

City of Calvert City
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March 14, 2017

Kentucky League of Cities
Attn: FINANCE DEPARTMENT
100 E. Vine Street, Suite 800
Lexington, KY 40507

Please find a copy of our (6/30/16) most recent audited financial statements.

Very truly yours,

A handwritten signature in blue ink, reading 'Ralph W. Howard', is positioned above the typed name.

Ralph W. Howard
City Clerk/Treasurer

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

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

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Lynn Jones
Members of the City Council
City of Calvert City
Calvert City, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Calvert City, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10, the respective budgetary comparison for the General Fund and the Special Revenue Municipal Aid Fund on pages 40-41, and pension schedules on pages 42-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Calvert City, Kentucky's basic financial statements. The letter from the mayor, and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages 44-45 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017, on our consideration of the City of Calvert City, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Calvert City, Kentucky's internal control over financial reporting and compliance.

Kemper CPA Group, LLP

Paducah, Kentucky
March 9, 2017

REQUIRED SUPPLEMENTARY INFORMATION

CALVERT CITY, KENTUCKY
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2016

This Management Discussion and Analysis of the financial condition of the City of Calvert City, Kentucky is intended to provide those who may be interested a narrative overview and analysis of the fiscal condition of the City. The information presented herein should be weighed in conjunction with the financial statements (pages 12-46) provided to fully understand the fiscal status of the City of Calvert City on June 30, 2016 and as a basis for projecting and forecasting the needs, not only for the immediate future but for the long term.

Financial Highlights:

City total assets exceeded its total liabilities on June 30, 2016 by \$32,455,057. Of this amount, \$8,060,328 is unrestricted and therefore available to meet the City's continuing obligations.

The total net assets of the City increased by \$578,961 from June 30, 2015 to June 30, 2016

As of June 30, 2016 the City's combined ending fund balances was \$9,316,498 an increase of \$202,342 from the end of the previous year. Of this amount, \$6,211,188 of these funds was unassigned and available for current expenditures.

The unassigned fund balance of the general fund represents 187% percent of the total 2016 general fund expenditures.

Overview of Financial Statements

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

Reporting the City as A Whole

Government-wide financial statements

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund financial statements

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

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

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

Notes to the financial statements

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

THE CITY AS A WHOLE

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

Condensed Statement of Net Assets June 30,

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 9,523,427	\$ 9,377,508	\$ 1,851,225	\$ 2,602,123	\$ 11,374,652	\$ 11,979,631
Non-current assets	12,951,236	12,821,235	12,000,344	11,265,563	24,951,580	24,086,798
Total Assets	22,474,663	22,198,743	13,851,569	13,867,686	36,326,232	36,066,429
Deferred pension contributions	588,374	233,420	163,362	62,046	751,736	295,466
Liabilities:						
Current liabilities	308,432	359,785	245,761	328,309	554,193	688,094
Non-current liabilities	2,292,115	1,894,326	1,487,008	1,648,190	3,779,123	3,542,516
Total Liabilities	2,600,547	2,254,111	1,732,769	1,976,499	4,333,316	4,230,610
Deferred Inflows of Resources	234,463	193,379	55,132	61,810	289,595	255,189
Net assets:						
Net invested in capital assets	12,890,804	12,726,662	11,044,998	10,210,399	23,935,802	22,937,061
Restricted net assets	391,288	337,284	67,639	61,308	458,927	398,592
Unrestricted net assets	6,945,935	6,920,727	1,114,393	1,619,716	8,060,328	8,540,443
Total net assets	\$20,228,027	\$19,984,673	\$12,227,030	\$11,891,423	\$32,455,057	\$31,876,096

As of June 30, 2016, the City had assets greater than its liabilities of \$32,455,057, an increase of \$578,961 from the previous year. The City's governmental activities accounted for \$243,354 of the increase in net position. The business-type activity accounted for \$335,607 of the remainder of the increase.

The majority of the City's net assets (74%) are invested in capital assets (streets, drainage, buildings, equipment, water and sewer system, etc.). Restrictions for special purpose are imposed upon 1% of the net assets. Unrestricted assets available for general expenditures account for 25% of the City's net assets.

(Continued on next page)

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015*	2016	2015*	2016	2015*
Revenues:						
Program revenues:						
Charges for services	\$ 128,397	\$ 118,462	\$ 1,658,089	\$ 1,695,555	\$ 1,786,486	\$ 1,814,017
Operating grants and contributions	37,317	32,407			0	0
Capital grants and contributions	15,088	74,139	237,403	199,146	37,317	32,407
General revenues:					0	0
Property taxes	1,158,916	1,205,388			0	0
Payroll taxes	1,395,023	1,332,402			1,158,916	1,205,388
Other taxes	966,860	881,045			1,395,023	1,332,402
License, permits and fees	428,977	384,462			966,860	881,045
Other revenue	148,898	169,052	35,627	46,701	428,977	384,462
Total revenue	<u>4,279,476</u>	<u>4,197,357</u>	<u>1,931,119</u>	<u>1,941,402</u>	<u>184,525</u>	<u>215,753</u>
Expenses					<u>6,210,595</u>	<u>6,138,759</u>
General government	1,057,335	907,009				
Public safety	1,231,649	1,067,580			1,057,335	907,009
Sanitation	303,916	288,130			1,231,649	1,067,580
Highways and streets	871,234	800,229			303,916	288,130
Parks and recreation	467,445	448,164			871,234	800,229
Interest on long-term debt	4,543	6,017			467,445	448,164
Water and sewer			1,695,512	1,764,467	4,543	6,017
Total expense	<u>3,936,122</u>	<u>3,517,129</u>	<u>1,695,512</u>	<u>1,764,467</u>	<u>1,695,512</u>	<u>1,764,467</u>
Increase in net assets before transfers	343,354	680,228	235,607	176,935	<u>5,631,634</u>	<u>5,281,596</u>
Transfers	<u>(100,000)</u>	<u>(150,000)</u>	<u>100,000</u>	<u>150,000</u>		
Increase or (decrease) in net assets	243,354	530,228	335,607	326,935	578,961	857,163
Net assets - beginning of year as restated	19,984,673	19,454,445	11,891,423	11,564,488		
Net assets - end of year	<u>\$20,228,027</u>	<u>\$19,984,673</u>	<u>\$12,227,030</u>	<u>\$11,891,423</u>	<u>31,876,096</u>	<u>31,018,933</u>
					<u>\$32,455,057</u>	<u>\$31,876,096</u>

* Beginning net position of governmental and business activities as of July 1, 2014 was restated for implementation of GASB 68.

Revenues

Normally, the City's governmental revenues are primarily from the collection of various taxes. During the fiscal year ended June 30, 2016 the major sources of revenues are: Personal and real property taxes - 27%; Payroll taxes - 33%; Franchise and Insurance Premium taxes - 23%. Charges for services, grants, contributions, fees, and licenses combined represent the balance of revenues.

The City's business-type activity revenues were primarily from charges for services - 87%, and grants and other revenues - 13%.

Expenditures

The costs of all governmental activities were \$3.9 million. The Statement of Activities shows that \$128 thousand was financed by those who use the services; \$52 thousand was financed by grants and contributions with the city's general revenues financing \$3.75 million.

