position June 30

ASSETS

	<u>Government Activities</u>		<u>Business-Type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 623,294	\$ 571,934	\$ 115,533	\$ 116,208
Non-current assets	<u>2,154,075</u>	<u>2,221,314</u>	<u>3,071,495</u>	<u>3,163,829</u>
TOTAL ASSETS	<u>\$2,777,369</u>	<u>\$2,793,248</u>	<u>\$3,187,028</u>	<u>\$3,280,037</u>

LIABILITIES AND NET POSITION

Liabilities:				
Current liabilities	\$ 249,434	\$ 269,747	\$ 144,935	\$ 179,867
Non-current liabilities	<u>505,296</u>	<u>529,039</u>	<u>496,997</u>	<u>577,588</u>
Total liabilities	<u>754,730</u>	<u>798,786</u>	<u>641,932</u>	<u>757,455</u>
Net Position:				
Invested in capital assets, net of related debt	1,598,209	1,619,121	2,490,434	2,484,200
Restricted	32,514	23,888	-	-
Unrestricted	<u>391,916</u>	<u>351,453</u>	<u>54,662</u>	<u>38,382</u>
Total net position	<u>2,022,639</u>	<u>1,994,462</u>	<u>2,545,096</u>	<u>2,522,582</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$6,777,369</u>	<u>\$2,793,248</u>	<u>\$3,187,028</u>	<u>\$3,280,037</u>

Analysis of the City's Operations

The following statement provides a summary of the City's operations for years ended June 30, 2013 and 2012. Governmental activities increased the City's net position by \$28,177 and business-type activities increased the City's net assets by \$22,514 resulting in an overall increase in net assets of \$50,691. In the prior year, overall net assets increased by \$139,342.

(Continued)

The City of Grand Rivers, Kentucky
 Condensed Statements of Revenues, Expenses and Changes in Net Position
 For the Years Ended June 30

	Government Activities		Business-Type Activities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Total revenues	\$ 571,814	\$ 558,790	\$ 952,540	\$1,041,322
Total expenses	<u>543,637</u>	<u>565,173</u>	<u>930,026</u>	<u>895,597</u>
 INCREASE (DECREASE) IN NET POSITION	 <u>\$ 28,177</u>	 <u>\$ (6,383)</u>	 <u>\$ 22,514</u>	 <u>\$ 145,725</u>

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in determining the City's financing requirements. Unreserved fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$426 thousand. Approximately 75% of this total amount, \$320 thousand, is unreserved fund balance, which is available for spending at the government's discretion. Of the remaining \$106 thousand of fund balance, \$73 thousand is assigned and not available for current expenditures and \$33 thousand is restricted and must be used for a specific purpose.

The general fund is the chief operating fund of the City. At the end of the 2012-2013 fiscal year, the fund balance of the General Fund was \$171,012. This was an increase of \$2,050 from the 2012-2013 fiscal year.

The Tourism Commission's fund balance at the end of the 2013-2012 fiscal year was \$173,775. This was an increase of \$42,867 from the 2012-2011 fiscal year.

Effective July 1, 2012 the Storm Damage Fund and the Jetty/Trails Project Fund were closed into the General Fund. This resulted in a net decrease in General Fund balance of \$16,980 which is reflected in the General Fund as net transfers out

Capital Asset and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of June 30, 2013, is \$4.86 million (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery, and equipment.

During fiscal year 2013, projects and equipment expenditures totaled approximately \$125 thousand. Approximately \$16 thousand of these expenditures were for water improvement projects, \$42 thousand were for sewer improvement projects \$19 for a retaining wall and \$16 for a HVAC unit at the community center. The remaining capital expenditures were for various other projects and equipment.

At year end, the City had \$1,128,843 in outstanding capital leases and notes, compared to \$1,273,474 at June 30, 2012, with maturities extending through 2027. During the year, the City's total debt decreased by \$144,631.

(Continued)

Requests for Additional Information

This report is intended to provide readers with a general overview of the City's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in the report or need additional information, please contact the City of Grand Rivers, P.O. Box 265, Grand Rivers, Kentucky 42045.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2013

<u>ASSETS</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Current Assets:	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 301,324	\$ 21,780	\$ 323,104
Investments	53,139	-	53,139
Receivables, net:			
Fees and services	4,732	128,922	133,654
Taxes	199,652	-	199,652
Internal balances	61,233	(61,233)	-
Inventory	-	24,000	24,000
Prepaid insurance	3,214	2,064	5,278
	<u>623,294</u>	<u>115,533</u>	<u>738,827</u>
Total current assets			
Noncurrent Assets:			
Lease issuance costs, net	-	7,659	7,659
Net capital assets:			
Land and construction in progress	265,350	96,428	361,778
Depreciable capital assets	1,888,300	2,967,408	4,855,708
Other assets	425	-	425
	<u>2,154,075</u>	<u>3,071,495</u>	<u>5,225,570</u>
Total noncurrent assets			
Total assets	<u>2,777,369</u>	<u>3,187,028</u>	<u>5,964,397</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	16,841	43,654	60,495
Notes payable	1,732	-	1,732
Taxes withheld and accrued	3,913	3,503	7,416
Meter deposits payable	-	16,410	16,410
Deferred revenue	174,888	-	174,888
Accrued interest	1,915	4,963	6,878
Security deposits	-	-	-
Leases payable due within one year	50,145	76,405	126,550
	<u>249,434</u>	<u>144,935</u>	<u>394,369</u>
Total current liabilities			
Noncurrent Liabilities:			
Leases payable	505,296	496,997	1,002,293
	<u>754,730</u>	<u>641,932</u>	<u>1,396,662</u>
Total liabilities			
<u>NET POSITION</u>			
Net investment in capital assets	1,598,209	2,490,434	4,088,643
Restricted for:			
Program purposes	32,514	-	32,514
Unrestricted	391,916	54,662	446,578
	<u>520,430</u>	<u>54,662</u>	<u>575,092</u>
TOTAL NET POSITION	<u>\$2,022,639</u>	<u>\$2,545,096</u>	<u>\$4,567,735</u>

