

CITY OF GRAND RIVERS, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

CITY OF GRAND RIVERS, KENTUCKY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
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JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor Tom Moodie
and Members of the City Council
City of Grand Rivers, Kentucky
Grand Rivers, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Rivers, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Rivers, Kentucky, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 37-38 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

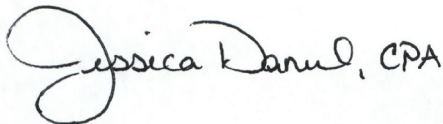
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Rivers, Kentucky's basic financial statements. The 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2019 on our consideration of the City of Grand Rivers, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Rivers, Kentucky's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jessica Daniel, CPA". The signature is written in a cursive style with a large, looping initial "J".

Eddyville, Kentucky
January 8, 2019

**CITY OF GRAND RIVERS, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

The City of Grand Rivers, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's primary governmental financial activities for the year ended June 30, 2018. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

The City reports its annual financial statements in a required model format issued by the Government Accounting Standards Board.

FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for fiscal year ended June 30, 2018:

- The total assets of the City exceed its total liabilities and deferred inflows of resources at the close of the 2018 fiscal year by \$8,793,329 (Net Position). Of this amount, \$141,689 represents the unrestricted net position.
- The City's total net position decreased by \$121,037 during the year. Governmental activities decreased the City's net position by \$115,615 and business-type activities decreased the City's net position by \$5,422.
- The City's governmental fund balance, a measure of current financial resources, decreased in the governmental funds by \$124,547 to a June 30, 2018 fund balance of \$171,444. Of that balance \$21,865 is restricted, \$107,001 is assigned, and \$15,021 is non-spendable, leaving a \$27,557 unrestricted balance. Unrestricted fund balance is available to the City for general operations.
- The Statement of Revenues, Expenditures and Changes in Fund Balance shows that the General Fund revenues were exceeded by expenditures by \$124,547.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial report includes the activities of the City of Grand Rivers, Kentucky. The City's basic financial statements are comprised of three components: 1) Government-wide statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The **government-wide** financial statements are designed to provide readers with a broad overview of the City of Grand Rivers' finances, in a manner similar to private-sector business and, accordingly, to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental fund, these statements reflect how services were financed in the short-term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **Statement of Net Position** presents financial information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, cemetery, and culture and recreation. The business-type activities of the City include water, sewer, and internet. The government-wide financial statements can be found on pages 9-11 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, and provide the balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The City of Grand Rivers maintains two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Tourism Fund which are considered to be major funds. Data from the other four funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 12-15.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers, or internal units/divisions of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Grand Rivers maintains the following type of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and internet operations.

The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund since both are considered to be major funds of the City. Because the Internet Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-35 of this report.

Supplementary Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules as required. Required supplementary information can be found on pages 37-38 of this report. The City also reports supplemental information for combining non-major funds which can be found on pages 40 and 41 of this report.

OVERVIEW OF THE CITY'S FINANCIAL POSITION AND RESULTS OF OPERATIONS

The government-wide financial statements report that during the year ending June 30, 2018, the City received \$322,436 in operating and capital grants and contributions. Revenue from taxes and charges for services were \$377,828 and \$984,106 respectively. Expenses directly related to programs offered by the City were \$1,983,231. The Statement of Activities reflects the current year loss of \$121,037.

- The fund financial statements report General fund ordinary revenues of \$347,888 and debt proceeds of \$50,000. Expenditures for the year ending June 30, 2018 total \$278,315.
- Tourism revenue totaled \$354,484. Expenditures from the tourism fund were \$373,629.
- The other governmental funds generated ordinary revenues of \$23,577, while expenditures total \$38,575.

The following is a recap of financial activity for the year:

CITY OF GRAND RIVERS, KENTUCKY'S NET POSITION

Assets:	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 624,409	\$ 804,255
Noncurrent assets, net	<u>13,954,110</u>	<u>14,238,349</u>
Total Assets	<u>14,578,519</u>	<u>15,042,604</u>
Liabilities and Deferred Inflows of Resources		
Long-term liabilities	5,342,282	5,670,531
Other liabilities	<u>432,480</u>	<u>449,792</u>
Total Liabilities	<u>5,774,762</u>	<u>6,120,323</u>
Deferred inflows of resources	<u>10,428</u>	<u>7,915</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,785,190</u>	<u>6,128,238</u>
Net Position		
Invested in capital assets net of related debt	8,373,888	8,357,178
Restricted	277,752	306,997
Unrestricted	<u>141,689</u>	<u>250,191</u>
Total Net Position	<u>\$ 8,793,329</u>	<u>\$ 8,914,366</u>

**CITY OF GRAND RIVERS, KENTUCKY
CHANGES IN NET POSITION**

	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues		
Charges for services	\$ 984,106	\$ 1,033,769
Grants and contributions	322,436	2,574,668
General revenues:		
Taxes	377,828	376,752
Other	149,415	135,789
Insurance proceeds	27,624	-
Interest income	<u>785</u>	<u>405</u>
Total revenues	<u>1,862,194</u>	<u>4,121,383</u>
Expenses		
General government	223,481	229,059
Public works	54,924	98,409
Culture and recreation	325,993	321,597
Cemetery	5,761	7,344
Interest expense	21,428	23,439
Business-type activities	<u>1,351,644</u>	<u>1,262,281</u>
Total Expenses	<u>1,983,231</u>	<u>1,942,129</u>
Change in net position	(121,037)	2,179,254
Net position - beginning	<u>8,914,366</u>	<u>6,735,112</u>
Net position - ending	<u>\$ 8,793,329</u>	<u>\$ 8,914,366</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The original and final General Fund budget passed by the city council anticipated no increase or decrease in the general fund balance. The actual revenue received exceeded budgeted revenue by \$30,178 in the general fund. Budgeted expenditures exceeded actual expenditures by \$39,395. The budgetary figures and actual amounts are reported in the supplementary information on page 37.