Approximately 98% of the total costs (expenses) of \$1.70 million of the business-type activities were financed by charges for services.

General Fund Budgetary Highlights

The City's total revenues were \$265 thousand more than budgeted. Higher than estimated license tax revenues was the primary reason for this. There are several sources of revenue which are difficult to accurately estimate but actual total revenues were close to budget. The City's total expenditures were \$153 thousand less than budgeted and savings were distributed throughout the line items of each department.

Capital Assets and Debt Administration

The City's investments in capital assets as of June 30, 2016 for its governmental activities were \$12.8 million, net of depreciation as reflected in the schedule below:

Capital Assets June 30, (In thousands, net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,876	\$ 4,691	\$ 283	\$ 283	\$ 5,159	\$ 4,974
Construction in progress	195	38	943	534	1,138	572
Infrastructure and land improvements	5,035	5,160			5,035	5,160
Water and sewer system			10,542	10,180	10,542	10,180
Buildings and improvements	1,636	1,628			1,636	1,628
Vehicles	472	550	137	160	609	710
General equipment and furnishings	737	754	95	109	832	863
	<u>\$ 12,951</u>	<u>\$ 12,821</u>	<u>\$ 12,000</u>	<u>\$ 11,266</u>	<u>\$ 24,951</u>	<u>\$ 24,087</u>

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

Land	\$ 185	\$ -	\$ -	\$ 75	\$ 185	\$ 75
Infrastructure and land improvements	365	396			365	396
Water and sewer system			1,193	640	1,193	640
Buildings and improvements	85	212			85	212
Vehicles	50	57	-	47	50	104
General equipment and furnishings	152	97	10	20	162	117
	<u>\$ 837</u>	<u>\$ 762</u>	<u>\$ 1,203</u>	<u>\$ 782</u>	<u>\$ 2,040</u>	<u>\$ 1,544</u>

At year end, the City had \$635,432 of leases payable and \$380,347 of notes payable outstanding. The leases, bonds, and notes payable were issued to finance equipment and infrastructure. Detailed information on the city's long-term debt can be found in Notes F and G on pages 36-38 of the report.

Future Operations

Calvert City has continued to move forward since establishing strategic goals for the City in 2014. One of the most ambitious goals and accomplishments has been continued progress toward connecting Calvert City's downtown area to Kentucky Dam Village State Resort Park via construction of a multi-use trail. The goals of this project are one; to create an aesthetically pleasing draw for the motoring public into the State Park highlighting the northern entrance of Kentucky Lake and two, bring connectivity from downtown Calvert City to Kentucky Lake by alternate means of transportation such as biking and hiking. This project will be constructed in segments. The first segment, the portion of the trail that is to be funded through the federal government reconfiguration of the I-69 interchange at Exit 25 to Purchase Pkwy and Exit 27 is currently under construction. The Federal funds will enhance the interchange at Exit 27 making an urban interchange with the multi-use trail included. The second segment will continue the Multi-use trail from the interchange eastward to the State Park and create a boulevard on U.S. Highway 62. The City, together with the Commonwealth of Kentucky, is working to create the boulevard on U.S. Highway 62. The boulevard will widen U.S. Highway 62 and create an aesthetically pleasing thoroughfare using vegetation and floral plantings in the median of the boulevard which will extend from Cypress Creek to Airport Road in Kentucky Dam Village State Resort Park. The final plans for this segment are due in the spring of 2017. Bids for the project are expected to be let shortly after receiving the final plans. The City has accepted a route design from Bacon, Farmer and Workman Engineering for our third segment from US Highway 62 to Hickory Street. Bacon, Farmer and Workman Engineering have also been the designers of the trail for the other two segments. Grant funding for shared, multi-use trails is available on a competitive basis. The City has applied for a grant through federal transportation enhancement grants program for funds to assist in the construction of our portion of the trail.

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

The City has established a maintenance program throughout its facilities with emphasis on repair of existing or replacement with more economical systems. The ultimate goal is to move from response maintenance to preventative maintenance for the City facilities.

The City's workforce continues to enhance its personnel's capabilities through specialized training. The City is positioning itself to be able to be its own General Contractor, thus allowing us to handle more complicated and complex projects, while saving tax dollars. This does not mean that the City will not contract services, but will have more flexibility when doing so. Equipping employees with the knowledge and tools needed to meet the ever changing demands will be ongoing and is designed to build morale and skill. Current demands stretch the workforce thin, causing some projects to be postponed or, if necessary, contracted out; but, more effort will be placed on planning and time management.

The City's Safety Committee and safety training and audit program is now in full stride. It is designed to help insure a safe working environment for employees. Employees are encouraged to help identify and address safety issues through regular meetings and safety classes and by assessing the job site and operation to be performed for possible dangers and hazards. Employees are encouraged to discuss the project and their role in the operation for clarity and safety. Employees are also encouraged to report hazardous conditions or equipment to their supervisor for repair or replacement.

To increase our workforce's ability to cope with the increasing demands as well as replace some aging equipment, the City has added new vehicles and equipment to make their use of time more effective and efficient. This includes the acquisition of a dump truck and a Police Car.

The Calvert City Cemetery Board continues to bring about improvements to the Cemetery. This year the City completed the new road to access the northern portion of the Cemetery which lies along West 5th Avenue. New

LED lighting, security cameras and benches around the water feature were added. The City, through the Cemetery Board; has plans to address future projects in the Cemetery such as, additional road construction, more stormwater drainage, an area for crypts, a possible columbarium and beautification projects.

The Parks of Calvert City are reaping the benefits of the Board's five year strategic plan and its vision for the park system. The Interactive water feature (splash pad) is under construction and is slated to open summer of 2017. The south bridge in Memorial Park has been replaced with a structure that should last for decades. Drinking fountains that serve Americans with Disabilities (ADA) and our four legged friends have been purchased and one has been installed in Doctor's Park. Each of the three major parks will have one of these. New ADA drinking fountains have been installed on the exterior of all park bathrooms with additional pedestal drinking fountains to be installed in the coming year. The last four concrete pads and safety bleachers were installed in Doctor's Park on Fields #3 and 4. In Old Park, a rework of Field #5 is underway. The underground electrical service and LED lighting has begun as well.

The Calvert City Street Revitalization Program is beginning its third five year program. This program has been highly successful in getting the City streets to a very good condition. The program is developed by an independent third party engineering firm to establish an annual, accelerated and prioritized repair of City streets based on the greatest need. Flooding and flash flooding are ever present issues of the City and it continues an aggressive storm water drainage program of culvert replacement and/or repair and reworking storm water conveyors as needed to ensure the proper drainage of storm water. Inspection and assessment of storm water infrastructure and prioritization of maintenance continue.

In the area of economic development, the City maintains active involvement in the development of the Marshall County-Calvert City River Port, and continues to work with Marshall County Economic Development director Josh Tubbs. The City is preparing to conduct a study for a Transportation Master Plan which will include a Greenways Master Plan component as it continues to explore direction and funding sources for infrastructure projects. The City has hired a consultant group from Washington University to analyze our housing and our decreasing population. It's our hope that their research will identify goals and objectives and establish a plan for the retention, renovation and creation of affordable housing for new and existing residents.