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 399,122	\$ -	\$ 5,620	\$ -
Highways and streets	50,467	-	8,599	-
Parks and recreation	72,014	8,800	-	-
Interest on long-term debt	22,034	-	-	-
Total governmental activities	<u>543,637</u>	<u>8,800</u>	<u>14,219</u>	<u>-</u>
Business-type activities:				
Water system	572,970	557,396	-	-
Sewer system	326,550	364,243	-	-
Internet fund	30,506	29,679	-	-
Total business-type activities	<u>930,026</u>	<u>951,318</u>	<u>-</u>	<u>-</u>
TOTALS	<u><u>\$1,473,663</u></u>	<u><u>\$960,118</u></u>	<u><u>\$14,219</u></u>	<u><u>\$ -</u></u>

General revenues:
 Taxes and licenses:
 Property taxes, levied for general purposes
 Franchise tax
 Hotel/motel and restaurant taxes
 Vehicle tax
 Interest income
 Rent income
 Gain (loss) on disposition of property
 Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position, July 1, 2012

NET POSITION, JUNE 30, 2013

See auditor's report.

**Net (Expense) Revenue and Changes in
Net Position**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (393,502)	\$ -	\$ (393,502)
(41,868)	-	(41,868)
(63,214)	-	(63,214)
<u>(22,034)</u>	<u>-</u>	<u>(22,034)</u>
(520,618)	-	(520,618)
-	(15,574)	(15,574)
-	37,693	37,693
-	(827)	(827)
<u>-</u>	<u>21,292</u>	<u>21,292</u>
(520,618)	21,292	(499,326)
228,449	-	228,449
7,424	-	7,424
129,898	-	129,898
22,810	-	22,810
548	222	770
105,790	-	105,790
-	1,000	1,000
<u>53,876</u>	<u>-</u>	<u>53,876</u>
548,795	1,222	550,017
<u>-</u>	<u>-</u>	<u>-</u>
548,795	1,222	550,017
28,177	22,514	50,691
<u>1,994,462</u>	<u>2,522,582</u>	<u>4,517,044</u>
<u>\$2,022,639</u>	<u>\$2,545,096</u>	<u>\$4,567,735</u>

CITY OF GRAND RIVERS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

<u>ASSETS</u>	<u>General Fund</u>	<u>Tourism Commission</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$122,024	\$164,883	\$14,417	\$301,324
Investments	12,107	-	41,032	53,139
Accounts receivable:				
Fees and services	4,732	-	-	4,732
Taxes	6,932	17,140	-	24,072
Property taxes levied - 2013	174,888	-	-	174,888
Prepaid insurance	2,390	824	-	3,214
Utility deposits	425	-	-	425
Due from other funds	39,303	-	30,856	70,159
TOTAL ASSETS	<u><u>\$362,801</u></u>	<u><u>\$182,847</u></u>	<u><u>\$86,305</u></u>	<u><u>\$631,953</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 11,256	\$ 3,702	\$ 1,882	\$ 16,840
Note payable	1,732	-	-	1,732
Taxes withheld and accrued	3,913	-	-	3,913
Accrued interest	-	-	-	-
Security deposits	-	-	-	-
Due to other funds	-	5,370	3,556	8,926
Unearned revenue	174,888	-	-	174,888
Total liabilities	<u>191,789</u>	<u>9,072</u>	<u>5,438</u>	<u>206,299</u>
Fund Balances:				
Restricted for:				
Highways and streets	-	-	32,613	32,613
Assigned for:				
Prepaid items	2,390	824	-	3,214
Due from other funds	39,303	-	30,856	70,159
Unassigned	129,319	172,951	17,398	319,668
Total fund balances	<u>171,012</u>	<u>173,775</u>	<u>80,867</u>	<u>425,654</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$362,801</u></u>	<u><u>\$182,847</u></u>	<u><u>\$86,305</u></u>	<u><u>\$631,953</u></u>

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2013

Total fund balance - total governmental funds \$ 425,654

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

Delinquent property taxes receivable are not reported in the governmental funds balance sheet since they are not considered "available" revenues. 691

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 2,153,650

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. The long-term liabilities are:

Due within one year	\$ 50,145	
Due after one year	<u>505,296</u>	(555,441)

Lease issuance costs used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. (0)

Accrued interest payments on debt are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet. (1,915)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$2,022,639

