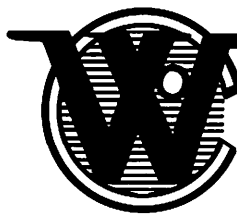


CITY OF LOUISA, KENTUCKY
FINANCIAL STATEMENTS,
INDEPENDENT AUDITOR'S REPORTS, AND
SUPPLEMENTARY INFORMATION

June 30, 2016



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Harold Slone, Mayor
Members of the City Council
City of Louisa, Kentucky

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 35-38 and the County Employees’ Retirement System’s Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 39 and 40, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Louisa, Kentucky’s basic financial statements. The schedule of operating expenses–proprietary funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating expenses–proprietary funds is the responsibility of management and was 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 schedule of operating expenses–proprietary funds is 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 our report dated February 7, 2017 on our consideration of the City of Louisa, Kentucky’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Louisa, Kentucky’s internal control over financial reporting and compliance.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
February 7, 2017

**CITY OF LOUISA, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 302,424	\$ 977,167	\$ 1,279,591
Taxes receivable	102,534	-	102,534
Grants receivable	380,491	-	380,491
Sanitation fees receivable	90,743	-	90,743
Other receivables	8,189	-	8,189
Accounts receivable	-	288,166	288,166
Unbilled receivables	-	170,161	170,161
Inventory	-	82,930	82,930
Prepaid items	36,986	31,042	68,028
Capital assets:		-	
Land and construction-in-progress	3,538,351	222,288	3,760,639
Other capital assets, net of accumulated depreciation	1,042,640	15,537,521	16,580,161
Total Assets	5,502,358	17,309,275	22,811,633
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	223,725	195,258	418,983
LIABILITIES			
Accounts payable	487,117	105,547	592,664
Accrued expenses	23,907	54,468	78,375
Accrued compensated absences	16,417	26,940	43,357
Accrued interest payable	-	35,692	35,692
Customer deposits	-	56,400	56,400
Due to City of Louisa - sanitation fees	-	90,743	90,743
Due to Lawrence County - sewer fees	-	18,917	18,917
Long-term liabilities:			
Net pension liability	848,092	931,576	1,779,668
Due within one year	69,501	541,587	611,088
Due in more than one year	250,199	6,486,590	6,736,789
Total Liabilities	1,695,233	8,348,460	10,043,693
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	-	76,606	76,606
NET POSITION			
Net investment in capital assets	4,261,291	8,731,632	12,992,923
Restricted for:			
Debt service	10,510	173,704	184,214
Capital asset repair and replacement	-	782,390	782,390
Special revenue	22,561	-	22,561
Public safety	40,283	-	40,283
Unrestricted (deficit)	(303,795)	(608,259)	(912,054)
Total Net Position	\$ 4,030,850	\$ 9,079,467	\$ 13,110,317

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 279,343	\$ -	\$ 8,999	\$ 1,200	\$ (269,144)	\$ -	\$ (269,144)
Public safety	599,501	31,410	11,207	3,200	(553,684)	-	(553,684)
Streets	302,831	-	-	15,000	(287,831)	-	(287,831)
Sanitation	318,185	355,277	-	-	37,092	-	37,092
Alcohol Beverage Control	53,093	-	-	-	(53,093)	-	(53,093)
Youth programs	494	-	-	-	(494)	-	(494)
Construction	-	-	-	1,012,427	1,012,427	-	1,012,427
Interest on long-term debt	10,430	-	-	-	(10,430)	-	(10,430)
Total governmental activities	1,563,877	386,687	20,206	1,031,827	(125,157)	-	(125,157)
Business-type activities:							
Water and sewer	2,633,448	2,719,469	-	-	-	86,021	86,021
Swimming pool	51,657	45,955	-	-	-	(5,702)	(5,702)
Total business-type activities	2,685,105	2,765,424	-	-	-	80,319	80,319
Total primary government	\$ 4,248,982	\$ 3,152,111	\$ 20,206	\$ 1,031,827	(125,157)	80,319	(44,838)
General revenues:							
Property taxes					357,980	-	357,980
Motor vehicle taxes					25,119	-	25,119
Insurance premium taxes					315,086	-	315,086
Telecommunication taxes					5,938	-	5,938
Occupational licenses					12,762	-	12,762
Franchise fees					45,501	-	45,501
ABC fees					92,634	-	92,634
Intergovernmental revenue					166,221	-	166,221
Rental income					7,450	-	7,450
Fines and forfeits					100	-	100
Interest income					190	2,265	2,455
Gain on disposal of capital assets					4,144	-	4,144
Insurance proceeds					3,500	-	3,500
Miscellaneous					39,841	-	39,841
Transfers:					(5,867)	5,867	-
Total general revenues and transfers					1,070,599	8,132	1,078,731
Change in net position					945,442	88,451	1,033,893
Net position - beginning					3,085,408	8,991,016	12,076,424
Net position - ending					\$ 4,030,850	\$ 9,079,467	\$ 13,110,317