The original Tourism Fund budget passed by the council anticipated no increase or decrease in the tourism fund balance. The actual revenue exceeded budgeted revenue received by \$154,316 in the tourism fund. Actual expenditures exceeded budgeted expenditures by \$173,461. The budgetary figures and actual amounts are reported in the supplementary information on page 38.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental activities as of June 30, 2018 was \$2,317,062. The City's investment in capital assets for its business-type activities as of June 30, 2018 was \$11,637,048. This investment includes land, buildings, vehicles and equipment, net of depreciation and debt used to acquire the assets. The City placed in service various assets during the year totaling \$372,949. Carrying values of the City's capital assets are as follows:

	2018	2017
Governmental activities:		
Capital assets, not being depreciated:		
Land	\$ 265,350	\$ 265,350
Total capital assets, not being depreciated	265,350	265,350
Capital assets, being depreciated (net):		
Infrastructure	119,888	132,092
Buildings and improvements	673,473	719,859
Land improvements	1,188,585	1,280,302
Furnishings and fixtures	59,558	58,700
Vehicles	10,208	2,262
Total capital assets, being depreciated (net)	2,051,712	2,193,215
Governmental activities capital assets, net	\$ 2,317,062	\$ 2,458,565
 Business-type activities:		
Capital assets, not being depreciated:		
Land	\$ 4,761	\$ 4,761
Total capital assets, not being depreciated	4,761	4,761
Capital assets, being depreciated:		
Buildings and improvements	11,541,104	11,664,740
Machinery and equipment	64,590	72,802
Vehicles	26,593	37,481
Total capital assets, being depreciated	11,632,287	11,775,023
Business-type activities capital assets, net	\$ 11,637,048	\$ 11,779,784

Long-term and other debt

At the end of the current fiscal year, the City had a total outstanding debt for the governmental and business-type activities of \$476,122 and \$5,100,516 respectively. The debt is related to equipment and improvements to existing capital assets. The City has a new short-term note with the First Kentucky Bank totaling \$50,000. The Grand Rivers Tourism Commission paid their loan in full in December 2017.

During the next fiscal year, the general fund amount due is \$90,342 and the remainder is scheduled to be paid out in 2037. Interest expense for 2018 was \$21,428. The proprietary fund debt is payable from charges for water and sewer services. The amount due during the next fiscal year for proprietary fund debt is \$144,014 and the remainder is scheduled to be paid out in 2055. Interest expense paid by the proprietary funds for 2018 was \$105,028.

Additional information on the City's long-term debt can be found in Notes 8 and 9 on pages 30-34 of this report.

REQUEST FOR INFORMATION

This financial report is designated to provide a general overview of the City of Grand Rivers, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to Tom Moodie, Mayor, City of Grand Rivers, Kentucky - 122 W Cumberland Ave, Grand Rivers, KY 42045.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<u>Assets</u>			
Current Assets			
Cash equivalents	\$ 134,584	\$ -	\$ 134,584
Accounts receivable (net)			
Fees and services	-	90,842	90,842
Taxes	29,554	-	29,554
Unbilled revenue	-	15,942	15,942
Grant receivables	-	15,118	15,118
Other receivables	6,686	25,458	32,144
Inventory	-	57,774	57,774
Prepaid expenses	15,021	3,966	18,987
Restricted assets			
Cash equivalents	<u>21,865</u>	<u>207,599</u>	<u>229,464</u>
Total Current Assets	<u>207,710</u>	<u>416,699</u>	<u>624,409</u>
Noncurrent Assets			
Land and construction in progress	265,350	4,761	270,111
Depreciable capital assets, net of depreciation	<u>2,051,712</u>	<u>11,632,287</u>	<u>13,683,999</u>
Total Noncurrent Assets	<u>2,317,062</u>	<u>11,637,048</u>	<u>13,954,110</u>
Total Assets	<u>2,524,772</u>	<u>12,053,747</u>	<u>14,578,519</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	25,249	63,987	89,236
Meter deposits payable	-	33,170	33,170
Accrued interest	1,347	55,347	56,694
Taxes withheld and accrued	1,491	3,787	5,278
Accrued employee benefits	980	8,363	9,343
Accrued payroll	1,702	2,701	4,403
Long-term debt due in one year	<u>90,342</u>	<u>144,014</u>	<u>234,356</u>
Total Current Liabilities	<u>121,111</u>	<u>311,369</u>	<u>432,480</u>
Noncurrent Liabilities			
Long-term debt due after one year	<u>385,780</u>	<u>4,956,502</u>	<u>5,342,282</u>
Total Noncurrent Liabilities	<u>385,780</u>	<u>4,956,502</u>	<u>5,342,282</u>
Total Liabilities	<u>506,891</u>	<u>5,267,871</u>	<u>5,774,762</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<u>Deferred Inflows of Resources</u>			
Premium on debt	-	3,584	3,584
Property taxes	<u>6,844</u>	<u>-</u>	<u>6,844</u>
Total Deferred Inflows of Resources	<u>6,844</u>	<u>3,584</u>	<u>10,428</u>
<u>Net Position</u>			
Invested in capital assets, net of related debt	1,840,940	6,532,948	8,373,888
Restricted for			
Capital projects	-	15,118	15,118
Debt service	21,865	207,599	229,464
Customer deposits	-	33,170	33,170
Unrestricted	<u>148,232</u>	<u>(6,543)</u>	<u>141,689</u>
Total Net Position	<u>\$ 2,011,037</u>	<u>\$ 6,782,292</u>	<u>\$ 8,793,329</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
					Governmental Activities	Business-type Activities	Total
<u>Primary Government</u>							
Governmental activities							
General government	\$ 223,481	\$ -	\$ 24,752	\$ 12,500	\$ (186,229)	\$ -	\$ (186,229)
Culture and recreation	325,993	-	138,314	-	(187,679)	-	(187,679)
Public works	54,924	-	7,706	-	(47,218)	-	(47,218)
Cemetery maintenance	5,761	-	-	-	(5,761)	-	(5,761)
Interest on long-term debt	21,428	-	-	-	(21,428)	-	(21,428)
Total governmental activities	<u>631,587</u>	<u>-</u>	<u>170,772</u>	<u>12,500</u>	<u>(448,315)</u>	<u>-</u>	<u>(448,315)</u>
Business-type activities							
Water system	615,243	548,628	-	25,458	-	(41,157)	(41,157)
Sewer system	713,865	412,952	-	113,706	-	(187,207)	(187,207)
Internet	22,536	22,526	-	-	-	(10)	(10)
Total business-type activities	<u>1,351,644</u>	<u>984,106</u>	<u>-</u>	<u>139,164</u>	<u>-</u>	<u>(228,374)</u>	<u>(228,374)</u>
Total Primary Government	<u>\$ 1,983,231</u>	<u>\$ 984,106</u>	<u>\$ 170,772</u>	<u>\$ 151,664</u>	<u>(448,315)</u>	<u>(228,374)</u>	<u>(676,689)</u>
<u>General Revenues and Transfers</u>							
Taxes							
Property taxes					208,658	-	208,658
Tourism tax					131,119	-	131,119
Other taxes					33,053	-	33,053
Franchise tax					4,998	-	4,998
Miscellaneous					98,665	-	98,665
Rental income					49,450	-	49,450
Cemetery					1,300	-	1,300
Insurance proceeds					27,624	-	27,624
Interest income					310	475	785
Transfers					(222,477)	222,477	-
Total General Revenues and Transfers					<u>332,700</u>	<u>222,952</u>	<u>555,652</u>
<u>Change in Net Position</u>					(115,615)	(5,422)	(121,037)
<u>Net Position at Beginning of Year</u>					<u>2,126,652</u>	<u>6,787,714</u>	<u>8,914,366</u>
<u>Net Position at End of Year</u>					<u>\$ 2,011,037</u>	<u>\$ 6,782,292</u>	<u>\$ 8,793,329</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Tourism	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash equivalents	\$ 21,894	\$ 100,567	\$ 12,123	\$ 134,584
Accounts receivable				
Taxes	9,279	20,275	-	29,554
Other receivables	5,186	1,500	-	6,686
Prepaid expenses	1,097	13,924	-	15,021
Restricted assets				
Cash equivalents	21,865	-	-	21,865
<u>Total Assets</u>	\$ 59,321	\$ 136,266	\$ 12,123	\$ 207,710
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 10,221	\$ 13,613	\$ 1,415	\$ 25,249
Taxes withheld and accrued	241	302	948	1,491
Accrued payroll	1,016	686	-	1,702
Accrued employee benefits	240	740	-	980
Total Liabilities	11,718	15,341	2,363	29,422
<u>Deferred Inflows of Resources</u>				
Property taxes	6,844	-	-	6,844
<u>Fund Balances</u>				
Nonspendable				
Prepaid expenses	1,097	13,924	-	15,021
Restricted for				
Debt service	21,865	-	-	21,865
Assigned for				
Tourism fund	-	107,001	-	107,001
Unassigned	17,797	-	9,760	27,557
Total Fund Balances	40,759	120,925	9,760	171,444
<u>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</u>	\$ 59,321	\$ 136,266	\$ 12,123	\$ 207,710