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Tourism Commission	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$250,726	\$129,898	\$ -	\$380,624
Franchise fees	7,424	-	-	7,424
Intergovernmental	-	5,520	8,599	14,119
Interest	143	27	378	548
Miscellaneous	76,805	50,450	41,536	168,791
Total revenues	335,098	185,895	50,513	571,506
Expenditures:				
Current operations:				
General government	158,372	114,625	58,253	331,250
Highways and streets	47,923	-	-	47,923
Parks and recreation	25,893	-	-	25,893
Capital outlay	33,810	-	15,560	49,370
Debt service:				
Principal requirement	32,720	20,510	-	53,230
Interest and fiscal requirement	12,325	7,893	-	20,218
Total expenditures	311,043	143,028	73,813	527,884
Excess (deficiency) of revenues over expenditures	24,055	42,867	(23,300)	43,622
Other Financing Sources (Uses):				
Long-term debt issued	6,975	-	-	6,975
Transfers in	32,724	-	28,980	61,704
Transfers out	(61,704)	-	-	(61,704)
Total other financing sources (uses)	(22,005)	-	28,980	6,975
Net change in fund balances	2,050	42,867	5,680	50,597
Fund balances, July 1, 2012	168,962	130,908	75,187	375,057
FUND BALANCES, JUNE 30, 2013	\$171,012	\$173,775	\$80,867	\$425,654

See auditor's report.

CITY OF GRAND RIVERS, 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, 2013

Net change in fund balances - total governmental funds	\$ 50,597
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>	
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 of capital outlays in the current period.	49,370
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(116,537)
Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide statement of activities.	46,255
Delinquent property taxes receivable are not considered "available" revenues in the governmental funds.	308
Accrued interest payments on debt do not require the use of current financial resources. Accrued interest is reported as an expenditure in the government-wide statement of activities.	171
Governmental funds report the effect of bond issuance costs when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This reflects amortization expense for the current year ended.	(1,987)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 28,177</u>

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2013

<u>ASSETS</u>	<u>Business-Type Activities</u>			<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor-Internet Fund</u>	
Current Assets:				
Cash and cash equivalents	\$ 121,878	\$ (51,820)	\$ (48,278)	\$ 21,780
Investments	-	-	-	-
Accounts receivable (net of allowance of doubtful accounts of \$6,359)	68,250	58,091	2,581	128,922
Due from other funds	-	186,569	-	186,569
Inventory	20,000	4,000	-	24,000
Prepaid insurance	1,120	944	-	2,064
Total current assets	<u>211,248</u>	<u>197,784</u>	<u>(45,697)</u>	<u>363,335</u>
Noncurrent Assets:				
Unamortized note costs	7,659	-	-	7,659
Property, plant, and equipment, net of accumulated depreciation	1,642,837	1,385,746	35,253	3,063,836
Total noncurrent assets	<u>1,650,496</u>	<u>1,385,746</u>	<u>35,253</u>	<u>3,071,495</u>
Total assets	<u>1,861,744</u>	<u>1,583,530</u>	<u>(10,444)</u>	<u>3,434,830</u>
 <u>LIABILITIES</u> 				
Current Liabilities:				
Note payable				-
Accounts payable	28,601	9,767	5,286	43,654
Taxes withheld and accrued	1,794	1,709	-	3,503
Due to other funds	37,128	189,741	20,933	247,802
Meter deposits payable	16,410	-	-	16,410
Accrued interest payable	4,887	76	-	4,963
Lease and note obligations, current	64,386	12,019	-	76,405
Total current liabilities	<u>153,206</u>	<u>213,312</u>	<u>26,219</u>	<u>392,737</u>
Noncurrent Liabilities:				
Lease and note obligations, noncurrent	464,177	32,820	-	496,997
Total liabilities	<u>617,383</u>	<u>246,132</u>	<u>26,219</u>	<u>889,734</u>
 <u>NET ASSETS</u> 				
Net investment in capital assets	1,114,274	1,340,907	35,253	2,490,434
Unrestricted	130,087	(3,509)	(71,916)	54,662
TOTAL NET ASSETS	<u>\$1,244,361</u>	<u>\$1,337,398</u>	<u>\$(36,663)</u>	<u>\$2,545,096</u>

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor- Internet Fund	
Operating Revenues:				
Charges for services	\$ 468,768	\$ 361,740	\$ 29,679	\$ 860,187
Surcharges	81,058	-	-	81,058
Miscellaneous	7,570	2,503	-	10,073
Total operating revenues	557,396	364,243	29,679	951,318
Operating Expenses:				
Salaries and wages	109,368	75,843	-	185,211
Depreciation	92,243	71,407	3,828	167,478
Utilities	4,367	28,279	-	32,646
Chemical, treatment, and testing	2,990	65,389	-	68,379
Gasoline, oil, and grease	6,040	3,390	-	9,430
Repairs	33,315	34,541	3,880	71,736
Insurance	32,145	20,356	-	52,501
Payroll taxes and employee benefits	9,810	6,630	-	16,440
Water and service purchased	233,540	-	22,798	256,338
Office supplies	9,936	1,234	-	11,170
Professional fees	2,954	3,477	-	6,431
Miscellaneous	9,117	12,578	-	21,695
Total operating expenses	545,825	323,124	30,506	899,455
Operating income (loss)	11,571	41,119	(827)	51,863
Nonoperating Revenues (Expenses):				
Gain on sale of capital assets	1,000	-	-	1,000
Interest income	222	-	-	222
Interest expense	(27,145)	(3,426)	-	(30,571)
Total nonoperating revenues (expenses)	(25,923)	(3,426)	-	(29,349)
Change in net assets before capital contributions	(14,352)	37,693	(827)	22,514
Capital Contributions:				
Contributed capital	-	-	-	-
Change in net assets	(14,352)	37,693	(827)	22,514
Total net assets, July 1, 2012	1,258,713	1,299,705	(35,836)	2,522,582
TOTAL NET ASSETS, JUNE 30, 2013	\$1,244,361	\$1,337,398	\$(36,663)	\$2,545,096