During the 2016 Audit period, the third phase of a four phase project to replace water lines in the Heights area was completed. Water lines serving the area are among the oldest in town and are typically 4" lead joint cast iron and 2" galvanized steel. The existing system was difficult to maintain because the mains were installed typically at the rear of residences within the limits of a small alley ways many of which were subsequently closed by the City Council and allowed to be overtaken with undergrowth further complicating maintenance. Moving the mains and meter service lines to street side will enhance the utility's ability to monitor and make repairs more easily when needed. The fourth and final phase of the project is expected to be implemented in either the next fiscal year or the year following. The most recent project involving replacements along Cypress St. , Chestnut St. and Conifer Ln. was financed with a 20 year Kentucky Infrastructure Loan with a fixed interest rate of 2.75%.

Over \$2.5 million has been spent to date to assess and rehabilitate sanitary sewers within the City. Infiltration and inflow (I/I) of ground and surface water into the sanitary sewer system continues to be the highest priority for the wastewater system. During precipitation periods, the sanitary sewer system becomes overloaded and overflows at isolated locations have occurred. Excessive I/I increases pumping and treatment costs for the system. Efforts to remove excessive I/I during the reporting period herein have been focused in the area referred to as Old Calvert bounded by Cedar St. , Railroad Ave., Arizona Street and Fifth Ave. This project should be completed at the end of this Fiscal Period. A recent sewer replacement project which effectively reduced a significant amount of inflow and infiltration was recently completed along Fifth Avenue from the Fifth Avenue Lift Station to Oak Park Blvd. Assessment efforts in the immediate future will be focused on the Maple Ave. / Country Club area, Camelot Subdivision and Adamstown areas. Once the assessments are completed, bid packages will be prepared for the Phase IV Sanitary Sewer Rehabilitation Project.

Calvert City continues to partner with a number of local industries to review the feasibility of the development of a new wastewater treatment system to treat industrial and domestic waste. A legal team is currently reviewing

organizational strategies for implementation of a new regional wastewater authority to treat both domestic and industrial waste. Previous work completed on the project has yielded 20% plans which can be used as a basis of a design / build procurement should the project partners agree to proceed with the project.

The Board of Public Utility Commissioners is currently working on an update to the Five Year Capital Improvement Plan for the Water and Sewer systems. The expected focus of the plan will be replacement of decaying infrastructure and implementation of new technologies to enhance operations. Additional work is needed for the repair of gravity sewer systems to eliminate excessive I/I and replacement of aging lead joint cast iron and asbestos cement water mains. In addition, deployment of automated meter reading capability is expected to continue. Once deployed system wide the technology will result in a significant operations savings through eliminating the bulk of the labor expense associated with reading meters and preparing system bills.

Requests for Additional Information

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

OTHER SUPPLEMENTAL INFORMATION

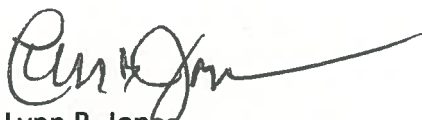
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In November of 1951, Calvert City was again incorporated, exactly 80 years after the first incorporation that had long sense been terminated. The 1950's saw great expansion and growth in Calvert City. The Calvert City Methodist, the Calvert City Church of Christ, and Calvert's First Baptist congregations dedicated new buildings. The Calvert Bank moved in 1955 to a new location in a modern shopping center on Main Street. The population was growing, resulting from industrial expansion related to TVA's new Kentucky Dam. Until 1950, Calvert City was a little farming town of 600 people but by 1970, after millions of dollars had been invested in industrial development, the population had more than quadrupled.

Calvert City is again in transition, the annexation of the Kentucky Dam Village State Resort Park presents opportunity to expand from a successful industrial economy into two economies with the addition of tourism. While Calvert City will continue strong support of her industrial citizens, Calvert City can now focus on expansion possibilities for jobs and development adjacent to the I-24, I-66, and I-69 corridor. With thousands of tourist passing through Calvert City daily, a new focus on attracting tourist to "stay awhile" will become most important.

To gain insight into Calvert City's strengths and weaknesses, the Council commissioned a team of graduate students from Washington University in St. Louis, MO to study and recommend plans of action for improvements. While the study will evaluate the benefits of the KDVS RP, it will also consider housing, schools, cultural trends, and industry as it compiles data for evaluation. Certainly, the outcomes from the study are greatly anticipated.

William Draffen writes in his book, "Oak Hill", "the fusing of two cultures, the north and south, brought about the industrialization of the lower Tennessee valley and helped pave the way for mutual understanding and respect. We have certainly come a long way from my grandfather Vannerson's refusal to permitting the name of Abraham Lincoln to be spoken in his household". While Calvert City has come a long way, Calvert City has a long way to go, and together "we will get there"!



Lynn B. Jones,
Mayor

BASIC FINANCIAL STATEMENTS

CITY OF CALVERT CITY, KENTUCKY
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,833,759	\$ 1,552,461	\$ 10,386,220
Receivables (net)	633,859	287,115	920,974
Interal balances	14,383	(14,383)	-
Prepaid expenses	40,951	24,198	65,149
Other current assets	475	1,834	2,309
Total current assets	<u>9,523,427</u>	<u>1,851,225</u>	<u>11,374,652</u>
Non-current assets:			
Capital assets, not being depreciated	5,071,111	1,225,493	6,296,604
Capital assets, net of accumulated depreciation	7,880,125	10,774,851	18,654,976
Total non-current assets	<u>12,951,236</u>	<u>12,000,344</u>	<u>24,951,580</u>
Total Assets	<u>22,474,663</u>	<u>13,851,569</u>	<u>36,326,232</u>
Deferred Outflows of Resources:			
Deferred pension contributions	588,374	163,362	751,736
Total deferred outflows of resources	<u>588,374</u>	<u>163,362</u>	<u>751,736</u>
LIABILITIES			
Current liabilities:			
Accounts payable	115,934	33,604	149,538
Accrued payroll	19,311	5,403	24,714
Accrued compensated leave and other accrued expenses	137,470	91,338	228,808
Current maturities of notes payable	-	20,416	20,416
Current maturities of lease payable	35,717	95,000	130,717
Total current liabilities	<u>308,432</u>	<u>245,761</u>	<u>554,193</u>
Noncurrent liabilities:			
Accrued compensated leave	11,702	-	11,702
Pension obligations	2,255,198	647,077	2,902,275
Lease payable	24,715	480,000	504,715
Notes payable	-	359,931	359,931
Unearned revenues	500	-	500
Total non-current liabilities	<u>2,292,115</u>	<u>1,487,008</u>	<u>3,779,123</u>
Total Liabilities	<u>2,600,547</u>	<u>1,732,769</u>	<u>4,333,316</u>
Deferred Inflows of Resources			
Difference between projected and actuarial earnings on pension plan investments	234,463	55,132	289,595
Total deferred inflows of resources	<u>234,463</u>	<u>55,132</u>	<u>289,595</u>
NET POSITION			
Net invested in capital assets	12,890,804	11,044,998	23,935,802
Restricted for:			
Special revenue	391,288	-	391,288
Capital projects	-	40,500	40,500
Debt service	-	27,139	27,139
Unrestricted	6,945,935	1,114,393	8,060,328
TOTAL NET POSITION	<u>\$ 20,228,027</u>	<u>\$ 12,227,030</u>	<u>\$ 32,455,057</u>