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018

Fund Balances - Total Governmental Funds \$ 171,444

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:

Governmental capital assets	\$ 4,033,969	
Less accumulated depreciation	<u>(1,716,907)</u>	2,317,062

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

Accrued interest payable	(1,347)	
Debt due within one year	(90,342)	
Debt due after one year	<u>(385,780)</u>	<u>(477,469)</u>

Net Position of Governmental Activities **\$ 2,011,037**

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Tourism</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes				
Property	\$ 208,658	\$ -	\$ -	\$ 208,658
Tourism	-	131,119	-	131,119
Other	33,053	-	-	33,053
Franchise	4,998	-	-	4,998
Miscellaneous	76,169	19,178	3,318	98,665
Rental income	-	38,234	11,216	49,450
Intergovernmental	24,752	138,314	7,706	170,772
Cemetery	-	-	1,300	1,300
Insurance proceeds	-	27,624	-	27,624
Interest income	258	15	37	310
Total Revenues	<u>347,888</u>	<u>354,484</u>	<u>23,577</u>	<u>725,949</u>
<u>Expenditures</u>				
General government	106,499	-	-	106,499
Culture and recreation	37,646	209,756	24,197	271,599
Public works	54,924	-	-	54,924
Cemetery maintenance	-	-	5,711	5,711
Debt service	47,272	163,873	8,667	219,812
Capital outlay	31,974	-	-	31,974
Total Expenditures	<u>278,315</u>	<u>373,629</u>	<u>38,575</u>	<u>690,519</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures</u>	<u>69,573</u>	<u>(19,145)</u>	<u>(14,998)</u>	<u>35,430</u>
<u>Other Financing Sources (Uses)</u>				
Long-term debt issued	50,000	-	-	50,000
Capital contributions	12,500	-	-	12,500
Transfers (out)	(215,904)	(393)	(6,180)	(222,477)
Total Other Financing Sources (Uses)	<u>(153,404)</u>	<u>(393)</u>	<u>(6,180)</u>	<u>(159,977)</u>
<u>Net Change in Fund Balances</u>	(83,831)	(19,538)	(21,178)	(124,547)
<u>Fund Balances at Beginning of Year</u>	<u>124,590</u>	<u>140,463</u>	<u>30,938</u>	<u>295,991</u>
<u>Fund Balances at End of Year</u>	<u>\$ 40,759</u>	<u>\$ 120,925</u>	<u>\$ 9,760</u>	<u>\$ 171,444</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance - Total Governmental Funds \$ (124,547)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 31,974	
Less current year depreciation	<u>(171,426)</u>	(139,452)

Governmental funds report debt proceeds as income. However, debt proceeds do not affect net position in the government-wide Statement of Activities. (50,000)

Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net position in the government-wide Statement of Activities. 200,303

Accrued interest payments on debt do not require the use of current financial resources. The change in accrued interest is reported as an expenditure in the government-wide statement of activities. (1,919)