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Youth Programs Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 293,984	\$ 2,920	\$ 5,520	\$ 302,424
Receivables:				
Taxes	102,534	-	-	102,534
Grants	18,357	362,134	-	380,491
Sanitation fees	90,743	-	-	90,743
Other	8,189	-	-	8,189
Prepaid items	36,986	-	-	36,986
	<u>550,793</u>	<u>365,054</u>	<u>5,520</u>	<u>921,367</u>
Total Assets	<u>\$ 550,793</u>	<u>\$ 365,054</u>	<u>\$ 5,520</u>	<u>\$ 921,367</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,071	\$ 467,046	\$ -	\$ 487,117
Accrued payroll	10,253	-	-	10,253
Accrued payroll taxes	2,829	-	-	2,829
Accrued compensated absences	16,417	-	-	16,417
Other accrued liabilities	10,825	-	-	10,825
	<u>60,395</u>	<u>467,046</u>	<u>-</u>	<u>527,441</u>
Total Liabilities	<u>60,395</u>	<u>467,046</u>	<u>-</u>	<u>527,441</u>
Fund Balances:				
Restricted for:				
Public safety	40,283	-	-	40,283
Youth programs	-	-	5,520	5,520
Debt service	10,510	-	-	10,510
Alcohol beverage control	17,041	-	-	17,041
Unassigned	422,564	(101,992)	-	320,572
	<u>490,398</u>	<u>(101,992)</u>	<u>5,520</u>	<u>393,926</u>
Total Fund Balances	<u>490,398</u>	<u>(101,992)</u>	<u>5,520</u>	<u>393,926</u>
Total Liabilities and Fund Balances	<u>\$ 550,793</u>	<u>\$ 365,054</u>	<u>\$ 5,520</u>	<u>\$ 921,367</u>

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

6

Fund Balances - Total Governmental Funds **\$ 393,926**

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

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

Governmental capital assets	6,308,867
Less: accumulated depreciation	(1,727,876)

Pension contributions after measurement date are reported as a deferred outflow of resources: 88,195

Net pension liability is not due and payable in the current period and, therefore, is not reported in governmental funds: (848,092)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:

Deferred pension outflows of resources	135,530
Deferred pension inflows of resources	-

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: (319,700)

Net Position of Governmental Activities **\$ 4,030,850**

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund	Youth Programs Fund	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 357,980	\$ -	\$ -	\$ 357,980
Motor vehicle	25,119	-	-	25,119
Insurance premium	315,086	-	-	315,086
Telecommunication	5,938	-	-	5,938
Occupational licenses	12,762	-	-	12,762
Franchise fees	45,501	-	-	45,501
ABC fees	92,634	-	-	92,634
Intergovernmental revenues	166,221	-	-	166,221
Grants	39,606	1,012,427	-	1,052,033
Charges for services	386,687	-	-	386,687
Rental income	7,450	-	-	7,450
Fines and forfeits	100	-	-	100
Interest income	190	-	-	190
Donations	6,960	-	4,814	11,774
Miscellaneous revenues	28,067	-	-	28,067
Total revenues	1,490,301	1,012,427	4,814	2,507,542
Expenditures:				
Current:				
General government	261,575	-	-	261,575
Public safety	491,536	-	-	491,536
Streets	284,718	-	-	284,718
Sanitation	292,809	-	-	292,809
Alcohol beverage control	52,590	-	-	52,590
Youth programs	-	-	494	494
Debt service:				
Interest	10,430	-	-	10,430
Principal retirement	67,426	-	-	67,426
Capital outlay	43,527	1,061,056	-	1,104,583
Total expenditures	1,504,611	1,061,056	494	2,566,161
Excess (deficiency) of revenues over expenditures	(14,310)	(48,629)	4,320	(58,619)
Other financing sources (uses):				
Proceeds from borrowing	-	-	-	-
Proceeds from sale of capital assets	4,144	-	-	4,144
Proceeds from insurance	3,500	-	-	3,500
Transfers Out	(5,867)	-	-	(5,867)
Total other financing sources (uses)	1,777	-	-	1,777
Net change in fund balances	(12,533)	(48,629)	4,320	(56,842)
Fund balances - beginning	502,931	(53,363)	1,200	450,768
Fund balances - ending	\$ 490,398	\$ (101,992)	\$ 5,520	\$ 393,926

See accompanying notes to basic financial statements.

**CITY OF LOUISA, KENTUCKY
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT
 OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds **\$ (56,842)**

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	1,104,583
Depreciation expense	(125,038)

Changes in pension expense are reported only in the statement of activities (44,687)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The details of these differences in the treatment of long-term debt and related items are as follows:

Loan proceeds	-
Principal paid	67,426
	67,426

Change in Net Position of Governmental Activities **\$ 945,442**

CITY OF LOUISA, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

Business-type Activities - Enterprise Funds

	<u>Water & Sewer</u>	<u>Swimming Pool</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,024	\$ 9,049	\$ 21,073
Customer accounts receivable	288,166	-	288,166
Unbilled receivables	170,161	-	170,161
Inventory	82,930	-	82,930
Prepaid items	31,042	-	31,042
Total current assets	584,323	9,049	593,372
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	956,094	-	956,094
Capital assets:			
Land	177,452	25,000	202,452
Construction work in progress	19,836	-	19,836
Capital assets, net of depreciation	15,515,283	22,238	15,537,521
Total non-current assets	16,668,665	47,238	16,715,903
Total assets	17,252,988	56,287	17,309,275
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	195,258	-	195,258
LIABILITIES			
Current liabilities:			
Accounts payable	102,838	2,709	105,547
Compensated absences	26,940	-	26,940
Accrued interest payable	35,692	-	35,692
Other accrued liabilities	49,346	5,122	54,468
Customer deposits	56,400	-	56,400
Due to City of Louisa - sanitation fees	90,743	-	90,743
Due to Lawrence County - sewer fees	18,917	-	18,917
Total current liabilities	380,876	7,831	388,707
Payable from restricted assets:			
Current portion of bonds and notes payable	541,587	-	541,587
Total liabilities payable from restricted assets	541,587	-	541,587

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2016

Business-type Activities - Enterprise Funds

	<u>Water & Sewer</u>	<u>Swimming Pool</u>	<u>Totals</u>
Long-term liabilities:			
Net pension liability	931,576	-	931,576
Bonds and notes payable	7,028,177	-	7,028,177
	7,959,753	-	7,959,753
Less current portion	(541,587)	-	(541,587)
Total long-term liabilities	7,418,166	-	7,418,166
Total liabilities	8,340,629	7,831	8,348,460
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	76,606	-	76,606
NET POSITION			
Net investment in capital assets	8,684,394	47,238	8,731,632
Restricted			
Debt service	173,704	-	173,704
Capital asset repair and replacement	782,390	-	782,390
Unrestricted	(609,477)	1,218	(608,259)
Total net position	\$ 9,031,011	\$ 48,456	\$ 9,079,467