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor- Internet Fund	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 548,271	\$ 341,228	\$ 29,919	\$ 919,418
Payments to suppliers	(331,069)	(169,747)	(28,616)	(529,432)
Payments to employees	(108,391)	(74,661)	-	(183,052)
Other receipts (payments)	(2,671)	(4,303)	-	(6,974)
Net cash provided by operating activities	<u>106,140</u>	<u>92,517</u>	<u>1,303</u>	<u>199,960</u>
Cash Flows from Capital and Related Financing Activities:				
Note proceeds	465,000	-	-	465,000
Payments on lease obligations	(527,663)	(35,712)	-	(563,375)
Interest payments on notes and lease obligations	(32,716)	(3,553)	-	(36,269)
Grant proceeds	-	18,698	-	18,698
Proceeds from sale of capital assets	1,000	-	-	1,000
Payments for capital assets	(27,908)	(58,019)	(7,284)	(93,211)
Net cash used by capital and related financing activities	<u>(122,287)</u>	<u>(78,586)</u>	<u>(7,284)</u>	<u>(208,157)</u>
Cash Flows from Investing Activities:				
Interest on cash and investments	222	-	-	222
Sale of investments	32,090	11,314	-	43,404
Purchase of investments	-	-	-	-
Net cash provided by investing activities	<u>32,312</u>	<u>11,314</u>	<u>-</u>	<u>43,626</u>
Net increase (decrease) in cash and cash equivalents	16,165	25,245	(5,981)	35,429
Cash and cash equivalents, July 1, 2012	<u>105,713</u>	<u>(77,065)</u>	<u>(42,297)</u>	<u>(13,649)</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	<u><u>\$ 121,878</u></u>	<u><u>\$ (51,820)</u></u>	<u><u>\$ (48,278)</u></u>	<u><u>\$ 21,780</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 11,571	\$ 41,119	\$ (827)	\$ 51,863
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	92,243	71,407	3,828	167,478
Change in assets and liabilities:				
Accounts receivable	(5,305)	(20,513)	240	(25,578)
Prepaid insurance	(34)	(387)	-	(421)
Due from other funds	-	(42,145)	-	(42,145)
Accounts payable	3,369	(116)	(1,938)	1,315
Taxes withheld and accrued	430	1,123	-	1,553
Meter deposits payable	3,750	-	-	3,750
Due to other funds	116	42,029	-	42,145
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 106,140</u></u>	<u><u>\$ 92,517</u></u>	<u><u>\$ 1,303</u></u>	<u><u>\$ 199,960</u></u>

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

General Statement

The City of Grand Rivers (City) complies with generally accepted accounting principles (GAAP) as applied to governmental units. This requires the use of the accrual basis of accounting for government-wide financial statements and proprietary funds financial statements and a modified accrual basis of accounting for the governmental funds financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial reporting entity, basis of accounting, and other significant policies employed by the City are summarized as follows:

Financial Reporting Entity

The City operates under a City Council form of government. The City Council consists of six members elected at large by the citizens on a nonpartisan basis. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Grand Rivers. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. As a result of applying GAAP criteria, no component units have been included in these financial statements.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Basis of Presentation

The funds of the financial reporting entity are described below:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund - To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Tourism Commission - To account for the collection and expenditure of hotel/motel and restaurant taxes. These revenues are to be used to promote tourism in the City.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water Fund - To account for providing water to the residents of the City.

Sewer Fund - To account for providing sewer services to the residents of the City.

Measurement Focus

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

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation lease principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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 year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include employee license taxes, property taxes, grants, entitlements, and donations. The City considers property taxes as available if they are collected within sixty days after year end. Revenue from grants, entitlements, and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

The revenues susceptible to accrual are taxes, intergovernmental, employer and employees' contributions to trust funds, interest revenue, and charges for services. License and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Unearned Revenue

The City reports unearned revenue on its statement of net assets. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net assets and revenue is recognized.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Budgets and Budgetary Accounting

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

1. Prior to July, the City Administrator submits to the City Council a proposed budget for the fiscal year commencing on July 1. The budget includes proposed expenditures and the means of financing those.
2. Public hearings are conducted by the City to obtain taxpayer comments.
3. Prior to July, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts between department line items; however, any revisions that alter the total expenditures of any department must be approved by the City Council.