Changes in Net Position of Governmental Activities **\$ (115,615)**

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Internet Nonmajor Fund	
<u>Assets</u>				
<u>Current Assets</u>				
Customer receivables (net allowance of doubtful accounts)	\$ 53,363	\$ 35,068	\$ 2,411	\$ 90,842
Unbilled revenue	9,620	6,189	133	15,942
Grant receivables	-	15,118	-	15,118
Other receivables	25,458	-	-	25,458
Inventory	47,952	9,822	-	57,774
Prepaid expenses	2,610	1,356	-	3,966
Restricted assets				
Cash equivalents	31,640	175,959	-	207,599
Total Current Assets	<u>170,643</u>	<u>243,512</u>	<u>2,544</u>	<u>416,699</u>
<u>Noncurrent Assets</u>				
Land and work in progress	3,561	1,200	-	4,761
Depreciable capital assets, net	1,674,869	9,943,947	13,471	11,632,287
Total Noncurrent Assets	<u>1,678,430</u>	<u>9,945,147</u>	<u>13,471</u>	<u>11,637,048</u>
Total Assets	<u>1,849,073</u>	<u>10,188,659</u>	<u>16,015</u>	<u>12,053,747</u>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts payable	30,371	33,554	62	63,987
Meter deposits payable	33,170	-	-	33,170
Accrued employee benefits	5,961	2,402	-	8,363
Taxes withheld and accrued	2,667	1,120	-	3,787
Accrued interest payable	2,984	52,363	-	55,347
Accrued payroll	1,801	900	-	2,701
Long-term debt due in one year	67,514	76,500	-	144,014
Total Current Liabilities	<u>144,468</u>	<u>166,839</u>	<u>62</u>	<u>311,369</u>
<u>Noncurrent Liabilities</u>				
Long-term debt due after one year	378,502	4,578,000	-	4,956,502
Total Liabilities	<u>522,970</u>	<u>4,744,839</u>	<u>62</u>	<u>5,267,871</u>
<u>Deferred Inflows of Resources</u>				
Premium on debt	3,584	-	-	3,584
Total Deferred Inflows of Resources	<u>3,584</u>	<u>-</u>	<u>-</u>	<u>3,584</u>
<u>Net Position</u>				
Invested in capital assets, net of related debt	1,228,830	5,290,647	13,471	6,532,948
Restricted for debt service	31,640	175,959	-	207,599
Restricted for capital projects	-	15,118	-	15,118
Restricted for customer deposits	33,170	-	-	33,170
Unrestricted	28,879	(37,904)	2,482	(6,543)
Total Net Position	<u>\$ 1,322,519</u>	<u>\$ 5,443,820</u>	<u>\$ 15,953</u>	<u>\$ 6,782,292</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities			
	Enterprise Funds			
	Water	Sewer	Internet Nonmajor Fund	Total
<u>Operating Revenues</u>				
Charges for services	\$ 548,628	\$ 412,952	\$ 22,526	\$ 984,106
Total Operating Revenues	<u>548,628</u>	<u>412,952</u>	<u>22,526</u>	<u>984,106</u>
<u>Operating Expenses</u>				
Depreciation	94,285	335,071	4,356	433,712
Purchased water	222,841	-	-	222,841
Salaries and wages	133,435	76,356	-	209,791
Utilities	11,626	55,944	-	67,570
Repairs and maintenance	34,811	22,947	1,860	59,618
Employee benefits	28,109	26,121	-	54,230
Contracted services	17,106	18,609	16,320	52,035
Professional	22,321	20,298	-	42,619
Materials and supplies	3,480	35,242	-	38,722
Insurance	15,744	8,512	-	24,256
Taxes	10,573	6,096	-	16,669
Gasoline, oil and grease	4,933	3,540	-	8,473
Office supplies	1,220	5,668	-	6,888
Miscellaneous	3,327	886	-	4,213
Uniforms	1,802	1,989	-	3,791
Advertising	1,188	-	-	1,188
Total Operating Expenses	<u>606,801</u>	<u>617,279</u>	<u>22,536</u>	<u>1,246,616</u>
<u>Income (Loss) from Operations</u>	<u>(58,173)</u>	<u>(204,327)</u>	<u>(10)</u>	<u>(262,510)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	404	71	-	475
Grant revenues	-	108,706	-	108,706
Interest expense	(8,442)	(96,586)	-	(105,028)
Total Nonoperating Revenues (Expenses)	<u>(8,038)</u>	<u>12,191</u>	<u>-</u>	<u>4,153</u>
<u>Income (Loss) Before Contributions and Transfers</u>	<u>(66,211)</u>	<u>(192,136)</u>	<u>(10)</u>	<u>(258,357)</u>
Capital contributions	25,458	5,000	-	30,458
Transfers (out)	-	-	(4,361)	(4,361)
Transfers in	111,542	115,296	-	226,838
<u>Change in Net Position</u>	<u>70,789</u>	<u>(71,840)</u>	<u>(4,371)</u>	<u>(5,422)</u>
<u>Net Position at Beginning of Year</u>	<u>1,251,730</u>	<u>5,515,660</u>	<u>20,324</u>	<u>6,787,714</u>
<u>Net Position at End of Year</u>	<u>\$ 1,322,519</u>	<u>\$ 5,443,820</u>	<u>\$ 15,953</u>	<u>\$ 6,782,292</u>

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities			
	Enterprise Funds			
	Water	Sewer	Internet Nonmajor Fund	Total
<u>Cash Flows From Operating Activities</u>				
Cash received from customers	\$ 554,410	\$ 416,632	\$ 22,480	\$ 993,522
Cash payments to suppliers for goods and services	(371,383)	(203,637)	(18,119)	(593,139)
Cash payments to employees for services	(159,650)	(77,065)	-	(236,715)
Net Cash Provided (Used) By Operating Activities	<u>23,377</u>	<u>135,930</u>	<u>4,361</u>	<u>163,668</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Transfers in	111,542	115,296	-	226,838
Transfers out	-	-	(4,361)	(4,361)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>111,542</u>	<u>115,296</u>	<u>(4,361)</u>	<u>222,477</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Capital contributions	-	5,000	-	5,000
Principal paid on debt	(68,771)	(80,851)	-	(149,622)
Grant proceeds	-	315,916	-	315,916
Acquisition of property, plant and equipment	(54,317)	(209,575)	-	(263,892)
Interest paid on debt	(10,051)	(106,002)	-	(116,053)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(133,139)</u>	<u>(75,512)</u>	<u>-</u>	<u>(208,651)</u>
<u>Cash Flows from Investing Activities</u>				
Income received on investments	404	71	-	475
Net Cash Provided (Used) By Investing Activities	<u>404</u>	<u>71</u>	<u>-</u>	<u>475</u>
<u>Net Increase (Decrease) in Cash Equivalents</u>	2,184	175,785	-	177,969
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>29,456</u>	<u>174</u>	<u>-</u>	<u>29,630</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 31,640</u>	<u>\$ 175,959</u>	<u>\$ -</u>	<u>\$ 207,599</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u>				
Operating income (loss)	\$ (58,173)	\$ (204,327)	\$ (10)	\$ (262,510)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	94,285	335,071	4,356	433,712
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	2,453	3,680	(46)	6,087
Decrease (increase) in prepayments	1,225	1,750	-	2,975
Decrease (increase) in inventory	1,823	373	-	2,196
Increase (decrease) in accounts payable	(23,599)	92	61	(23,446)
Increase (decrease) in accrued liabilities	5,363	(709)	-	4,654
Net Cash Provided (Used) By Operating Activities	<u>\$ 23,377</u>	<u>\$ 135,930</u>	<u>\$ 4,361</u>	<u>\$ 163,668</u>
<u>Reconciliation of Total Cash</u>				
Current assets - cash	\$ -	\$ -	\$ -	\$ -
Restricted assets - cash	31,640	175,959	-	207,599
Total cash	<u>\$ 31,640</u>	<u>\$ 175,959</u>	<u>\$ -</u>	<u>\$ 207,599</u>

Non-Cash Investing, Capital and Related Financing Activities - none

See accompanying notes to financial statements.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Rivers, Kentucky (the City) operates under a Mayor/Council form of government and provides the following services as authorized: public works (streets and highways), culture and recreation, water distribution, wastewater treatment, cemetery maintenance, health and welfare, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the City are described below:

A. The Financial Reporting Entity

The City of Grand Rivers, Kentucky operates under a Mayor/Council form of government. The City has adhered to the standards set forth in Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City. There are no organizations to be included in the reporting entity.

B. Basis of Presentation

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the City as a whole. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. 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 statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Governmental Funds

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

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Tourism Fund

The Tourism fund accounts for the collection of hotel/motel and restaurant taxes. These revenues are to be used to promote tourism activities in the Grand Rivers area.