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

CITY OF CALVERT CITY, KENTUCKY
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,057,335	\$ -	\$ -	\$ 15,088	\$ (1,042,247)	\$ (1,042,247)
Capital Outlay		-	-	-	-	-
Public safety	1,231,649	-	37,317	-	(1,194,332)	(1,194,332)
Sanitation	303,916	-	-	-	(195,319)	(195,319)
Highways and streets	871,234	108,597	-	-	(871,234)	(871,234)
Parks and recreation	467,445	-	-	-	(447,645)	(447,645)
Interest on long-term debt	4,543	-	-	-	(4,543)	(4,543)
Total governmental activities	3,936,122	128,397	37,317	15,088	(3,755,320)	(3,755,320)
Business-type activities:						
Public water and sewer	1,695,512	1,658,089	-	237,403	-	199,980
Total primary activities	\$ 5,631,634	\$ 1,786,486	\$ 37,317	\$ 252,491	(3,755,320)	(3,555,340)
General revenues:						
Taxes:						
					997,572	997,572
Property taxes, levied for general purposes					22,740	22,740
Taxes, levied for bank deposits					75,576	75,576
Personal property					53,434	53,434
Omitted tangibles					9,594	9,594
Payments in lieu of taxes					1,395,023	1,395,023
Payroll taxes					906,246	906,246
Insurance premiums tax					60,614	60,614
Franchise taxes					428,977	428,977
License, permits and fees					50,919	50,919
Intergovernmental					-	-
Miscellaneous					11,719	11,719
Interest and investment earnings					23,908	23,908
Transfers					100,000	93,541
Total general revenues, special items, and transfers					3,998,674	4,134,301
Change in net position					243,354	578,961
Net position - beginning					19,984,673	31,876,096
Net position - ending					\$ 20,228,027	\$ 32,455,057

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Governmental Funds
June 30, 2016

			Special Revenue Funds		
	General Fund	Construction Fund	Municipal Aid Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 5,896,067	\$ 2,546,403	\$ -	\$ -	\$ 8,442,470
Cash - restricted	-	-	361,849	29,439	391,288
Receivables					
Property and franchise tax	7,662	-	-	-	7,662
Payroll and insurance tax	621,314	-	-	-	621,314
Other	4,882	-	-	-	4,882
Due from other funds	14,933	-	-	-	14,933
Prepaid expenses	40,951	-	-	-	40,951
Restricted membership and security deposits	475	-	-	-	475
Total assets	\$ 6,586,284	\$ 2,546,403	\$ 361,849	\$ 29,439	\$ 9,523,975
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	74,558	41,377	-	-	115,935
Unearned revenues	500	-	-	-	500
Due to other funds	550	-	-	-	550
Other accrued expenses	71,181	-	-	-	71,181
Accrued payroll	19,311	-	-	-	19,311
Total liabilities	166,100	41,377	-	-	207,477
Fund balances:					
Nonspendable	41,426	-	-	-	41,426
Restricted	-	-	361,849	29,439	391,288
Committed	-	2,505,026	-	-	2,505,026
Assigned	167,570	-	-	-	167,570
Unassigned	6,211,188	-	-	-	6,211,188
Total fund balances	6,420,184	2,505,026	361,849	29,439	9,316,498
Total liabilities and fund balances	\$ 6,586,284	\$ 2,546,403	\$ 361,849	\$ 29,439	

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

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

12,951,236

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

(77,988)

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

(1,901,287)

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

(60,432)

Net position of governmental activities

\$ 20,228,027

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

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Construction Fund	Special Revenue Funds		Total Governmental Funds
			Municipal Aid Fund	Non-Major Governmental Funds	
REVENUES					
Taxes	\$ 3,520,799	\$ -	\$ -	\$ -	\$ 3,520,799
Licenses and permits	428,977	-	-	-	428,977
Intergovernmental	-	-	50,427	492	50,919
Charges for services	142,776	-	-	-	142,776
Fines and forfeitures	2,692	-	-	-	2,692
Grants	51,638	-	-	400	52,038
Interest	66,549	-	2,844	241	69,634
Other	37,541	-	-	-	37,541
Total revenues	<u>4,250,972</u>	<u>-</u>	<u>53,271</u>	<u>1,133</u>	<u>4,305,376</u>
EXPENDITURES					
Current:					
General government	808,166	-	-	-	808,166
Public safety	1,137,313	-	-	-	1,137,313
Sanitation	273,190	-	-	-	273,190
Highways and streets	643,680	-	-	-	643,680
Parks and recreation	425,656	-	-	-	425,656
Debt service:					
Principal	34,140	-	-	-	34,140
Interest	4,543	-	-	-	4,543
Capital outlay	-	675,946	-	400	676,346
Total expenditures	<u>3,326,688</u>	<u>675,946</u>	<u>-</u>	<u>400</u>	<u>4,003,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>924,284</u>	<u>(675,946)</u>	<u>53,271</u>	<u>733</u>	<u>302,342</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	821,604	-	-	821,604
Transfers out	(921,604)	-	-	-	(921,604)
Total other financing sources (uses)	<u>(921,604)</u>	<u>821,604</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	2,680	145,658	53,271	733	202,342
Fund balances - beginning	<u>6,417,504</u>	<u>2,359,368</u>	<u>308,578</u>	<u>28,706</u>	<u>9,114,156</u>
Fund balances - ending	<u>\$ 6,420,184</u>	<u>\$ 2,505,026</u>	<u>\$ 361,849</u>	<u>\$ 29,439</u>	<u>\$ 9,316,498</u>

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

CITY OF CALVERT CITY, KENTUCKY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 202,342
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlay of \$836,343 exceeded depreciation of \$680,438 in the current period.	155,905
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the capital assets sold.	(25,904)
The issuance of long-term debt (bonds, leases, etc.) provide current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the difference in the treatment of long-term debt.	34,140
Expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(10,700)
Payments of pension contributions require the use of current financial resources and, therefore, are reported as expenditures in the governmental funds. However, pension expense in the government-wide statements are reported based on the actuarial study. This amount is the difference in the treatment of pension expense.	(112,429)
Change in net position of governmental activities	\$ <u>243,354</u>

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

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

ASSETS

Current Assets

Cash	\$ 1,552,461
Accounts receivable - customers	275,305
Other receivable - grant	11,810
Due from the City of Calvert City	550
Prepaid expenses	24,198
Utility deposits	1,834

Total Current Assets	<u>1,866,158</u>
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Noncurrent Assets

Capital assets, not being depreciated	1,225,493
Capital assets, being depreciated, net	10,774,851

Total Noncurrent Assets	<u>12,000,344</u>
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Total Assets

	<u>13,866,502</u>
--	-------------------

Deferred Outflows of Resources:

Deferred pension contributions	163,362
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Total deferred outflows of resources	<u>163,362</u>
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LIABILITIES

Current Liabilities

Accounts payable	33,604
Accrued wages	5,403
Accrued interest	6,588
Other accrued expenses	54,219
Due to other funds	14,933
Current maturities of notes payable	20,416
Current maturities of lease payable	95,000
Customer deposits	30,531

Total Current Liabilities	<u>260,694</u>
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Non-Current Liabilities