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water & Sewer</u>	<u>Swimming Pool</u>	<u>Total</u>
Operating revenues:			
Water revenues	\$ 1,705,983	\$ -	\$ 1,705,983
Sewer revenues	868,626	-	868,626
Pool receipts	-	38,452	38,452
Other operating revenues	144,860	7,503	152,363
Total operating revenues	2,719,469	45,955	2,765,424
Operating expenses:			
Water	1,646,990	-	1,646,990
Sewer	850,514	-	850,514
Swimming Pool	-	51,657	51,657
Total operating expenses	2,497,504	51,657	2,549,161
Operating income (loss)	221,965	(5,702)	216,263
Non-operating revenues (expenses):			
Interest income	2,265	-	2,265
Interest expense	(135,944)	-	(135,944)
Total non-operating revenues (expenses)	(133,679)	-	(133,679)
Income (loss) before contributions and transfers	88,286	(5,702)	82,584
Contributions in aid of construction	-	-	-
Transfers from General Fund	-	5,867	5,867
Total contributions and transfers	-	5,867	5,867
Change in net position	88,286	165	88,451
Net position, beginning of year	8,942,725	48,291	8,991,016
Net position, end of year	\$ 9,031,011	\$ 48,456	\$ 9,079,467

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water & Sewer</u>	<u>Swimming Pool</u>	<u>Total</u>
Cash flows from operating activities:			
Cash inflows:			
Payments received from customers	\$ 2,720,854	\$ 45,955	\$ 2,766,809
Total cash provided	<u>2,720,854</u>	<u>45,955</u>	<u>2,766,809</u>
Cash outflows:			
Payments for salaries and benefits	765,947	18,032	783,979
Payments to suppliers for goods and services	1,230,963	26,987	1,257,950
Total cash used	<u>1,996,910</u>	<u>45,019</u>	<u>2,041,929</u>
Net cash provided (used) by operating activities	<u>723,944</u>	<u>936</u>	<u>724,880</u>
Cash flows from noncapital financing activities:			
Transfers from General Fund	-	5,867	5,867
Lawsuit settlement payment	(45,000)	-	(45,000)
Net cash provided (used) by noncapital financing activities	<u>(45,000)</u>	<u>5,867</u>	<u>(39,133)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(9)	(10,930)	(10,939)
Capital contributions received	-	-	-
Principal payments on debt	(537,109)	-	(537,109)
Proceeds from loans	-	-	-
Interest paid on long-term debt	(138,362)	-	(138,362)
Net cash provided (used) by capital and related financing activities	<u>(675,480)</u>	<u>(10,930)</u>	<u>(686,410)</u>
Cash flows from investing activities:			
Interest received	2,265	-	2,265
Net cash provided (used) by investing activities	<u>2,265</u>	<u>-</u>	<u>2,265</u>
Net cash inflow (outflow) from all activities	5,729	(4,127)	1,602
Cash and cash equivalents at beginning of period	962,389	13,176	975,565
Cash and cash equivalents at end of period	<u>\$ 968,118</u>	<u>\$ 9,049</u>	<u>\$ 977,167</u>

See accompanying notes to basic financial statements.

CITY OF LOUISA, KENTUCKY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Business-type Activities - Enterprise Funds

	<u>Water & Sewer</u>	<u>Swimming Pool</u>	<u>Total</u>
Reconciliation of utility operating income to net cash provided by operating activities:			
Operating income	\$ 221,965	\$ (5,702)	\$ 216,263
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	538,846	2,998	541,844
(Increase) decrease in:			
Customer accounts receivable	5,136	-	5,136
Unbilled revenue	(3,751)	-	(3,751)
Inventory	(9,565)	-	(9,565)
Other assets and deferred outflows	(109,555)	-	(109,555)
Increase (decrease) in:			
Accounts payable	7,392	1,921	9,313
Accrued liabilities and other liabilities	(59,100)	1,719	(57,381)
Net pension liability	132,576	-	132,576
Net cash provided (used) by operating activities	<u>\$ 723,944</u>	<u>\$ 936</u>	<u>\$ 724,880</u>
Schedule of cash and cash equivalents:			
Beginning of period:			
Unrestricted cash and cash equivalents	\$ 26,500	\$ 13,176	\$ 39,676
Restricted cash and cash equivalents	935,889	-	935,889
	<u>\$ 962,389</u>	<u>\$ 13,176</u>	<u>\$ 975,565</u>
End of period:			
Unrestricted cash and cash equivalents	\$ 12,024	\$ 9,049	\$ 21,073
Restricted cash and cash equivalents	956,094	-	956,094
	<u>\$ 968,118</u>	<u>\$ 9,049</u>	<u>\$ 977,167</u>

See accompanying notes to basic financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Louisa, Kentucky (“City”), operates under a council-mayor form of government. The City receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The council members and mayor are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibility. Based upon the application of these criteria the Louisa Swimming Pool and Louisa Water and Sewer have been included in the government’s reporting entity and their financial transactions have been blended with the primary government unit.

Basis of Presentation

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

The City has the following funds:

I. Governmental Fund Types

- A.) The General Fund is the main operating fund of the City. It accounts for financial resources used for public safety (police and fire), streets, sanitation, alcohol beverage control, and general administrative services. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- B.) Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments) that are legally restricted to expenditure for specified purposes. Special revenue funds for the year ended June 30, 2016 are considered nonmajor funds. The Youth Programs Fund was the only special revenue fund.
- C.) Capital project funds are used to account for financial resources to be used in the acquisition and construction of major capital facilities. Construction funds for the year ended June 30, 2016 are considered major funds.