Proprietary Funds

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

Water Fund

The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, water treatment, and distribution infrastructure additions and maintenance. The department accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for water system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sewer Fund

The Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, wastewater treatment and collection, infrastructure additions and maintenance. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. 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. The City considers property taxes as available if they are collected within 60 days after year end. Franchise and other taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer and internet services which are accrued. Expenses are recognized at the time the liability is incurred.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the City must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. Non-major governmental funds are not budgeted.

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates and request appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

As required by Kentucky Revised Statutes (KRS) 91A.030 (2), formal budgetary integration is employed as a management device during the year for the General Fund, and Proprietary Funds. Total expenditures for a fund legally may not exceed the total appropriations as required by KRS 91A.030 (13).

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the General Fund original adopted budget for year ended June 30, 2018. The Tourism Fund budget for the year ended June 30, 2018, was amended during the year.

E. Cash and Investments

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

Investments include certificates of deposit reported at cost, which approximates fair value. Investments also include short-term pooled municipal guaranteed securities which are valued at market value. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments. Additional cash and investment disclosures are presented in Note 3.

F. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. The major receivable balance for the governmental activities normally include taxpayer assessed revenues. Business-type activities report customer utility usages as their major receivable.

G. Allowance for Uncollectible Accounts

The City established an allowance for doubtful accounts based off of past collection history. The City has determined that a fair estimate for uncollectible accounts is 4.8% of outstanding receivables.

H. Inventory

Material and supply inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies and replacement parts. Adjustments are made to cost of goods sold at year-end when physical counts are performed on inventory items.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

J. Restricted Assets

The restricted funds have been handled in accordance with the provisions of the various proprietary fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	35-50 years
Land Improvements	10-35 years
Utility Plant	50 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years
Vehicles	5-7 years

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

L. Unearned Revenue

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available. In the proprietary funds (and for governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

M. Postemployment Benefits

Postemployment benefits are those received by employees after termination of employment. The City provides no such benefits.

N. Compensated Absences

The City accrues vacation leave benefits as earned by its employees at June 30. Paid time off is earned for the year on January 1 and any unused time at December 31 is forfeited. These benefits are measured using the pay rates in effect at June 30, 2018. The entire compensated absence liability is reported on the government-wide financial statements and proprietary fund financial statements.

O. Long-Term Debt

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

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

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Debt issuance costs on long-term debt are amortized over the life of the bond issues using the straight-line method.

P. Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources: 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 a consumption of net position that applied to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

Deferred Inflows of Resources: 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category.

Deferred inflows related to property taxes are reported in the government-wide statement of net position and governmental balance sheet. A deferred inflow from property taxes results from property taxes receivable that are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to premium on refinancing of debt is reported in the Water Fund. The City incurred a premium when refinancing their debt with Kentucky Rural Water. The balance as of June 30, 2018 was \$3,584 and will be amortized against interest expense over the remaining life of the loan.

Q. Bond Discounts/Issuance Costs

Bond discounts and issuance costs on long-term debt are deferred and charged as nonoperating expense over the terms of the related issues.

R. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

S. Estimates

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

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

T. Pensions

The City contributes to a Simple IRA plan for all eligible employees. The City will contribute a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. The plan is administered by Edward Jones and is established under Section 408(p) of the Internal Revenue Code. The City contributed \$5,655 to employee Simple IRA accounts for the year ending June 30, 2018.

U. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components.

- **Net investment in capital assets** - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- **Restricted net position** - Net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The City has implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The City establishes (and modifies or rescinds) fund balance commitments by voting. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City through adoption or amendment of the budget which is intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes). The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

V. Adoption of New Accounting Pronouncements

GASB Statement No. 85

GASB Statement No. 85, *Omnibus 2017*, was issued March 2017. The provisions of this Statement are effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPED]).

Future Accounting Pronouncements

As of June 30, 2018, the GASB has issued the following statements not yet required to be adopted by the City.

GASB Statement No. 83

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued November 2016. The provisions of this Statement are effective for periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 87

GASB Statement No. 87, *Leases*, was issued in June 2017. The provisions of this Statement are effective for periods beginning after December 15, 2019. This Statement will increase the usefulness of governments' financial statements by required reporting of certain lease liabilities that currently are not required. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The City's management has not yet determined the effect this statement will have on the financial statements.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

W. Subsequent Events

The City has evaluated subsequent events through January 8, 2019, the date which the financial statements were available to be issued.

The City cashed in the remaining Cemetery CDs totaling \$10,363 on their maturity dates.

The City implemented a Health Savings Account (HSA) policy for eligible employees. On July 1, 2018, the City deposited \$3,450 in the accounts of the four participating employees.

2. LEGAL COMPLIANCE

Excess of Expenditures Over Appropriations in Individual Funds

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2018:

Tourism Fund \$ 173,461 Due to underbudgeted operating expenses and debt service.

Fund equity and other financial sources were sufficient to offset the over expenditures in the and Tourism Fund.

Deficit Fund Balances/Net Position

A fund balance deficit of \$1,363 exists in the Community Center fund resulting from a decline in revenue from special events. The City has agreed to increase the General fund's subsidy payments until special events revenue has increased a sufficient amount.

3. DEPOSITS AND INVESTMENTS

A. Statement of Net Position Cash Presentation

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total are as follows:

	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash equivalents	\$ 250	\$ 134,334	\$ -	\$ 134,584
Investments	-	-	-	-
Restricted assets:				
Cash equivalents	-	229,464	-	229,464
Investments	-	-	-	-
Total	<u>\$ 250</u>	<u>\$ 363,798</u>	<u>\$ -</u>	<u>\$ 364,048</u>

B. Deposits

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$364,048 and the bank balance was \$372,576. These demand deposits and certificates of deposit were held in various financial institutions. Of the bank balance \$315,428 was covered by federal depository insurance and \$57,148 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

C. Investments

The Kentucky Revised Statutes authorize the City to invest in interest-bearing and demand deposits in national or state chartered banks and insured by an agency of the U.S. Government. The City can also invest in U.S. Treasury, agencies, and instrumentalities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City doesn't not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk and Custodial Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not place any limit on the amount that may be invested with one issuer.

4. PROPERTY TAX

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Livingston County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Livingston County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2018, taxes were levied on July 1 and payable on December 31. The tax rate was \$0.260 per \$100 of assessed valuation for motor vehicles, \$0.248 per \$100 of assessed valuation of real property, and \$0.6809 per \$100 of assessed valuation of tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

5. RESTRICTED NET POSITION

Restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to the General, Water, and Sewer Funds as of June 30, 2018.