Pension obligations	647,077
Notes payable	359,931
Lease payable	480,000

Total Noncurrent Liabilities	<u>1,487,008</u>
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Deferred Inflows of Resources

Difference between projected and actuarial earnings on pension plan investments	55,132
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Total deferred inflows of resources	<u>55,132</u>
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NET POSITION

Net invested in capital assets	11,044,998
Restricted for:	
Capital projects	40,500
Debt service	27,139
Unrestricted - net position	1,114,393

TOTAL NET POSITION	<u>\$ 12,227,030</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year ended June 30, 2016

Operating Revenues

Water and sewer usage fees, net	\$ 1,607,122
Hydrant fees	17,050
Disconnect fees	4,745
Customer penalties	29,172
	<u>1,658,089</u>

Operating Expenses

Salaries and wages	353,790
Payroll taxes	26,447
Employee benefits	137,885
Contractual services	135,008
Audit and legal	18,450
Operating supplies	55,285
Training	1,899
Utilities	191,602
Communications	13,052
Maintenance	125,349
Insurance	65,818
Transportation and travel	10,441
Office supplies	9,941
Miscellaneous	36,109
Bad debts	525
Depreciation	467,932
	<u>1,649,533</u>
	<u>8,556</u>

Operating income

Non-operating Revenues (Expenses)

Interest expense	(40,309)
Service fees	(5,670)
Gain on disposal of assets	7,500
Interest income	23,908
Miscellaneous expense	169
Rental income	4,050
Grant revenue	93,979
Total nonoperating revenue (expenses)	<u>83,627</u>

Income before Contributions and Transfers

	92,183
Contributions from customers	138,179
Contributions - tap-on and assessment fees	5,245
Transfers from the City of Calvert City	<u>100,000</u>

Changes in net position

Total net position - beginning as restated

11,891,423

Total net position - ending

\$ 12,227,030

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

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year ended June 30, 2016

CASH FLOW FROM OPERATING ACTIVITIES

Collections from customers	\$ 1,637,225
Cash paid to suppliers	(644,609)
Cash paid to employees	(539,962)
Other receipts	4,219

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

456,873

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

Capital expenditures	(1,294,621)
Proceeds from sale of assets	7,500
Contributed capital and transfers	105,245
Proceeds from grant revenue	135,898
Principal payments on notes and bonds	(19,817)
Principal payments on capital lease	(80,000)
Interest payments on notes, bonds, and capital leases	(40,309)

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

(1,186,104)

CASH FLOW FROM INVESTING ACTIVITIES

Interest income	<u>23,908</u>
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**NET CASH PROVIDED BY
INVESTING ACTIVITIES**

23,908

**NET INCREASE IN CASH AND CASH
NET INCREASE IN CASH**

(705,323)

CASH, BEGINNING OF YEAR

2,257,784

CASH, END OF YEAR

\$ 1,552,461

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

Acquisition of equipment and improvements	\$ 1,202,713
Amount financed with trade payables	91,908
Net cash paid for equipment and improvements	<u>\$ 1,294,621</u>
Non-operating grant revenues	\$ 93,979
Grants receipts	41,919
Net cash received from non-operating grants	<u><u>\$ 135,898</u></u>

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

CITY OF CALVERT CITY
CALVERT CITY MUNICIPAL WATER AND SEWER SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year ended June 30, 2016

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 8,556
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	467,932
Non-operating revenues and expenses	(1,451)
Change in assets and liabilities:	
Accounts receivable	(20,864)
Accounts receivable - others	16,848
Other current assets	(7,261)
Accounts payable	14,670
Accrued interest and fees payable	(867)
Customer deposits	1,150
Pension obligation and related deferrals	(14,656)
Other current liabilities	(7,184)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 456,873</u></u>

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

CITY OF CALVERT CITY, KENTUCKY NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2016.

Reporting Entity

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

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

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

Government-Wide Financial Statements

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

Fund Types and Major Funds

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The City’s major governmental funds are the General Fund, Construction Fund and Municipal Aid Fund. The following funds are used in the financial statements:

Governmental Funds

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

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

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

Deposits and Investments

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

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

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

Governmental Fund Receivables

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

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

Receivable, net of reserve, as of June 30, 2016 consist of the following:

<u>Description</u>	<u>Statement of Net Position</u>	<u>Governmental Funds</u>
Taxes:		
Franchise (general fund)	\$ 7,029	\$ 7,029
Payroll (general fund)	328,464	328,464
Insurance (general fund)	292,850	292,850
Property (general fund)	633	633
Other (general fund)	4,882	4,882
Total	<u>\$ 633,858</u>	<u>\$ 633,858</u>

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Receivables (continued)

Due to the uncertainty of collection of property taxes, an allowance for doubtful accounts has been provided. The reserve amount for the year ended June 30, 2016 was \$75,255.

Due to the uncertainty of collection of franchise taxes, an allowance for doubtful accounts equal to the estimate of material delinquent accounts has been provided. The reserve amount for the year ended June 30, 2016 was \$443.

Proprietary Fund Accounts Receivable and Bad Debts

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

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

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

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

Interfund Transactions

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

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

The summary of due to/from other funds as of June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Municipal Water & Sewer System	\$ 14,933
Municipal Water & Sewer System	General Fund	\$ 550

Restricted Net Position

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position (Continued)

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

The following is a summary of restricted net position at June 30, 2016:

<u>Special Revenue</u>		<u>Proprietary Fund</u>	
Street improvements	\$ 361,849	Capital projects	\$ 40,500
Coal severance	29,439	Debt service	27,139
	<u>\$ 391,288</u>		<u>\$ 67,639</u>

Capital Assets

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

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

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

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is earned based on years of credited service. Vacation leave accrues annually on January 1st and City policy requires use by the end of the calendar year. Sick leave for vested employees (minimum of six months service before becoming eligible) is earned on the basis of ½ day per month. Employees may accumulate a maximum of sixty days. Upon retirement, days accumulated shall have a cash value equal to 50% of their current wage. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement. As of June 30, 2016, the liability for accrued vacation and sick leave was \$77,992 for the City of Calvert City and \$25,759 for the Calvert City Municipal Water and Sewer System.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

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

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

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

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

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

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

Use of Estimates

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

Deferred Outflows/Inflows of Resources

Government-wide Statement

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Governmental Activities				
Deferred pension contributions	\$ 233,420	\$ 180,415	\$ (233,420)	\$ 180,415
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Differences between expected and actual experience	-	40,831	(9,597)	31,234
Change of assumptions	-	287,899	(73,924)	213,975
Difference between projected and actuarial earnings	-	203,438	(40,688)	162,750
Pension related deferred outflows	<u>\$ 233,420</u>	<u>\$ 712,583</u>	<u>\$ (357,629)</u>	<u>\$ 588,374</u>
Deferred inflows of resources				
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 115,002	\$ (25,573)	\$ 89,429
Difference between projected and actuarial earnings	193,379	-	(48,345)	145,034
Pension related deferred inflows	<u>\$ 193,379</u>	<u>\$ 115,002</u>	<u>\$ (73,918)</u>	<u>\$ 234,463</u>
Business-Type Activities				
Deferred outflows of resources				
Deferred pension contributions	\$ 62,046	\$ 40,575	\$ (62,046)	\$ 40,575
Changes in proportion and differences between employer contributions and proportion share of contributions	-	-	-	-
Differences between expected and actual experience	-	7,519	(2,142)	5,377
Change of assumptions	-	91,247	(25,996)	65,251
Difference between projected and actuarial earnings	-	65,199	(13,040)	52,159
Pension related deferred outflows	<u>\$ 62,046</u>	<u>\$ 204,540</u>	<u>\$ (103,224)</u>	<u>\$ 163,362</u>
Deferred inflows of resources				
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 12,270	\$ (3,496)	\$ 8,774
Difference between projected and actuarial earnings	61,811	-	(15,453)	46,358
Pension related deferred inflows	<u>\$ 61,811</u>	<u>\$ 12,270</u>	<u>\$ (18,949)</u>	<u>\$ 55,132</u>