II. Proprietary Fund Types (Enterprise Fund)

Louisa Water and Sewer and the Louisa Swimming Pool account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis is financed through user charges.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2016, to finance the General Fund operations were \$.235 per \$100 valuation for property, and \$.20 per \$100 valuation for motor vehicles.

The City also levies an insurance premium tax in the amount of 8% on all insurance premiums within City limits.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Capitalization Policy for the City is as follows:

- Land, land improvement, right of ways (easements) and buildings are capitalized regardless of cost.
- Infrastructure, works of art and historical treasures and intangible assets are capitalized if valued at \$50,000 and above. Infrastructure acquired prior to July 1, 2003 has not been accounted for as allowed by GASB No. 34.
- Equipment is capitalized if valued at \$1,000 and above.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Other	7-10 years

Interfund Balances

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

Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Sick pay does not vest with employees. If they don’t use it, they lose it.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The estimated current portion of the liability for vested vacation benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The entire estimated liability is estimated to be current. The amounts attributable to proprietary funds and similar component units are charged to expense and a corresponding liability in the applicable fund or component unit. The estimated liabilities include required salary-related payments.

Budgetary Process

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

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

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

Once the budget is approved, it can be amended.

Each budget is prepared and controlled by the City Clerk at the revenue and expenditure level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

Purchases of material and supplies, by governmental fund types, are recorded as expenditures when the liability is incurred. Inventories of these materials and supplies are not maintained and recorded as an asset since the amounts are immaterial.

Proprietary fund types maintain inventories, which are stated at cost. Cost is determined on the first-in, first-out (FIFO) basis. The Louisa Swimming Pool did not maintain inventory records since the amounts are immaterial.

Accrued Liabilities and Long-Term Obligations

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Balances

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

- Non-spendable – permanently nonspendable by decree of the donor, such as an endowment, or items, which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand.
- Restricted – legally restricted under federal or state law, bond authority, or grantor contract.
- Committed – commitments passed by the board.
- Assigned – funds assigned to management priority including issued encumbrances.
- Unassigned – funds available for future operations.

GASB statement 54 provides that when governments have not established a spending policy, the committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those classifications could be used.

Encumbrances are not liabilities and, therefore are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in governmental funds balance sheet. There were no open encumbrances at June 30, 2016.

Whenever a budget for the subsequent year is adopted where a portion of existing fund balance is included as a budgetary resource to eliminate a projected excess of expected expenditures over expected revenues, that portion of fund balance is considered assigned. The current year fund balance was not included as a budgetary resource in the subsequent year budget.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the sanitation fund and the Louisa swimming pool.

Contributions of Capital

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

Interfund Activity

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has only deferred outflows of resources that relate to pension plan reporting, see Note F.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The City has only deferred inflows of resources that relate to pension plan reporting, see Note F.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at

NOTE B – ESTIMATES – CONTINUED

the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City’s total cash and cash equivalents was \$1,279,591. Cash was secured by \$250,000 of Federal Depository Insurance, with an additional \$1,057,073 covered by collateral agreements and collateral held by the pledging banks’ trust departments in the City’s name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

	<u>Bank Balance</u>	<u>Book Balance</u>
Bank	\$ 1,307,073	\$ 1,278,552
Cash on hand		1,039
Total		<u>\$ 1,279,591</u>
Breakdown per financial statements:		
Governmental funds		\$ 302,424
Proprietary funds		<u>977,167</u>
Total		<u>\$ 1,279,591</u>

NOTE D – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, consisted of the following:

Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 386,521	\$ 4,597	\$ -	\$ 391,118
Construction in progress – water & sewer	<u>2,086,177</u>	<u>1,061,056</u>	-	<u>3,147,233</u>
Total capital assets, not being depreciated	<u>2,472,698</u>	<u>1,065,653</u>	-	<u>3,538,351</u>
Capital assets, being depreciated:				
Buildings and improvements	836,687	-	-	836,687
Infrastructure (streets)	103,630	-	-	103,630
Vehicles	1,522,382	4,912	114,212	1,413,082
Equipment	<u>383,099</u>	<u>34,018</u>	-	<u>417,117</u>
Total capital assets being depreciated	2,845,798	38,930	114,212	2,770,516

NOTE D - CAPITAL ASSETS - CONTINUED

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
Less accumulated depreciation for:				
Buildings and improvements	(394,502)	(22,726)	-	(417,228)
Infrastructure (streets)	(863)	(4,145)	-	(5,008)
Vehicles	(1,022,214)	(77,201)	(114,212)	(985,203)
Equipment	(299,471)	(20,966)	-	(320,437)
Total accumulated depreciation	<u>(1,717,050)</u>	<u>(125,038)</u>	<u>(114,212)</u>	<u>(1,727,876)</u>
Total capital assets being depreciated, net	<u>1,128,748</u>	<u>(86,108)</u>	<u>-</u>	<u>1,042,640</u>
Total capital assets, net	<u>\$3,601,446</u>	<u>\$ 979,545</u>	<u>\$ -</u>	<u>\$4,580,991</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 12,150
Public safety	85,949
Streets	9,656
Sanitation	<u>17,283</u>
	<u>\$ 125,038</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 202,452	\$ -	\$ -	\$ 202,452
Construction in progress	<u>19,827</u>	<u>9</u>	<u>-</u>	<u>19,836</u>
Total capital assets, not being depreciated	<u>222,279</u>	<u>9</u>	<u>-</u>	<u>222,288</u>
Capital assets, being depreciated:				
Water plant and equipment	14,166,584	-	-	14,166,584
Sewer plant and equipment	9,833,480	-	-	9,833,480
Swimming pool buildings	41,151	3,985	-	45,136
Swimming pool equipment	119,769	6,945	-	126,714
Office equipment	104,451	-	-	104,451
Trucks and equipment	<u>455,351</u>	<u>-</u>	<u>-</u>	<u>455,351</u>
Total capital assets being depreciated	<u>24,720,786</u>	<u>10,930</u>	<u>-</u>	<u>24,731,716</u>
Less accumulated depreciation for:				
Water plant and equipment	(4,439,983)	(276,472)	-	(4,716,455)
Sewer plant and equipment	(3,562,640)	(249,236)	-	(3,811,876)