<u>Customer Deposits - Restricted Assets</u>	
Water - Customer deposits	\$ 33,170
<u>Capital Projects - Restricted Assets</u>	
Sewer - Capital projects	15,118
<u>Debt Requirement Restricted Assets</u>	
General - Bond reserve funds	21,865
Water - Bond reserve funds	31,640
Sewer - Bond reserve funds	175,959
Total Restricted Assets	<u>\$ 277,752</u>

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

6. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2018 for governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 265,350	\$ -	\$ -	\$ 265,350
Total capital assets not being depreciated	<u>265,350</u>	<u>-</u>	<u>-</u>	<u>265,350</u>
Capital assets being depreciated:				
Infrastructure	221,020	-	-	221,020
Land improvements	1,980,483	3,200	-	1,983,683
Buildings	1,319,420	-	-	1,319,420
Furnishings and fixtures	215,722	16,274	-	231,996
Vehicles	4,600	12,500	(4,600)	12,500
Total capital assets being depreciated	<u>3,741,245</u>	<u>31,974</u>	<u>(4,600)</u>	<u>3,768,619</u>
Less accumulated depreciation for:				
Infrastructure	(88,928)	(12,204)	-	(101,132)
Land improvements	(700,181)	(94,917)	-	(795,098)
Buildings	(599,561)	(46,386)	-	(645,947)
Furnishings and fixtures	(157,022)	(15,416)	-	(172,438)
Vehicles	(2,338)	(2,503)	2,549	(2,292)
Total accumulated depreciation	<u>(1,548,030)</u>	<u>(171,426)</u>	<u>2,549</u>	<u>(1,716,907)</u>
Total capital assets being depreciated, net	<u>2,193,215</u>	<u>(139,452)</u>	<u>(2,051)</u>	<u>2,051,712</u>
Governmental activities capital assets, net	<u>\$ 2,458,565</u>	<u>\$ (139,452)</u>	<u>\$ (2,051)</u>	<u>\$ 2,317,062</u>

Business-type Activities

A summary of property, plant and equipment at June 30, 2018 for business-type activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,761	\$ -	\$ -	\$ 4,761
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>4,761</u>	<u>-</u>	<u>-</u>	<u>4,761</u>
Capital assets being depreciated:				
Buildings and improvements	14,399,038	273,247	-	14,672,285
Machinery and equipment	437,384	17,728	-	455,112
Vehicles	160,151	-	-	160,151
Total capital assets being depreciated	<u>14,996,573</u>	<u>290,975</u>	<u>-</u>	<u>15,287,548</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,734,297)	(396,884)	-	(3,131,181)
Machinery and equipment	(364,582)	(25,940)	-	(390,522)
Vehicles	(122,670)	(10,888)	-	(133,558)
Total accumulated depreciation	<u>(3,221,549)</u>	<u>(433,712)</u>	<u>-</u>	<u>(3,655,261)</u>
Total capital assets being depreciated, net	<u>11,775,024</u>	<u>(142,737)</u>	<u>-</u>	<u>11,632,287</u>
Business-type activities capital assets, net	<u>\$ 11,779,785</u>	<u>\$ (142,737)</u>	<u>\$ -</u>	<u>\$ 11,637,048</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 116,982
Culture and recreation	54,394
Cemetery	50
Total depreciation expense - governmental activities	<u>\$ 171,426</u>

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Business-type activities:	
Water	\$ 94,285
Sewer	335,071
Internet	<u>4,356</u>
Total depreciation expense - business type activities	<u>\$ 433,712</u>

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster. There were no claims in excess of insurance coverage levels during the fiscal year ended June 30, 2018. The City also did not have any claims in excess of insurance coverage levels for the prior three years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage for the prior three years.

8. LONG-TERM DEBT

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

Governmental Activities

As of June 30, 2018, the governmental long-term debt consisted of the following:

Current portion general obligation bonds and notes	
Bond obligations	\$ 35,000
Note obligations	<u>55,342</u>
Total current portion	<u>90,342</u>
Noncurrent portion general obligation bonds and notes:	
Bond obligations	325,833
Note obligations	<u>59,947</u>
Total noncurrent portion	<u>385,780</u>
Total General Bond and Note Obligations	<u>\$ 476,122</u>

General Bonds Payable

The City entered into a leasing agreement on March 29, 2012, with the Kentucky Bond Corporation to help finance storm damage expenses. The original amount advanced was \$255,000. The lease agreement requires monthly payments including principal, interest, and fees to be made to a sinking fund beginning May 1, 2012 (the monthly payments vary and range from \$2,625 to \$3,168). The last scheduled payments is February 1, 2022. The lease agreement provides financing rates that range from 2.5% to 3.25%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2018, is \$115,000. The lease financed various cleanup and asset improvement projects.

The City entered into a leasing agreement on November 30, 2016, with the Kentucky Bond Corporation to help finance the sidewalk and streetlight project. The total amount financed was \$260,000. The lease agreement requires monthly payments including principal, interest, and fees to be made to a sinking fund beginning February 1, 2017 (the monthly payments vary and range from \$1,624 to \$1,729). The last scheduled payment is January 1, 2037. The lease agreement provides financing rates of approximately 4.2%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2018, is \$245,833.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

General Notes Payable

First Kentucky Bank - The City (Grand Rivers Tourist Commission) entered into an agreement on December 1, 2006, with First Kentucky Bank to help finance the Badgett Playhouse building at a variable interest rate. This loan consolidated two initial construction advances of \$200,000 and \$150,000. The note has a variable financing rate after the first ten year. The current rate is 3.375%. The note matures in 2026 and is backed by the full faith and credit of the City. The loan was paid in full on December 4, 2017.

First Kentucky Bank - The City entered into an agreement with First Kentucky Bank to finance improvements to the community center. The agreement was entered into on June 16, 2015, with an available amount of \$80,000 with an interest rate of 4.49% and a maturity date of June 16, 2020. As of June 30, 2018 the principal balance is \$65,289.

First Kentucky Bank - The City received financing in the form of a commercial single pay note from First Kentucky Bank totaling \$50,000. The note matures on June 14, 2019 and has an interest rate of 4.49%.