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget

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

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

Excess of Expenditures Over Appropriation

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

NOTE B – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

Deposits

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

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended June 30, 2016, the City's only cash was demand deposits. At year end, the carrying amount and the bank balance of the City's cash was \$8,833,759 and \$9,045,492, respectively. As of June 30, 2016, \$8,795,492 of the City's bank balance was collateralized with securities held by the City's agent.

Deposits of the City's proprietary fund are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City. During the year ended June 30, 2016, the proprietary fund's only cash were demand deposits. At year end, the carrying amount, including restricted cash, and the bank balance of the proprietary fund's cash was \$1,552,461 and \$1,557,198, respectively. As of June 30, 2016, \$1,307,198 of the proprietary fund's bank balance was collateralized with securities held by the City's agent.

Investment Policies

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

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

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

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

Investment Policies (Continued)

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

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

For the year ended June 30, 2016, the City had no investments as all deposits were in demand deposit accounts.

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

NOTE C – CAPITAL ASSETS

A summary of the capital asset activity for the fiscal year ended on June 30, 2016, was as follows:

<u>Governmental Funds</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 4,691,164	\$ 184,789	\$ -	\$ 4,875,953
Construction in Progress	<u>37,581</u>	<u>157,577</u>	<u>-</u>	<u>195,158</u>
Total capital assets, not being depreciated:	<u>4,728,745</u>	<u>342,366</u>	<u>-</u>	<u>5,071,111</u>
<u>Capital assets, being depreciated:</u>				
Infrastructure and land improvements	11,058,852	207,163	-	11,266,015
Buildings	2,179,171	-	-	2,179,171
Building improvements	609,320	84,813	-	694,133
Vehicles	1,983,426	50,375	-	2,033,801
General equipment and furnishings	<u>2,005,606</u>	<u>151,626</u>	<u>42,007</u>	<u>2,115,225</u>
Totals at historical cost	<u>17,836,375</u>	<u>493,977</u>	<u>42,007</u>	<u>18,288,345</u>
Less: Accumulated depreciation				
Infrastructure and land improvements	5,898,608	332,822	-	6,231,430
Buildings	954,154	51,572	-	1,005,726
Building improvements	206,747	24,673	-	231,420
Vehicles	1,432,846	128,930	-	1,561,776
General equipment and furnishings	<u>1,251,530</u>	<u>142,441</u>	<u>16,103</u>	<u>1,377,868</u>
Total accumulated depreciation	<u>9,743,885</u>	<u>680,438</u>	<u>16,103</u>	<u>10,408,220</u>
Total capital assets, being depreciated, net:	<u>8,092,490</u>	<u>(186,461)</u>	<u>25,904</u>	<u>7,880,125</u>
Primary Government Activities				
Capital Assets – Net	<u>\$12,821,235</u>	<u>\$ 155,905</u>	<u>\$ 25,904</u>	<u>\$ 12,951,236</u>

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

NOTE C – CAPITAL ASSETS (Continued)

<u>Proprietary Fund</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 282,886	\$ -	\$ -	\$ 282,886
Construction in Progress	<u>533,727</u>	<u>1,193,066</u>	<u>784,186</u>	<u>942,607</u>
Total capital assets, not being depreciated:	<u>816,613</u>	<u>1,193,066</u>	<u>784,186</u>	<u>1,225,493</u>
<u>Capital assets, being depreciated:</u>				
Water and sewer system	17,474,606	784,186	-	18,258,792
Vehicles	297,902	-	-	297,902
Equipment	<u>296,397</u>	<u>9,647</u>	<u>-</u>	<u>306,044</u>
Totals at historical cost	<u>18,068,905</u>	<u>793,833</u>	<u>-</u>	<u>18,862,738</u>
Less: Accumulated depreciation				
Water and sewer system	7,294,857	422,078	-	7,716,935
Vehicles	137,617	22,957	-	160,574
Equipment	<u>187,481</u>	<u>22,897</u>	<u>-</u>	<u>210,378</u>
Total accumulated depreciation	<u>7,619,955</u>	<u>467,932</u>	<u>-</u>	<u>8,087,887</u>
Total capital assets, being depreciated, net:	<u>10,448,950</u>	<u>325,901</u>	<u>-</u>	<u>10,774,851</u>
Component Unit Activities				
Capital Assets – Net	<u>\$11,265,563</u>	<u>\$ 1,518,967</u>	<u>\$ 784,186</u>	<u>\$ 12,000,344</u>

Depreciation expense, by function, was as follows:

General government	\$ 148,880
Public Safety	165,952
Sanitation	30,726
Parks and recreation	86,699
Highways and streets	<u>248,181</u>
	<u>\$ 680,438</u>
Water and Sewer System	<u>\$ 467,932</u>

NOTE D – CONSTRUCTION IN PROGRESS

The City of Calvert City had the following capital projects in process at June 30, 2016:

	<u>Cumulative Costs Incurred</u>
Shar-Cal Road upgrade	\$ 4,375
Paving/Bridge – West 2 nd Ave.	13,407
Oberton Road Paving	27,201
Lighting (Old Park)	29,882
Multi-Use Walking Trail – Engineering	57,325
Fountain – Engineering	4,465
Fountain – Memorial Park	<u>58,503</u>
	<u>\$ 195,158</u>

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

NOTE D – CONSTRUCTION IN PROGRESS (Continued)

The Calvert City Municipal Water and Sewer System had the following capital projects in process at June 30, 2016:

	<u>Cumulative Costs Incurred</u>
Industrial WWTP Study Project	\$ 411,142
Cypress St. Water Main Replacement	39,233
Sewer Rehab-Phase III	464,975
Other Projects	<u>27,257</u>
	<u>\$ 942,607</u>

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

NOTE E – EMPLOYEE RETIREMENT SYSTEM

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

County Employees' Retirement System

Plan description - The City is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

Non-hazardous members:

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

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

NOTE E - EMPLOYEE RETIREMENT SYSTEM (Continued)

Hazardous members:

Tier 1	Participation date	Prior to September 1, 2008
	Unreduced retirement	20 years of service and any age Minimum 5 years of service and 55 years old
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Minimum 15 years of service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 60 years old 25 years of service and any age
	Reduced retirement	Not available

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

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

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

Employers contribute at the rate determined by the CERS Board to be necessary for the actuarial soundness of the system, as required by KRS 61.565 and 61.752. The City's required contribution rate was 17.06% for non-hazardous employees and 32.95% for hazardous employees for the year ended June 30, 2015.