Cash and Investments

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

Investments, which are composed of certificates of deposit, are reported at cost, which approximates fair value. Additional cash and investment disclosures are presented in Note 3.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. The major receivable balance for the governmental activities normally includes property taxes. Business-type activities report utilities as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise tax and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting.

Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3 for details of interfund transactions, including receivables and payables at year end.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Inventories

Inventories are stated at estimated cost.

Property and Equipment

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statement

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. After July 1, 2003, these assets, when purchased, will be capitalized.

Depreciation of all exhaustible capital assets used by propriety funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	10-35 Years
Buildings	35-50 Years
Equipment	5-10 Years
Furnishings and fixtures	3-10 Years
Vehicles	5- 7 Years

The City has elected not to retroactively report general infrastructure assets purchased prior to July 1, 2003.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of leases payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, committed, assigned, and unassigned.

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 and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

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. The general fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The City does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unassigned fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Operating and Nonoperating Revenues and Expenses - Proprietary Funds

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

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board issued Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

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

Stewardship, Compliance, and Accountability

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds.

Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include grants.

For the year ended June 30, 2013, the City complied, in all material respects, with these revenue restrictions.

Debt Restrictions and Covenants

The City may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2013, the City incurred no such indebtedness.

Note 2 - Property Taxes:

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Livingston County, as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Livingston County, and the annual increase in the property tax levy cannot exceed 4%. City property tax revenues are recorded as a receivable when assessed because the City has an enforceable legal claim to the resources. At this time, the receivable is offset by unearned revenue. Property tax revenues are recognized during the period for which they are levied.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

The due dates and collection period for all property taxes, exclusive of vehicle taxes, for the fiscal year ended June 30, 2012, are as follows:

Description	Date
Assessment and enforceable lien	January 1, 2013
Levy	October 31, 2013
Face value amount payment dates	December 1, 2013

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

Deposits

The Kentucky Revised Statutes authorize the City to invest in interest-bearing and demand deposits in national or state chartered banks and insured by an agency of the U.S. government. The City can also invest in U.S. Treasury obligations, agencies, and instrumentalities. The City has no other policy that further limits its investments. At year end, the carrying amount of the City's cash and cash equivalents and investments was \$376,243 and the bank balance was \$382,991. Demand deposits, certificates of deposit and other cash and cash equivalents were held in various financial institutions. Deposits of \$280,723 were covered by FDIC insurance, \$37,045 was composed of U.S. Treasury obligations and the remaining balance of \$65,223 was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The remaining balance of \$65,223 was uninsured and collateralized with securities held by the pledging bank's agent, not in the city's name.

Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 265,350	\$ -	\$ -	\$ 265,350
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	265,350	-	-	265,350
Capital assets, being depreciated:				
Infrastructure	202,120	18,900	-	221,020
Land improvements	1,289,396	-	-	1,289,396
Buildings	1,200,782	20,735	-	1,221,517
Furnishings and fixtures	150,267	9,734	(161)	159,840
Vehicles	4,600	-	-	4,600
Total capital assets, being depreciated	2,847,165	49,369	(161)	2,896,373

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Capital Assets

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities:				
Less accumulated depreciation:				
Infrastructure	\$ 22,901	\$ 12,047	\$ -	\$ 34,948
Land improvements	399,331	52,585	-	451,916
Buildings	388,956	38,908	-	427,864
Furnishings and fixtures	80,472	12,536	(161)	92,847
Vehicles	<u>38</u>	<u>460</u>	<u>-</u>	<u>498</u>
Total accumulated depreciation	<u>891,698</u>	<u>116,536</u>	<u>(161)</u>	<u>1,008,073</u>
Total capital assets, being depreciated, net	<u>1,955,467</u>	<u>165,905</u>	<u>-</u>	<u>1,888,300</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$2,220,817</u>	<u>\$ 165,905</u>	<u>\$ -</u>	<u>\$2,153,650</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,561	\$ -	\$ -	\$ 3,561
Construction in progress	<u>56,462</u>	<u>39,966</u>	<u>-</u>	<u>96,428</u>
Total capital assets not being depreciated	<u>\$ 60,023</u>	<u>\$ 39,966</u>	<u>\$ -</u>	<u>\$ 99,989</u>
Capital assets, being depreciated:				
Buildings and improvements	4,967,997	19,489	-	4,987,486
Equipment	398,278	15,882	-	414,160
Vehicles	<u>145,525</u>	<u>-</u>	<u>(13,800)</u>	<u>131,725</u>
Total capital assets, being depreciated	<u>5,511,800</u>	<u>35,371</u>	<u>(13,800)</u>	<u>5,533,371</u>
Less accumulated depreciation:				
Buildings and improvements	2,115,678	125,444	-	2,241,122
Equipment	214,898	30,247	-	245,145
Vehicles	<u>85,269</u>	<u>11,787</u>	<u>(13,800)</u>	<u>83,256</u>
Total accumulated depreciation	<u>2,415,845</u>	<u>167,478</u>	<u>(13,800)</u>	<u>2,569,523</u>
Total capital assets, being depreciated, net	<u>3,095,955</u>	<u>(132,107)</u>	<u>-</u>	<u>2,963,848</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$3,155,978</u>	<u>\$ (92,141)</u>	<u>\$ -</u>	<u>\$3,063,837</u>

Construction in progress of \$2,063 at July 1, 2012 has been reclassified to Buildings and improvements.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Depreciation expense was charged to governmental activities as follows:

General government	\$ 67,871
Streets and highways	2,544
Parks and recreation	<u>46,121</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$116,536</u>

Depreciation expense was charged to business-type activities as follows:

Water Fund	\$ 92,243
Sewer Fund	71,407
Internet Fund	<u>3,828</u>
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$167,478</u>

Accounts Payable

Payables in the governmental and proprietary funds are composed of payables to vendors.