Business-Type Activities

As of June 30, 2018, the leases and notes payable from proprietary fund resources consisted of the following:

Current portion proprietary leases, notes and bonds:	
Lease obligations	\$ 55,000
Note obligations	12,514
Bond obligations	<u>76,500</u>
Total current portion	<u>144,014</u>
Noncurrent portion proprietary leases, notes, and bonds	
Lease obligations	165,000
Note obligations	213,502
Bond obligations	<u>4,578,000</u>
Total noncurrent portion	<u>4,956,502</u>
Total Proprietary Lease, Note, and Bond Obligations	<u><u>\$ 5,100,516</u></u>

Proprietary Leases

National Rural Water Association - The City entered into a leasing agreement on December 19, 2001, with the Kentucky Rural Water Finance Corporation Area Development Districts Financing Trust to finance water improvement projects at interest rates approximating 5% per annum. This agreement was refinanced on February 27, 2013 with lower interest rates of 2.3%-2.8%. The lease agreement requires monthly payments including principal and interest to be made to a sinking fund beginning April 2013 varying from \$4,712 to \$5,437. The last scheduled payment is January 2022. The lease is backed by full faith and credit of the City. The principal balance at June 30, 2018, is \$220,000.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Proprietary Notes Payable

National Rural Water Association - The City entered into a loan agreement on July 1, 2009, to finance the acquisition of a trencher. The original amount advanced was \$100,000. Monthly payments of \$966 including principal and interest began August 1, 2008, and continues for 119 months with a final payment of \$963 due July 1, 2018, at 3% per annum. The loan grants the lender a secured interest in the assets of the City. The loan was paid in full during June 2018.

Kentucky Infrastructure Authority - The City entered into a loan agreement with Kentucky Infrastructure Authority for \$263,000. The project consisted of Lake City waterline improvements and water tank repairs. The project was completed in June 2015. The loan calls for semi-annual payments due June 1 and December 1 with an interest rate of .75% and was financed over 20 years. The principal balance at June 30, 2018 is \$226,016.

Revenue Bonds

Water and Sewer Revenue Bonds - The City of Grand Rivers, Kentucky, adopted a resolution to issue \$3,662,000 of City of Grand Rivers, Water and Sewer Revenue Bonds, Series 2015A and \$1,067,000 Water and Sewer Revenue Bonds, Series 2015B for the purpose of a new sewer plant and lift station. The bonds were finalized June 6, 2016 with an interest rate of 2.25%. The bond covenants require \$1,760 per month be deposited into a "Funded Debt Reserve Account" until the account reaches \$211,200. The deposits are to be resumed any time the account falls below the \$211,200. The principal balances at June 30, 2018 are \$4,654,500.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

9. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide debt activities for the year ended June 30, 2018 follows:

	Balance June 30, 2017	Proceeds	Retirement/ Reductions	Balance June 30, 2018	Due in One Year
<i><u>Governmental Activities</u></i>					
Lease payable:					
Kentucky Bond Corporation	\$ 140,000	\$ -	\$ 25,000	\$ 115,000	\$ 25,000
Kentucky Bond Corporation	255,833	-	10,000	245,833	10,000
Notes payable:					
1st Kentucky Bank - General	-	50,000	-	50,000	50,000
1st Kentucky Bank - Tourism	159,748	-	159,748	-	-
1st Kentucky Bank - Community	70,844	-	5,555	65,289	5,342
Total Governmental Activities	626,425	50,000	200,303	476,122	90,342
<i><u>Business Type Activities</u></i>					
Leases payable:					
Kentucky Rural Water	\$ 270,000	\$ -	\$ 50,000	\$ 220,000	\$ 55,000
Notes Payable:					
National Rural Water Assoc	12,702	-	12,702	-	-
Kentucky Infrastructure Authority	238,436	-	12,420	226,016	12,514
Bonds Payable:					
Series 2015B	1,067,000	-	15,500	1,051,500	16,000
Series 2015A	3,662,000	-	59,000	3,603,000	60,500
Total Business-Type Activities	5,250,138	-	149,622	5,100,516	144,014
Total Primary Government	\$ 5,876,563	\$ 50,000	\$ 349,925	\$ 5,576,638	\$ 234,356

The annual debt service requirements to maturity for long-term debt as of June 30, 2018, are as follows:

Year Ending June 30:	Principal	Interest	Total
2019	\$ 234,308	\$ 126,751	\$ 361,059
2020	192,174	121,187	313,361
2021	241,988	114,340	356,328
2022	190,250	108,814	299,064
2023	107,347	103,752	211,099
2024-2028	585,225	482,152	1,067,377
2029-2033	662,701	412,878	1,075,579
2034-2038	679,145	334,461	1,013,606
2039-2043	672,500	257,288	929,788
2044-2048	765,500	175,444	940,944
2049-2053	871,000	82,350	953,350
2054-2055	374,500	4,185	378,685
Total	\$ 5,576,638	\$ 2,323,602	\$ 7,900,240

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Total interest expensed for the year ended June 30, 2018:

Governmental activities	\$ 21,428
Business-type activities	<u>105,028</u>
	<u><u>\$ 126,456</u></u>

10. LITIGATION AND CONTINGENCIES

Litigation

The City is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

Contingencies

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2018 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

11. COMMITMENTS

The City entered into a contract with WastePath Disposal and Recycling (Contractor) beginning May 15, 2014. The Contractor is to provide the collection and disposal of residential and commercial garbage. The Contractor is responsible for billing and collections. The Contractor has agreed to pay to the City a franchise fee of 7% of all fees collected to be paid quarterly.

The City entered into an agreement between the Grand Rivers Tourism Commission and Minihan Productions, LLC, to sublease the Badgett Playhouse. The initial agreement dated June 15, 2005, for 10 years, was renewed January 1, 2015 for an additional 10 years, through December 31, 2024. Minihan Productions agrees to pay the Grand Rivers Tourism Commission a sum of \$40,000 annually from sales at a rate of 8%. The Grand Rivers Tourism Commission agrees to pay the City of Grand Rivers a sum of \$8,000 is annually to be paid at a rate of 2% of gross receipts collected by Minihan until the amount is paid in full each year. Should the percentage be insufficient, a settlement is due within 30 days of the calendar yearend for the remaining balance.

The City entered into a contract with Williams Landscaping July 1, 2011 to provide mowing services for the City and Dixon Cemetery at a rate of \$3,390 per month. The terms of this contract ended July 1, 2015. At that time Williams Landscaping submitted a new bid. The new terms are \$4,625 per month for next 4 years.

The City entered into an agreement with Phillip and Brenda Colburn to sublease the land known as Lighthouse Landing. The most recent agreement was signed on January 1, 2005 for a term of 20 years. The annual lease is for \$8,800 to be paid in monthly installments.