NOTE D - CAPITAL ASSETS - CONTINUED

Business-Type Activities - Continued

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
Swimming pool buildings	(36,909)	(551)	-	(37,460)
Swimming pool equipment	(109,705)	(2,447)	-	(112,152)
Office equipment	(104,337)	(99)	-	(104,436)
Trucks and equipment	(398,778)	(13,038)	-	(411,816)
Total accumulated depreciation	<u>(8,652,352)</u>	<u>(541,843)</u>	<u>-</u>	<u>(9,194,195)</u>
Total capital assets being depreciated, net	<u>16,068,434</u>	<u>(530,913)</u>	<u>-</u>	<u>15,537,521</u>
Total capital assets, net	<u>\$16,290,713</u>	<u>\$ (530,904)</u>	<u>\$ -</u>	<u>\$15,759,809</u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 538,845
Swimming pool	<u>2,998</u>
	<u>\$ 541,843</u>

NOTE E – LONG – TERM DEBT

The City's long term debt at June 30, 2016 consisted of the following:

Governmental Activities

- 1) On May 3, 2008, the City borrowed \$100,000 from the Kentucky League of Cities for the City garage lot. The agreement provides for 181 monthly payments of variable amounts to be made beginning June 1, 2007 with final payment due on June 1, 2022. The debt bears variable interest with interest computed at .187% at June 15, 2013. The average payment is around \$700 per month.
- 2) On December 13, 2013, the City borrowed \$129,982 from BB&T Governmental Finance for a 2013 Freightliner garbage truck. The agreement provides for 60 monthly payments of \$2,290 to be made beginning January 13, 2014 with final payment due on December 13, 2019. The debt bears interest at 2.21%.

	<u>Amount</u> <u>Outstanding</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount</u> <u>Outstanding</u> <u>6/30/2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
BB&T (garbage truck)	\$ 92,483	\$ -	\$ (25,699)	\$ 66,784	\$ 26,272
Kentucky League of Cities (city garage lot)	<u>54,812</u>	<u>-</u>	<u>(6,235)</u>	<u>48,577</u>	<u>7,105</u>
Long-Term Debt	<u>\$ 147,295</u>	<u>\$ -</u>	<u>\$ (31,934)</u>	<u>\$ 115,361</u>	<u>\$ 33,377</u>

NOTE E – LONG – TERM DEBT - CONTINUED

Principal and interest payments to be made on all long-term debt at June 30, 2016, for each of the next five years and thereafter are as follows:

<u>Year Ending</u> <u>6/30</u>	<u>Notes</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u>
2017	\$ 33,377	\$ 33,377	\$ 3,094	\$ 36,471
2018	34,287	34,287	2,246	36,533
2019	21,422	21,422	1,437	22,859
2020	8,125	8,125	1,063	9,188
2021	8,501	8,501	765	9,266
2022-2023	9,649	9,649	371	10,020
	<u>\$ 115,361</u>	<u>\$ 115,361</u>	<u>\$ 8,976</u>	<u>\$124,337</u>

Business – Type Activities

	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>
Bonds:			
Water Revenue Bond, Series 1989 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	\$ 54,580	5.00%	01/2029
Water and Sewer Revenue Bond, Series 2002 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	804,000	3.25%	01/2042
Water and Sewer Revenue Bond, Series 2007 Issue. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	374,500	4.125%	01/2046
Public Projects Refunding and Improvement Revenue Bonds, Series 2010D. Principal installments due in January of each year, interest payable semi-annually in January and July of each year.	<u>510,000</u>	.8% to 4.2%	01/2025
	1,743,080		
Notes:			
Notes payable to Kentucky Infrastructure Authority for sewer upgrades, due in monthly installments of principal and interest. (C98-02)	145,000	2.25%	06/2022

NOTE E – LONG – TERM DEBT - CONTINUED

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Notes payable to Kentucky Infrastructure Authority for sewer upgrades, due in monthly installments of principal and interest. (A11-02)	890,076	1.00%	06/2034
Note payable to Kentucky Infrastructure Authority for water project upgrades, due in semi-annual installments of principal and interest, in June and December of each year. (F02-06)	1,546,137	1.00%	06/2024
Note payable to Kentucky Infrastructure Authority for sewer line project, due in semi-annual installments of principal and interest, in June and December of each year. (A209-10)	406,483	1.00%	12/2030
Note payable to Kentucky Infrastructure Authority for sewer and water interconnect project, due in semi-annual installments of principal and interest, in June and December of each year. (B08-07)	839,375	1.07%	06/2033
Note payable to Kentucky Infrastructure Authority for water improvement project, due in semi-annual installments of principal and interest, in June and December of each year. (F10-03)	1,458,026	1.00%	06/2033
	<u>5,285,097</u>		
	<u>\$7,028,177</u>		