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

At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability that was associated with the City was as follows:

City's non-hazardous proportionate share of the CERS net pension liability	\$ 1,970,629
City's hazardous proportionate share of the CERS net pension liability	<u>931,646</u>
Total CERS net pension liability associated with the City	<u>\$ 2,902,275</u>

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

NOTE E - EMPLOYEE RETIREMENT SYSTEM (Continued)

The net pension liability for each plan was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the City's non-hazardous proportion was 0.045834% percent and hazardous proportion was 0.060700% percent.

For the year ended June 30, 2016, the City recognized pension expense of \$225,731 related to CERS pension plans. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the CERS pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 36,611	\$ -
Changes in assumptions	279,226	-
Net difference between projected and actual earnings on pension plan investments	214,909	191,392
Changes in proportion and differences between City contributions and proportionate share of contributions	-	98,203
City contributions subsequent to the Measurement date	<u>220,990</u>	<u>-</u>
Total	<u>\$ 751,736</u>	<u>\$ 289,595</u>

The City reported \$220,990 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions which will be recognized in pension expense as follows:

	<u>Fiscal Year Ending June 30</u>	
	<u>Hazardous</u>	<u>Non- Hazardous</u>
2017	\$ 4,019	\$ 68,501
2018	4,019	68,501
2019	4,019	31,727
2020	23,060	37,305

Actuarial assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

NOTE E - EMPLOYEE RETIREMENT SYSTEM (Continued)

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

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

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

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

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

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

NOTE E - EMPLOYEE RETIREMENT SYSTEM (Continued)

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
Non-hazardous' proportionate share of net pension liability	\$ 2,515,753	\$ 1,970,629	\$ 1,503,779
Hazardous' proportionate share of net pension liability	\$ 1,192,539	\$ 931,646	\$ 715,492

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

NOTE F - LONG-TERM DEBT

Governmental Funds

The City of Calvert City has entered into a capital lease agreement with the Kentucky League of Cities Funding Trust for the purchase of equipment. For the year ended June 30, 2016, amortization of \$30,858 related to the leased equipment was included in depreciation.

Lease payable consists of the following:

Kentucky League of Cities Funding Trust lease, dated January 2, 2008, with fixed interest rate of 3.64%, maturing February 1, 2018, collateralized by equipment	\$ 60,432
Less current maturities	<u>35,717</u>
	<u>\$ 24,715</u>

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

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2017	3.64%	\$ 3,019	\$ 35,717	\$ 38,735
2018	3.64%	<u>1,130</u>	<u>24,715</u>	<u>25,846</u>
		<u>\$ 4,149</u>	<u>\$ 60,432</u>	<u>\$ 64,581</u>

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

NOTE F - LONG-TERM DEBT (Continued)

The City of Calvert City has entered into a capital lease agreement, on behalf of its blended component unit, with the Kentucky League of Cities Funding Trust for the construction of an above ground water storage facility. At the end of the lease term, title of the facility will pass to the Water & Sewer System. For the year ended June 30, 2016, amortization of \$40,286 related to the leased facility was included in depreciation.

Lease payable consists of the following:

Kentucky League of Cities Funding Trust lease, dated January 30, 2002, with fixed interest rate of 4.68%, maturing October 30, 2021, collateralized by all taxable property of the City of Calvert City	\$ 575,000
Less current maturities	<u>95,000</u>
	<u>\$ 480,000</u>

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

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2017	4.68%	\$ 29,614	\$ 95,000	\$ 124,614
2018	4.68%	24,321	100,000	124,321
2019	4.68%	18,907	100,000	118,907
2020	4.68%	13,511	100,000	113,511
2021	4.68%	7,728	120,000	127,728
2022	4.68%	<u>1,400</u>	<u>60,000</u>	<u>61,400</u>
		<u>\$ 95,481</u>	<u>\$ 575,000</u>	<u>\$ 670,481</u>

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

Notes payable consists of the following:

Kentucky Infrastructure Authority lease, dated February 1, 2010, with fixed interest rate of 3.00%, maturing June 30, 2031, collateralized by water and sewer system property.	\$ 380,347
Less current maturities	<u>20,416</u>
	<u>\$ 359,931</u>

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

NOTE F - LONG-TERM DEBT (Continued)

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

<u>Years Ending June 30,</u>	<u>Interest Rate</u>	<u>Interest and Service Fee</u>	<u>Principal</u>	<u>Total</u>
2017	3.00%	\$ 12,009	\$ 20,416	\$ 32,425
2018	3.00%	11,351	21,033	32,384
2019	3.00%	10,673	21,669	32,342
2020	3.00%	9,974	22,324	32,298
2021	3.00%	9,254	22,999	32,253
2022 – 2026	3.00%	34,691	125,851	160,542
2027 – 2031	3.00%	<u>13,140</u>	<u>146,055</u>	<u>159,195</u>
		<u>\$ 101,092</u>	<u>\$ 380,347</u>	<u>\$ 481,439</u>

NOTE G – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 94,572	\$ -	\$ (34,140)	\$ 60,432	\$ 35,717
Pension obligation	1,828,895	655,055	(228,752)	2,255,198	-
Accumulated sick leave	<u>67,291</u>	<u>103,447</u>	<u>(92,747)</u>	<u>77,991</u>	<u>66,290</u>
Governmental activity					
Long-term liabilities	<u>\$ 1,990,758</u>	<u>\$ 758,502</u>	<u>\$ (355,639)</u>	<u>\$ 2,393,621</u>	<u>\$ 102,007</u>
Business-type activities:					
Bonds payable:					
Notes payable	\$ 400,164	\$ -	\$ (19,817)	\$ 380,347	\$ 20,416
Capital leases	655,000	-	(80,000)	575,000	95,000
Pension obligation	553,739	138,272	(44,934)	647,077	-
Accumulated sick leave	<u>25,759</u>	<u>32,888</u>	<u>(32,888)</u>	<u>25,759</u>	<u>25,759</u>
Business-type activities					
Long-term liabilities	<u>\$ 1,634,662</u>	<u>\$ 171,160</u>	<u>\$ (177,639)</u>	<u>\$ 1,628,183</u>	<u>\$ 141,175</u>

NOTE H – DISCLOSURES REGARDING STATEMENT OF CASH FLOWS

Accounting Policy

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

Supplemental Disclosure of Cash Flow Information

Cash paid for interest expense during the year ended June 30, 2016 was \$40,309.

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

NOTE I – CONCENTRATION OF CUSTOMERS

The Calvert City Municipal Water and Sewer System provide service to five significant commercial and industrial customers. These customers accounted for \$516,039 of total revenue for the year ended June 30, 2016. The City of Calvert receives approximately 56% of its payroll tax revenue from 8 industrial employers. Loss of these revenues would have a significant impact.

NOTE J – RISK MANAGEMENT

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

To limit exposure to these risks, the City and the Calvert City Municipal Water & Sewer System contracts for insurance coverage. During the year ended June 30, 2016, there were no significant reductions in insurance coverage. There have been no significant settlement amounts, if any, which exceed insurance coverage in the past two years. The City and Municipal System are not aware of any claims outstanding as of June 30, 2016.