CITY OF GRAND RIVERS, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

12. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Primary government operating transfers at June 30, 2018 were:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Net</u>
<u>General Fund</u>	\$ 215,904	\$ -	\$ 215,904
<u>Special Revenue Funds</u>			
Municipal Aid	7,706	-	7,706
Tourism	393	-	393
Cemetery	17,430	-	17,430
Community Center	-	18,956	(18,956)
<u>Business-type funds</u>			
Water Fund	-	111,542	(111,542)
Sewer Fund	-	115,296	(115,296)
Internet Fund	4,361	-	4,361
Total	<u>\$ 245,794</u>	<u>\$ 245,794</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAND RIVERS, KENTUCKY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes				
Property	\$ 200,100	\$ 200,100	\$ 208,658	\$ 8,558
Other	22,500	22,500	33,053	10,553
Franchise	5,000	5,000	4,998	(2)
Miscellaneous	65,050	65,050	76,169	11,119
Intergovernmental	25,000	25,000	24,752	(248)
Interest income	60	60	258	198
Total revenues	<u>317,710</u>	<u>317,710</u>	<u>347,888</u>	<u>30,178</u>
<u>Expenditures</u>				
General government	125,310	125,310	106,499	18,811
Public works	77,300	77,300	54,924	22,376
Culture and recreation	59,000	59,000	37,646	21,354
Debt service	56,100	56,100	47,272	8,828
Capital outlay	-	-	31,974	(31,974)
Total expenditures	<u>317,710</u>	<u>317,710</u>	<u>278,315</u>	<u>39,395</u>
<u>Excess (Deficiency) of Revenues Over</u>				
<u>Expenditures</u>	<u>-</u>	<u>-</u>	<u>69,573</u>	<u>69,573</u>
<u>Other Financing Sources (Uses)</u>				
Long-term debit issued	-	-	50,000	50,000
Capital contributions	-	-	12,500	12,500
Transfers in(out)	-	-	(215,904)	(215,904)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(153,404)</u>	<u>(153,404)</u>
<u>Net Change in Fund Balances</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>(83,831)</u>	<u>\$ (83,831)</u>
<u>Fund Balances at Beginning of Year</u>				
			<u>124,590</u>	
<u>Fund Balances at End of Year</u>				
			<u>\$ 40,759</u>	

CITY OF GRAND RIVERS, KENTUCKY
TOURISM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budgeted</u>	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Taxes	\$ 144,250	\$ 144,250	\$ 131,119	\$ (13,131)
Rental income	40,000	40,000	38,234	(1,766)
Intergovernmental	7,500	7,500	138,314	130,814
Miscellaneous	8,400	8,400	19,178	10,778
Insurance proceeds	-	-	27,624	27,624
Interest income	18	18	15	(3)
Total revenues	<u>200,168</u>	<u>200,168</u>	<u>354,484</u>	<u>154,316</u>
<u>Expenditures</u>				
Culture and recreation	177,968	177,968	209,756	(31,788)
Capital outlay	-	-	-	-
Debt service	22,200	22,200	163,873	(141,673)
Total expenditures	<u>200,168</u>	<u>200,168</u>	<u>373,629</u>	<u>(173,461)</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	-	-	(19,145)	(19,145)
<u>Other Financing Sources (Uses)</u>				
Transfers in/(out)	-	-	(393)	(393)
<u>Net Change in Fund Balances</u>	<u>\$ -</u>	<u>\$ -</u>	(19,538)	<u>\$ (19,538)</u>
<u>Fund Balances at Beginning of Year</u>			<u>140,463</u>	
<u>Fund Balances at End of Year</u>			<u>\$ 120,925</u>	

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF GRAND RIVERS, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			
	Municipal Aid	Cemetery Fund	Community Center	Total Non-Major Governmental Funds
<u>Assets</u>				
Cash equivalents	\$ -	\$ 11,923	\$ 200	\$ 12,123
<u>Total Assets</u>	<u>\$ -</u>	<u>\$ 11,923</u>	<u>\$ 200</u>	<u>\$ 12,123</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 800	\$ 615	\$ 1,415
Other current liabilities	-	-	948	948
Total Liabilities	<u>-</u>	<u>800</u>	<u>1,563</u>	<u>2,363</u>
<u>Fund Balances</u>				
Unrestricted	<u>-</u>	<u>11,123</u>	<u>(1,363)</u>	<u>9,760</u>
Total Fund Balances	<u>-</u>	<u>11,123</u>	<u>(1,363)</u>	<u>9,760</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ -</u>	<u>\$ 11,923</u>	<u>\$ 200</u>	<u>\$ 12,123</u>

CITY OF GRANDS RIVERS, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Total Other Governmental Funds
	Municipal Aid	Cemetery Fund	Community Center	
<u>Revenues</u>				
Rental income	\$ -	\$ -	\$ 11,216	\$ 11,216
Intergovernmental	7,706	-	-	7,706
Miscellaneous	-	-	3,318	3,318
Cemetery	-	1,300	-	1,300
Interest income	-	37	-	37
Total Revenues	7,706	1,337	14,534	23,577
<u>Expenditures</u>				
Culture and recreation	-	-	24,197	24,197
Cemetery maintenance	-	5,711	-	5,711
Debt service	-	-	8,667	8,667
Total Expenditures	-	5,711	32,864	38,575
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	7,706	(4,374)	(18,330)	(14,998)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-	-	18,956	18,956
Operating transfers (out)	(7,706)	(17,430)	-	(25,136)
<u>Net Change in Fund Balances</u>	-	(21,804)	626	(21,178)
<u>Fund Balances - Beginning of Year</u>	-	32,927	(1,989)	30,938
<u>Fund Balances - End of Year</u>	\$ -	\$ 11,123	\$ (1,363)	\$ 9,760

JESSICA K. DANIEL, CPA PSC
CERTIFIED PUBLIC ACCOUNTANT

**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 Mayor Tom Moodie
and Members of the City Council
City of Grand Rivers, Kentucky
Grand Rivers, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Grand Rivers, Kentucky as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Grand Rivers, Kentucky's basic financial statements, and have issued our report thereon dated January 8, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting (Item 2018-1).

Compliance and other Matters

As part of obtaining reasonable assurance about whether City of Grand Rivers, Kentucky's financial statements are free of material misstatement, we performed tests of 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 is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2018-1.

We also noted certain matters that we reported to management of the City of Grand Rivers, Kentucky, in a separate letter dated January 8, 2019.

Response to Findings

City of Grand Rivers, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Grand Rivers, Kentucky's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Jessica Daniel, CPA". The signature is written in a cursive style.

Eddyville, Kentucky
January 8, 2019

CITY OF GRAND RIVERS, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-1: Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The City of Grand Rivers, Kentucky lacks proper segregation of duties.

Context: Due to the limited number of office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Grand Rivers, Kentucky; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Cause: The City indicated that it has a limited number of employees. Due to the limited number of employees, the City cannot adequately segregate accounting duties.

Effect: Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation: We recommend that the City's Council members and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible. Management should review its financial operation for opportunities to separate incompatible functions.

Response: The City of Grand Rivers, Kentucky's Council and management has been advised and is well aware of the lack of segregation of duties of the accounting functions of the City. The City Council has contracted with an accounting firm to perform monthly bookkeeping, payroll, reconciliations, and to provide monthly financial statements. The City also will create or modify policies to ensure that duties are segregated wherever possible and reasonable.