	<u>Amount Outstanding 6/30/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2016</u>	<u>Amounts Due Within One Year</u>
Bond payable – 1989 issue	\$ 57,510	\$ -	\$ (2,930)	\$ 54,580	\$ 3,080
Bond payable – 2002 issue	823,500	-	(19,500)	804,000	20,000
Bond payable – 2007 issue	380,500	-	(6,000)	374,500	6,000
Bond payable – 2010D issue	620,000	-	(110,000)	510,000	110,000
Note payable – KIA (C98-02)	165,000	-	(20,000)	145,000	20,000
Note payable – KIA (A11-02)	934,994	-	(44,918)	890,076	45,368
Note payable – KIA (F02-06)	1,730,872	-	(184,735)	1,546,137	186,587
Note payable – KIA (A209-10)	432,408	-	(25,925)	406,483	26,185
Note payable – KIA (B08-07)	884,167	-	(44,792)	839,375	45,273
Note payable – KIA (F10-03)	1,536,335	-	(78,309)	1,458,026	79,094
Long-Term Debt	<u>\$7,565,286</u>	<u>\$ -</u>	<u>\$ (537,109)</u>	<u>\$7,028,177</u>	<u>\$ 541,587</u>

NOTE E – LONG – TERM DEBT - CONTINUED

Principal and interest payments to be made on all long-term debt at June 30, 2016, for each of the next five years and thereafter are as follows:

<u>Year Ending</u> <u>6/30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u>
2017	\$ 139,080	\$ 402,507	\$ 541,587	\$ 124,167	\$ 665,754
2018	140,240	406,373	546,613	114,837	661,450
2019	66,390	415,279	481,669	106,424	588,093
2020	72,570	419,224	491,794	98,628	590,422
2021	74,240	423,209	497,449	90,614	588,063
2022-2026	364,220	1,676,044	2,040,264	336,109	2,376,373
2027-2031	215,840	1,091,326	1,307,166	207,022	1,514,188
2032-2036	238,000	451,135	689,135	111,680	800,815
2037-2041	284,500	-	284,500	59,044	343,544
2042-2046	148,000	-	148,000	14,377	162,377
	<u>\$1,743,080</u>	<u>\$5,285,097</u>	<u>\$7,028,177</u>	<u>\$1,262,902</u>	<u>\$8,291,079</u>

NOTE F – DEFINED PENSION

General Information about the Pension Plan

Plan Description

Employees of the City of Louisa, Kentucky are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the County Employee’s Retirement System. Section 61.645 of the Kentucky Revised Statutes grants to CERS Board of Trustees and the Kentucky Legislature the authority to review administration, benefit terms, investments, and funding of the plan. The plan, created under Kentucky Revised Statute (KRS) 78.520, provides for retirement, disability, and death benefits to plan members. CERS issues a publicly available financial report that can be obtained at kyret.ky.gov.

Benefits Provided

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age

NOTE F - DEFINED PENSION (Continued)

Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	Not available

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

Contributions

Per State Statutes, contribution requirements of the active employees are established and may be amended by the CERS Board. Employees hired before 9/1/08 are required to contribute 5.00 percent of their annual pay and employees hired after 9/1/08 are required to contribute 6.00 percent of their annual pay. The City's contractually required contribution rate for the year ended June 30, 2016, was 17.06 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$173,421 for the year ended June 30, 2016.

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

At June 30, 2016, the City reported a liability of \$1,779,668 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion was 0.041 percent, which was a decrease of 0.002 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$232,357. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE F - DEFINED PENSION (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,790	\$ -
Changes of assumptions	179,460	-
Net difference between projected and actual earnings on pension plan investments	15,953	-
Changes in proportion and differences between City contributions and proportionate share of contributions	35,359	76,606
City contributions subsequent to the measurement date	<u>173,421</u>	<u>-</u>
Total	<u>\$ 418,983</u>	<u>\$ 76,606</u>

\$173,421 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 61,378
2018	61,379
2019	23,459
2020	22,740
2021	-
Thereafter	-

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2015 are as follows:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

NOTE F - DEFINED PENSION (Continued)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

Projected future benefits for all current plan members were projected through 2117.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Real Estate	5%	4.50%
Combined Fixed Income	19%	1.50%
Cash	2%	(0.25)%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate.

NOTE F - DEFINED PENSION (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the Net Pension Liability using the discount rate of 7.50%, as well as what the City’s proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	<u>1.0% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1.0% Increase (8.50%)</u>
City’s proportionate share of the net pension liability	\$2,271,957	\$1,779,668	\$1,358,051

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued KRS 2015 Comprehensive Annual Financial Report at kyret.ky.gov.

Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$19,287 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE G – COMMITMENTS

The City has the Rt 32 and the Ky 2565/Ky 2563/CR 1519 intersect utility relocation construction projects in progress. The projects are funded by a \$1,593,680 and a \$287,000 Kentucky Transportation Cabinet Utility Relocation Keep Cost Agreement.

NOTE H – CONTINGENCIES

The City receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

NOTE I – LITIGATION

The City is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Administration officials and legal council do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in process.

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the City at risk for a substantial loss (contingency).

NOTE L – DEFICIT OPERATING BALANCES

The Construction Fund has a deficit fund balance of \$101,992 at June 30, 2016. The deficit will be eliminated with future grant and loan proceeds.

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Swimming Pool	Expenses	\$5,867

NOTE N – CAPITAL LEASES

The City entered into lease agreements on February 1, 2014 and February 1, 2015 with Magnolia Bank and February 28, 2014 with the Kentucky Bond Corporation. The lease agreements qualify as capital leases for accounting purposes, therefore they have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2017	\$ 41,186
2018	32,333
2019	23,525
2020	23,125
2021	22,725
2022-2026	<u>84,975</u>
Total minimum lease payments	227,869
Less amount representing interest	<u>(23,530)</u>
Present value of net minimum lease payments	<u>\$ 204,339</u>

NOTE N – CAPITAL LEASES - CONTINUED

Following is a summary of the property held by the City under the capital lease at June 30, 2016:

	<u>Governmental Activities</u>
Fire trucks (Kentucky Bond Corporation)	\$ 235,998
Police vehicle (Magnolia Bank)	63,587
Less accumulated depreciation	<u>(79,436)</u>
	<u>\$ 220,149</u>

	<u>Amount Outstanding 6/30/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2016</u>	<u>Amounts Due Within One Year</u>
Governmental activities leases	\$ 239,831	\$ -	\$ (35,492)	\$ 204,339	\$ 36,124

NOTE O – SUBSEQUENT EVENTS

Management has evaluated and has not recognized any subsequent events through February 7, 2017, the date the financial statements were available to be issued.