Long-Term Debt

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Long-Term Debt

Governmental Activities

As of June 30, 2013, the governmental long-term debt consisted of the following:

General obligation notes and leases:	
Current portion	\$ 50,145
Noncurrent portion	<u>505,296</u>
TOTAL GENERAL OBLIGATION NOTE AND LEASE COSTS	<u>\$555,441</u>

Business-Type Activities

As of June 30, 2013, the long-term leases payable from proprietary fund resources consisted of the following:

Long-term leases:	
Current portion	\$ 76,405
Noncurrent portion	<u>496,997</u>
TOTAL LONG-TERM LEASE COSTS	<u>\$573,402</u>

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Debt

General Obligation Notes and Leases

First Kentucky Bank - The City (Grand Rivers Tourist Commission) entered into an agreement on December 1, 2006, with the First Kentucky Bank to help finance the Badgett Playhouse building at a variable interest rate. This loan consolidated two initial construction advances of \$200,000 and \$150,000. Present monthly payments of \$1,992 include principal and interest and the note matures in 2026. The note is backed by the full faith and credit of the City. The rate of the note is 2.875% and the principal balance at June 30, 2013, is \$261,811.

First Kentucky Bank - The City entered into an agreement on October 19, 2010, with the First Kentucky Bank to finance the purchase of a 2011 Ford F250 at an interest rate of \$6.49%. Monthly payments of \$519 including principal and interest began July 2010, and the note matures in 2015. The note is secured by the truck. The principal balance at June 30, 2013, is \$13,434.

First Kentucky Bank - The City entered into an agreement on June 27, 2007, with the First Kentucky Bank for \$125,250 to finance various projects. Monthly payments of \$1,368 including principal and interest began July 27, 2007, and the note matures on June 27, 2017. The note is backed by the full faith and credit of the City. The rate of the note is 5.55% and the principal balance at June 30, 2013, is \$58,630.

Kentucky Bond Corporation - The City entered into a leasing agreement on March 29, 2012, with the Kentucky Bond Corporation to help finance storm damage expenses. The original amount advanced was \$255,000. The lease agreement requires monthly payments including principal, interest and fees to be made to a sinking fund beginning May 1, 2012 (these monthly payments vary and range from \$2,625 to \$3,168). The last scheduled payment is February 1, 2022. The lease agreement provides financing rates that range from 2.5% to 3.25%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2013 is \$235,000.

Leases Payable

National Rural Water Association - The City entered into a loan agreement on July 1, 2009, to finance the acquisition of a trencher. The original amount advanced was \$100,000. Monthly payments of \$966 including principal and interest began August 1, 2008, and continue for 119 months with a final payment of \$963 due July 1, 2019, at 3% per annum. The loan grants the lender a secured interest in the assets of the City. The principal balance at June 30, 2013, is \$55,382.

KRWFC Series 2001 B Issue - The City entered into a leasing agreement on December 19, 2001, with the Kentucky Rural Water Finance Corporation Area Development Districts Financing Trust to finance water improvement projects at interest rates approximating 5% per annum. This agreement was refinanced on February 27, 2013 with lower interest rates of 2.3% - 2.8%. The lease agreement requires monthly payments including principal and interest to be made to a sinking fund beginning April 2013 (these monthly payments vary and range from \$4,712 to \$5,437). The last scheduled payment is January 2022. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2013, is \$465,000.

Backhoe Lease - The City entered into a leasing agreement on January 26, 2006, with Kentucky League of Cities to finance the acquisition of a backhoe. Monthly payments including principal and interest began March 1, 2006, and the final payment is due in 2016 at an effective interest rate of approximately 3%. The principal balance at June 30, 2013, is \$15,559.

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 3 - Detail Notes on Transaction Classes/Accounts:

Long-Term Debt

General Obligation Notes and Leases

Excavator Lease - The City entered into a leasing agreement in November 2010, with Caterpillar Financial Services Corporation to finance the acquisition of an excavator. Sixty-two monthly payments of \$888.33 including principal and interest began December 2010. The principal balance at June 30, 2013, is \$24,027.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General obligation leases and notes:					
Trails project	\$ 20,000	\$ -	\$20,000	\$ -	\$ -
Storm damage lease	228,025	6,975	-	235,000	20,000
Playhouse project	282,321	-	20,510	261,811	16,593
Other projects	<u>71,350</u>	<u>-</u>	<u>12,720</u>	<u>58,630</u>	<u>13,552</u>
TOTAL GENERAL LONG- TERM DEBT	<u>\$601,696</u>	<u>\$ 6,975</u>	<u>\$53,230</u>	<u>\$555,441</u>	<u>\$50,145</u>
Business-type activities:					
Leases payable:					
Sewer improvements	\$ 25,000	\$ -	\$25,000	\$ -	\$ -
Water improvements	510,000	-	45,000	465,000	45,000
Trencher lease	64,358	-	8,976	55,382	10,903
Backhoe lease	20,834	-	5,275	15,559	5,474
Vehicle note	18,591	-	5,157	13,434	5,506
Excavator lease	<u>32,995</u>	<u>-</u>	<u>8,968</u>	<u>24,027</u>	<u>9,522</u>
TOTAL LONG-TERM LEASES	<u>\$671,778</u>	<u>\$ -</u>	<u>\$98,376</u>	<u>\$573,402</u>	<u>\$76,405</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity for general long-term leases and notes payable as of June 30, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest/ Fees</u>
2014	126,550	32,962
2015	138,413	29,266
2016	129,212	24,723
2017	119,852	20,886
2018	104,986	17,589
2019-2023	437,486	45,257
2024-2027	<u>72,344</u>	<u>3,434</u>
TOTALS	<u>\$1,128,843</u>	<u>\$174,117</u>

(Continued)

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Interfund Transactions and Balances

Interfund transfers during the year ended June 30, 2013 were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Governmental Funds:		
General Fund	\$32,724	\$ 61,704
Nonmajor Governmental Funds	16,980	-
Community Center Building Fund	<u>12,000</u>	<u>-</u>
 TOTALS	 <u>\$ 61,704</u>	 <u>\$61,704</u>

Due To/From Balances

Due to/from balances used to cover current operating expenses were as follows as of June 30, 2013:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 39,303	\$ -
Tourist Commission	-	5,370
Nonmajor Governmental Funds	30,856	3,556
Water Fund	-	37,128
Sewer Fund	186,569	189,741
Internet Fund	<u>-</u>	<u>20,933</u>
 TOTALS	 <u>\$ 256,728</u>	 <u>\$256,728</u>

Note 4 - Budget Deficits:

The following funds had excess expenditures over appropriations for the fiscal year ended June 30, 2013:

<u>Fund</u>	<u>Amount</u>
Cemetery Fund	\$ 945
Community Center Building Fund	\$ 14,628

The following fund had a deficit fund balance at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
Internet Fund	\$ 36,663

Note 5 - Contingencies:

Grant Contingencies

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Note 6 - Risk Management and Litigation:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies to handle the risk of loss. There have been no decreases in insurance coverage from the prior year. There have been no settlements in excess of insurance coverage during the prior three years.

CITY OF GRAND RIVERS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$250,000	\$258,150	\$ 8,150
Intergovernmental	-	-	-
Interest	600	143	(457)
Miscellaneous	73,170	76,805	3,635
Total revenues	<u>323,770</u>	<u>335,098</u>	<u>11,328</u>
Expenditures:			
General government	140,300	158,372	(18,072)
Highways and streets	53,000	47,923	5,077
Parks and recreation	24,300	25,893	(1,593)
Capital outlay	5,900	33,810	(27,910)
Debt service	88,270	45,045	43,225
Total expenditures	<u>311,770</u>	<u>311,043</u>	<u>727</u>
Excess of revenues over (under) expenditures	<u>12,000</u>	<u>24,055</u>	<u>12,055</u>
Other Financing Sources (Uses):			
Long-term debt issued	-	6,975	6,975
Operating transfers in	-	32,724	32,724
Operating transfers out	(12,000)	(61,704)	(49,704)
Total other financing sources (uses)	<u>(12,000)</u>	<u>(22,005)</u>	<u>(10,005)</u>
Net change in fund balance	<u>\$ -</u>	2,050	<u>\$ 2,050</u>
Fund balance, July 1, 2012		<u>168,962</u>	
FUND BALANCE, JUNE 30, 2013		<u><u>\$171,012</u></u>	

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
TOURISM COMMISSION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$124,490	\$129,898	\$ 5,408
Intergovernmental	4,300	5,520	1,220
Interest	60	27	(33)
Miscellaneous	50,700	50,450	(250)
Total revenues	<u>179,550</u>	<u>185,895</u>	<u>6,345</u>
Expenditures:			
General government	129,874	114,625	15,249
Capital outlay	-	-	-
Debt service	26,820	28,403	(1,583)
Total expenditures	<u>156,694</u>	<u>143,028</u>	<u>13,666</u>
Excess of revenues over expenditures	<u>22,856</u>	<u>42,867</u>	<u>20,011</u>
Other Financing Sources (Uses):			
Long-term debt issued	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 22,856</u>	42,867	<u>\$20,011</u>
Fund balance, July 1, 2012		<u>130,908</u>	
FUND BALANCE, JUNE 30, 2013		<u>\$173,775</u>	