NOTE K – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

Proprietary Funds

Beginning in January, 2005 the Municipal Water and Sewer System (System) entered into a contract with Utility Services Co., Inc. (Company) whereby they will be responsible for the care and maintenance of the System's 750,000 gallon water storage tank through June, 2016. The contract is perpetual unless there is non-payment by the System or ninety day written cancellation notice provided to the Company. Terms of the contract include, in year 2013, and each third year thereafter, an adjustment to reflect the current cost of service. The adjustments, either up or down, will be limited to a maximum of 5% annually and the Company is required to notify the System of any adjustments not less than 120 days prior to the anniversary date of the contract. Expenditures under this contract totaled \$17,334 for the year ended June 30, 2016. There are no future expenditure commitments associated with this contract.

During the year ended June 30, 2015, the System entered into a contractual agreement for \$390,700 for an Industrial Wastewater Treatment Plant Study. The System began the study in the prior year and expects to complete the study in the next fiscal year. The project is funded from contributions of \$210,000 from various companies in the industrial park; \$100,000 from the System and City of Calvert City, Kentucky; and a \$200,000 matching grant from the Economic Development Administration (EDA). For the year ended June 30, 2016, the System incurred contractual costs of \$199,100.

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

NOTE L - GRANT REVENUES

As noted in Note K, the System received a \$200,000 matching grant from the Economic Development Administration (EDA) an Industrial Wastewater Treatment Plant Study. The grant requires a 50% match from local sources. As of June 30, 2015, the System earned grant revenues of \$106,021 matched by \$71,821 of contributions from various industrial park companies with the remaining matching amount covered by the System and City of Calvert City, Kentucky. Remaining contributions of \$138,179 were recognized in the current year. After the project is completed, any remaining funds will be distributed pro-rata to the various contributing entities.

NOTE M – INTERFUND TRANSFERS

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

Between Governmental Activities

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Construction Fund	<u>\$ 821,604</u>	Future capital projects

Between Governmental and Business-Type Activities

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

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2016, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Total	Variance with
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Taxes	\$ 3,083,833	\$ 3,327,033	\$ 3,520,799	\$ 193,766
Licenses and permits	276,467	276,467	428,977	152,510
Charges for services	142,649	139,349	142,776	3,427
Fines and forfeitures	3,000	2,400	2,692	292
Interest	50,600	50,600	66,549	15,949
Grants and other	63,401	189,751	89,179	(100,572)
Total revenues	<u>3,619,950</u>	<u>3,985,600</u>	<u>4,250,972</u>	<u>265,372</u>
EXPENDITURES				
Current:				
General government	865,820	852,000	808,166	(43,834)
Public safety	1,217,417	1,194,317	1,137,313	(57,004)
Sanitation	309,180	280,000	273,190	(6,810)
Highway and streets	710,950	690,000	643,680	(46,320)
Parks and Cemetery	464,540	425,000	425,656	656
Debt service:				
Principal	34,140	34,140	34,140	-
Interest	4,543	4,543	4,543	-
Total expenditures	<u>3,606,590</u>	<u>3,480,000</u>	<u>3,326,688</u>	<u>(153,312)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,360</u>	<u>505,600</u>	<u>924,284</u>	<u>418,684</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(921,604)	(921,604)	-
Total other financing sources (uses)	<u>(100,000)</u>	<u>(921,604)</u>	<u>(921,604)</u>	<u>-</u>
Net change in fund balances	(86,640)	(416,004)	2,680	418,684
Fund balances - beginning	<u>6,417,504</u>	<u>6,417,504</u>	<u>6,417,504</u>	<u>-</u>
Fund balances - ending	<u>\$ 6,330,864</u>	<u>\$ 6,001,500</u>	<u>\$ 6,420,184</u>	<u>\$ 418,684</u>

See auditors report on page 1.

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Municipal Aid Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Total	Variance with
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Intergovernmental	\$ 50,000	\$ 52,900	\$ 50,427	\$ (2,473)
Interest	-	-	2,844	2,844
Other	8,600	9,500	-	(9,500)
Total revenues	<u>58,600</u>	<u>62,400</u>	<u>53,271</u>	<u>371</u>
EXPENDITURES				
Current:				
Public Safety	8,250	-	-	-
Highway and streets	-	-	-	-
Total expenditures	<u>8,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50,350</u>	<u>62,400</u>	<u>53,271</u>	<u>371</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	50,350	62,400	54,271	1,371
Fund balances - beginning	<u>308,578</u>	<u>308,578</u>	<u>308,578</u>	<u>-</u>
Fund balances - ending	<u>\$ 358,928</u>	<u>\$ 370,978</u>	<u>\$ 362,849</u>	<u>\$ 1,371</u>

See auditors report on page 1.

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

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

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

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

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

<u>Year Ended June 30</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<u>CERS Nonhazardous</u>					
2016	\$ 136,843	\$ 136,843	\$ -	\$ 1,081,582	12.6521%
2015	\$ 137,441	\$ 137,441	\$ -	\$ 1,025,235	13.4058%
2014	\$ 125,017	\$ 125,017	\$ -	\$ 919,617	13.5945%
<u>CERS Hazardous</u>					
2016	\$ 65,587	\$ 65,587	\$ -	\$ 311,161	21.0782%
2015	\$ 64,954	\$ 64,954	\$ -	\$ 341,885	18.9988%
2014	\$ 65,246	\$ 65,246	\$ -	\$ 323,216	20.1865%

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

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

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

Changes of Benefit Terms:

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

Changes of assumptions:

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

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

The discount rate changed from 7.75% to 7.50% from the prior measurement date.

The inflation rate changed from 3.50% to 3.25% from the prior measurement date.

SUPPLEMENTAL INFORMATION

CITY OF CALVERT CITY, KENTUCKY
Balance Sheet
Nonmajor Governmental Fund
June 30, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	LGEA Coal Severance	Small Grants Fund	
ASSETS			
Cash - restricted	\$ 29,439	\$ -	\$ 29,439
Grant receivable	-	-	-
Total assets	\$ 29,439	\$ -	\$ 29,439
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted:			
Program purposes	29,439	-	29,439
Total liabilities and fund balances	\$ 29,439	\$ -	\$ 29,439

See auditors report on page 1.

CITY OF CALVERT CITY, KENTUCKY
Statement of Revenues,
Expenditures, and Changes in Fund Balance
Nonmajor Governmental Fund
For the Year Ended June 30, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	LGEA Coal Severance	Small Grants Fund	
REVENUES			
Intergovernmental	\$ 492	\$ -	\$ 492
Grant revenue	-	400	400
Interest income	241	-	241
Total revenues	<u>733</u>	<u>400</u>	<u>1,133</u>
EXPENDITURES			
Current:			
Capital outlay	-	400	400
Total expenditures	<u>-</u>	<u>400</u>	<u>400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>733</u>	<u>-</u>	<u>733</u>
Net change in fund balances	733	-	733
Fund balances - beginning	<u>28,706</u>	<u>-</u>	<u>28,706</u>
Fund balances - ending	<u>\$ 29,439</u>	<u>\$ -</u>	<u>\$ 29,439</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Lynn Jones
Members of the City Council
City of Calvert City
Calvert City, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Calvert City, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Calvert City, Kentucky's basic financial statements, and have issued our report thereon dated March 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Calvert City, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Calvert City, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Calvert City, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Kemper CPA Group, LLP

Paducah, Kentucky
March 9, 2016