AUDITOR'S REPORTS



WELLS & COMPANY, P.S.C.

Certified Public Accountants

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

The Honorable Harold Slone, Mayor
Members of the City Council
City of Louisa, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Louisa, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Louisa, Kentucky's basic financial statements and have issued our report thereon dated February 7, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in 2016-001 below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

2016-001 Segregation of Duties

Condition: Presently, the City has an absence of appropriate segregation of duties consistent with appropriate internal control objectives.

Criteria: The City should have appropriate segregation of duties to provide reasonable assurance that the safeguarding of assets and financial records be maximized.

Cause of Condition: Due to its small size and budget restrictions the City has limited options for establishing an adequate segregation of duties.

Recommendation: Mayor and City Council should continue its strong oversight.

Management Comment: Management of the City concurs with the finding and will continue strong oversight.

Compliance and Other Matters

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

City of Louisa, Kentucky's Response to Findings

The City of Louisa, Kentucky's response to the findings identified in our audit is described above. The City of Louisa, Kentucky's response was not subjected to the auditing procedures applied in the audit of the 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.

Wells & Company, PSC

Certified Public Accountants
Paintsville, Kentucky
February 7, 2017

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LOUISA, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 364,770	\$ 364,770	\$ 357,980	\$ (6,790)
Motor vehicle tax	23,900	23,900	25,119	1,219
Taxes on insurance premiums	330,000	330,000	315,086	(14,914)
Occupational licenses	12,500	12,500	12,762	262
Franchise fees	40,649	40,649	45,501	4,852
Telecommunication tax	5,724	5,724	5,938	214
ABC fees	128,650	128,650	92,634	(36,016)
Law enforcement fees	8,200	8,200	8,255	55
Municipal road aid	60,000	60,000	52,982	(7,018)
Police incentive	18,600	18,600	21,773	3,173
Fire state aid	8,250	8,250	8,250	-
Coal and mineral severance	177,000	177,000	74,961	(102,039)
Other grants	17,567	49,298	39,606	(9,692)
Sanitation fees	360,000	411,596	355,277	(56,319)
Fire district contract	29,400	29,400	29,480	80
Arrest fees	2,250	2,250	1,930	(320)
Interest	145	145	190	45
Rent	7,000	7,000	7,450	450
Fines and forfeits	100	100	100	-
Donations	-	300	6,960	6,660
Other receipts	103,000	122,000	28,067	(93,933)
Total Revenues	<u>1,697,705</u>	<u>1,800,332</u>	<u>1,490,301</u>	<u>(310,031)</u>
Expenditures:				
General government:				
Salaries and wages	73,871	73,871	75,349	(1,478)
Payroll taxes	5,772	5,772	5,723	49
Retirement	12,091	12,091	10,962	1,129
Life and health insurance	46,030	46,030	42,171	3,859
Insurance	10,750	9,813	9,582	231
Advertising and printing	3,000	4,782	4,373	409
Professional fees	24,700	29,550	30,077	(527)
Repairs and maintenance	96,903	96,903	2,449	94,454
Utilities and communications	12,500	12,500	11,455	1,045
Other contractual services	8,500	13,500	15,646	(2,146)
Community center expenses	5,000	5,000	9,460	(4,460)
Materials and supplies	15,800	15,800	5,849	9,951
Other expenses	19,827	60,878	38,479	22,399
Capital outlays	13,937	13,937	13,937	-
Total General Government	<u>348,681</u>	<u>400,427</u>	<u>275,512</u>	<u>124,915</u>

CITY OF LOUISA, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police:				
Salaries and wages	224,249	224,249	234,445	(10,196)
Payroll taxes	15,841	15,841	17,471	(1,630)
Retirement	33,876	33,876	42,691	(8,815)
Life and health insurance	69,217	69,217	42,481	26,736
Insurance	20,500	16,183	14,674	1,509
Advertising and printing	250	250	-	250
Professional fees	250	250	15	235
Repairs and maintenance	5,500	5,500	7,949	(2,449)
Utilities and communications	6,500	6,500	5,734	766
Other contractual services	1,000	1,000	-	1,000
Materials and supplies	32,800	32,800	17,129	15,671
Other expenses	13,700	13,700	5,665	8,035
Debt service:				
Interest expense	6,508	6,508	1,368	5,140
Principal retirement	15,492	15,492	15,492	-
Capital outlays	4,500	4,500	4,500	-
Total Police	<u>450,183</u>	<u>445,866</u>	<u>409,614</u>	<u>36,252</u>
Fire:				
Salaries and wages	11,694	11,694	9,080	2,614
Payroll taxes	937	937	863	74
Life and health insurance	-	-	19	(19)
Insurance	20,675	20,675	23,610	(2,935)
Repairs and maintenance	9,000	9,000	8,008	992
Utilities and communications	19,000	19,000	10,652	8,348
Other contractual services	800	800	250	550
Materials and supplies	20,400	20,550	12,414	8,136
Other expenses	55,890	56,040	38,386	17,654
Debt service:				
Interest expense	5,488	5,488	5,675	(187)
Principal retirement	20,000	20,000	20,000	-
Capital outlays	3,000	3,000	4,228	(1,228)
Total Fire	<u>166,884</u>	<u>167,184</u>	<u>133,185</u>	<u>33,999</u>
Street:				
Salaries and wages	92,003	92,003	104,864	(12,861)
Payroll taxes	5,307	5,307	8,159	(2,852)
Retirement	11,205	11,205	16,524	(5,319)
Life and health insurance	46,145	46,145	30,842	15,303
Insurance	9,000	8,700	9,359	(659)