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

<u>ASSETS</u>	<u>Municipal Aid Road Fund</u>	<u>Local Government Economic Assistance Fund</u>	<u>Cemetery Fund</u>	<u>Community Center Building Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 32,613	\$ (2,693)	\$ (17,676)	\$ 2,173	\$ 14,417
Investments	-	-	30,723	10,309	41,032
Due from other funds	24,058	6,455	-	343	30,856
TOTAL ASSETS	<u>\$ 56,671</u>	<u>\$ 3,762</u>	<u>\$ 13,047</u>	<u>\$ 12,825</u>	<u>\$ 86,305</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Current Liabilities:					
Accounts payable	\$ -	\$ -	\$ 650	\$ 1,232	\$ 1,882
Security deposits	-	-	-	-	-
Due to other funds	-	-	489	3,067	3,556
Unearned revenue	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>1,139</u>	<u>4,299</u>	<u>5,438</u>
Fund Balances:					
Reserved:					
For program purposes	-	-	11,908	-	11,908
For due from other funds	24,058	6,455	-	343	30,856
Unreserved	32,613	(2,693)	-	8,183	38,103
Total fund balances	<u>56,671</u>	<u>3,762</u>	<u>11,908</u>	<u>8,526</u>	<u>80,867</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 56,671</u>	<u>\$ 3,762</u>	<u>\$ 13,047</u>	<u>\$ 12,825</u>	<u>\$ 86,305</u>

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Jetty/Trails Project Funds	Municipal Aid Road Fund	Local Government Economic Assistance Fund	Cemetery Fund	Community Center Building Fund	Storm Damage Fund	Totals
Revenues:							
Intergovernmental	\$ -	\$ 8,599	\$ -	\$ -	\$ -	\$ -	\$ 8,599
Interest	-	-	-	276	102	-	378
Miscellaneous	-	-	-	2,800	38,736	-	41,536
Total revenues	<u>-</u>	<u>8,599</u>	<u>-</u>	<u>3,076</u>	<u>38,838</u>	<u>-</u>	<u>50,513</u>
Expenditures:							
General government	-	-	-	6,185	52,068	-	58,253
Highways and streets	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	15,560	-	15,560
Debt service:							
Principal requirement	-	-	-	-	-	-	-
Interest and fiscal requirement	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,185</u>	<u>67,628</u>	<u>-</u>	<u>73,813</u>
Excess (deficiency) of revenues over expenditures	-	8,599	-	(3,109)	(28,790)	-	(23,300)
Other Financing Sources:							
Transfers in (out)	<u>49,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>(32,724)</u>	<u>28,980</u>
Net change in fund balances	49,704	8,599	-	(3,109)	(16,790)	(32,724)	5,680
Fund balances, July 1, 2012	<u>(49,704)</u>	<u>48,072</u>	<u>3,762</u>	<u>15,017</u>	<u>25,316</u>	<u>32,724</u>	<u>75,187</u>
FUND BALANCES, JUNE 30, 2013	<u>\$ -</u>	<u>\$56,671</u>	<u>\$ 3,762</u>	<u>\$ 11,908</u>	<u>\$ 8,526</u>	<u>\$ -</u>	<u>\$ 80,867</u>

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
MUNICIPAL AID ROAD FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 8,000</u>	<u>\$ 8,599</u>	<u>\$ 599</u>
Expenditures:			
Highways and streets	16,000	-	16,000
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
Total expenditures	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Net change in fund balance	<u>\$ (8,000)</u>	8,599	<u>\$16,599</u>
Fund balance, July 1, 2012		<u>48,072</u>	
FUND BALANCE, JUNE 30, 2013		<u>\$56,671</u>	

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
CEMETERY FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Interest	400	276	(124)
Miscellaneous	4,840	2,800	(2,040)
Total revenues	<u>5,240</u>	<u>3,076</u>	<u>(2,164)</u>
Expenditures:			
General government	4,970	6,185	(1,215)
Highways and streets	-	-	-
Capital outlay	270	-	270
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
Total expenditures	<u>5,240</u>	<u>6,185</u>	<u>(945)</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,109)</u>	<u>\$ (3,109)</u>
Fund balance, July 1, 2012		<u>15,017</u>	
FUND BALANCE, JUNE 30, 2013		<u>\$11,908</u>	

See auditor's report.

CITY OF GRAND RIVERS, KENTUCKY
COMMUNITY CENTER BUILDING FUND
DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	-	-	\$ -
Interest	100	102	2
Miscellaneous	40,900	38,736	(2,164)
Total revenues	<u>41,000</u>	<u>38,838</u>	<u>(2,162)</u>
Expenditures:			
General government	53,000	52,068	932
Highways and streets	-	-	-
Capital outlay	-	15,560	(15,560)
Debt service:			
Principal requirement	-	-	-
Interest and fiscal requirement	-	-	-
Total expenditures	<u>53,000</u>	<u>67,628</u>	<u>(14,628)</u>
Excess (deficiency) of revenues over expenditures	(12,000)	(28,790)	(16,790)
Other Financing Sources:			
Transfers in	<u>12,000</u>	<u>12,000</u>	-
Net change in fund balance	<u>\$ -</u>	(16,790)	<u>\$ (16,790)</u>
Fund balance, July 1, 2012		<u>25,316</u>	
FUND BALANCE, JUNE 30, 2013		<u>\$ 8,526</u>	

See auditor's report.

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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 STANDARD

Honorable B.T. Moodie, Mayor
Members of the City Council
City of Grand Rivers
Grand Rivers, 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 City of Grand Rivers, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Grand Rivers, Kentucky's basic financial statements, and have issued our report thereon dated February 7, 2014.

Internal Control Over Financial Reporting

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

Cannon, Bryan, Watts & Elliott, CPAs, PLLC

Grand Rivers, KY
February 7, 2014