CITY OF LOUISA, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Repairs and maintenance	5,500	5,500	3,549	1,951
Utilities and communications	57,000	57,000	57,191	(191)
Other contractual services	3,000	5,364	5,364	-
Materials and supplies	20,000	39,509	37,651	1,858
Other expenses	16,100	16,100	11,215	4,885
Debt service:				
Interest expense	1,082	1,082	801	281
Principal retirement	3,118	3,118	3,118	-
Capital outlays	-	17,513	15,950	1,563
Total Street	<u>269,460</u>	<u>308,546</u>	<u>304,587</u>	<u>3,959</u>
Sanitation:				
Salaries and wages	100,368	100,368	96,912	3,456
Payroll taxes	8,003	8,003	7,313	690
Retirement	17,123	17,123	15,772	1,351
Life and health insurance	46,145	46,145	37,730	8,415
Insurance	23,600	19,889	16,383	3,506
Repairs and maintenance	10,000	10,000	11,196	(1,196)
Utilities and communications	3,063	3,063	1,384	1,679
Other contractual services	70,000	70,000	67,880	2,120
Materials and supplies	44,000	44,000	29,886	14,114
Other expenses	1,000	1,000	8,353	(7,353)
Debt service:				
Interest expense	17,884	17,884	2,586	15,298
Principal retirement	28,816	28,816	28,816	-
Total Sanitation	<u>370,002</u>	<u>366,291</u>	<u>324,211</u>	<u>42,080</u>
Alcohol Beverage Control:				
Salaries and wages	30,254	30,254	30,981	(727)
Payroll taxes	2,764	2,764	2,348	416
Retirement	5,161	5,161	1,072	4,089
Life and health insurance	11,536	11,536	10,688	848
Insurance	3,400	785	385	400
Repairs and maintenance	2,000	2,000	45	1,955
Utilities and communications	1,000	1,000	628	372
Other contractual services	-	-	-	-
Materials and supplies	4,200	4,200	1,846	2,354
Other expenses	1,500	1,500	4,597	(3,097)
Capital outlays	20,000	20,000	4,912	15,088
Total Alcohol Beverage Control	<u>81,815</u>	<u>79,200</u>	<u>57,502</u>	<u>21,698</u>
Total Expenditures	<u>1,687,025</u>	<u>1,767,514</u>	<u>1,504,611</u>	<u>241,205</u>

CITY OF LOUISA, KENTUCKY
 BUDGETARY COMPARISON SCHEDULE (continued)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources/(Uses):				
Proceeds from sale of capital assets	-	-	4,144	4,144
Proceeds from insurance	-	-	3,500	3,500
Transfers out	<u>(32,470)</u>	<u>(32,718)</u>	<u>(5,867)</u>	<u>26,851</u>
Total Other Financing Uses	<u>(32,470)</u>	<u>(32,718)</u>	<u>1,777</u>	<u>34,495</u>
Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	<u>\$ (21,790)</u>	<u>\$ 100</u>	(12,533)	<u>\$ (12,633)</u>
Fund balance - beginning			<u>502,931</u>	
Fund balance - ending			<u>\$ 490,398</u>	

**CITY OF LOUISA, KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY (CERS)
 JUNE 30, 2016**

	<u>6/30/2015</u>	<u>6/30/2016</u>
City's proportion of the net pension liability (asset)	0.042992%	0.041392%
City's proportionate share of the net pension liability (asset)	\$ 1,394,000	\$ 1,779,668
City's covered-employee payroll	\$ 965,733	\$ 1,016,536
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	144.35%	175.07%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF LOUISA, KENTUCKY
 SCHEDULE OF CITY CONTRIBUTIONS (CERS)
 JUNE 30, 2016**

	<u>6/30/2015</u>	<u>6/30/2016</u>
Contractually required contribution	\$ 170,645	\$ 173,421
Contributions in relation to the contractually required contribution	<u>170,645</u>	<u>173,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 965,733	\$ 1,016,536
Contributions as a percentage of covered-employee payroll	17.67%	17.06%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTE A – CHANGES OF BENEFIT TERMS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

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

NOTE B – CHANGES OF ASSUMPTIONS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	3.25 percent
Salary increase	4.00, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

SUPPLEMENTAL AND OTHER INFORMATION

CITY OF LOUISA, KENTUCKY
 SCHEDULE OF OPERATING EXPENSES
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Swimming Pool</u>	<u>Total</u>
Salaries and wages	\$ 375,520	\$ 135,228	\$ 18,385	\$ 529,133
Payroll taxes	28,192	10,494	1,340	40,026
Employee benefits	175,746	65,641	-	241,387
Insurance	30,121	30,840	649	61,610
Lab tests	15,858	13,593	-	29,451
Legal and professional	23,056	37,686	-	60,742
Materials and supplies	240,805	27,953	9,482	278,240
Miscellaneous	43,833	20,482	7,152	71,467
Office expense	18,394	8,699	-	27,093
Repairs and maintenance	174,826	104,372	7,417	286,615
Taxes	5,772	3,717	-	9,489
Telephone	3,385	3,279	175	6,839
Truck expense	36,024	8,153	-	44,177
Utilities	194,434	122,555	4,059	321,048
Depreciation	281,024	257,822	2,998	541,844
TOTAL OPERATING EXPENSES	<u><u>\$ 1,646,990</u></u>	<u><u>\$ 850,514</u></u>	<u><u>\$ 51,657</u></u>	<u><u>\$2,549,161</u></u>