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ROBERT G. ZWEIGART *
M. SUSAN BRAMMER
STEVEN R. ZWEIGART
W. KELLY CAUDILL
* ADMITTED TO OHIO BAR

EUGENE C. ROYSE (1907 - 1990)
CHARLES L. KIRK (1942 - 1991)

4 November 2004

RECEIVED
NOV 05 2004
PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

Dear Ms. O'Donnell

RE: In the Matter of the Joint Application of Southern Mason
Water District and the City of Maysville for an Order
Authorizing Transfer of Utility Assets Pursuant to
KRS 278.020(5) and (6)
Case No. 2004-00384

Enclosed for filing please find the original and 12 copies of the Joint Application. Please return a date stamped copy of the Application to us.

Please call if you have any questions.

Sincerely



M: Susan Brammer

sgm

Enclosures

RECEIVED

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

NOV 05 2004

**PUBLIC SERVICE
COMMISSION**

**IN THE MATTER OF THE JOINT APPLICATION)
OF SOUTHERN MASON WATER DISTRICT AND)
THE CITY OF MAYSVILLE FOR AN ORDER)
AUTHORIZING THE TRANSFER OF UTILITY)
ASSETS PURSUANT TO KRS 278.020(5) AND (6))**

CASE NO. 2004-00384

APPLICATION

The Applicants, Southern Mason Water District (“**Southern Mason**”), acting by and through its duly appointed Commission as its authorized governing body, and the City of Maysville (“**Maysville**”), a third class city, acting by and through its City Commission as its authorized governing body, jointly tender this Application and request that the Public Service Commission enter its Order authorizing and approving the acquisition by Maysville of Southern Mason’s system and all of its other assets, as hereinafter provided. In support of this Application, Applicants state as follow:

1. Southern Mason is a statutory water district created and organized pursuant to the provision of Chapter 74 of the Kentucky Revised Statutes by Order of the Mason County Court duly entered June 27, 1960, which Order established the original territorial boundaries of the district in Mason County, Kentucky. A copy of Order is attached hereto and incorporated herein by reference as **EXHIBIT A**. The present members and officers of the commission of the district are as follows: Martin Halleran, Chairman; Roy Fritz, Secretary; and Elza Whalen. The post office address is 5000 Wilson Avenue, May’s Lick, Kentucky 41055. A map reflecting Southern Mason’s water service area is attached hereto and incorporated herein by reference as **EXHIBIT B**.

2. Since its creation in 1960, Southern Mason has constructed and expanded, pursuant to proper proceedings before and orders of the Public Service Commission, a water distribution system within its territorial boundaries for the use and benefit of the residents of such service area, the necessary funds to pay for the cost of such construction and expansion having been provided (to the extent not otherwise provided by other funds of Southern Mason) by revenue bonds issued by the District and described as follows: \$535,000 Water System Revenue Bonds, Series 1992 sold to Farmers Home Administration (now Rural Development).

3. Southern Mason is regulated by the Public Service Commission, and all tariffs, annual reports, records, and proceedings of the Public Service Commission dealing with Southern Mason are incorporated in this Application by reference for a description of Southern Mason's water system, operations, and its long term debt.

4. Maysville is a Kentucky municipal corporation with its principal office located 216 Bridge Street, Maysville, Kentucky 41056. Maysville is governed by a city commission and operated under the city manager plan of government, as set forth in KRS Chapter 83A. Maysville Utility Commission has been and is being operated and owned as a revenue producing public project. The system has been added to, extended and improved from time to time, by application of proceeds of certain revenue bonds issued by Maysville, federal grants and other funds available to Maysville for such purposes. The outstanding revenue bonds are \$3,710,000 City of Maysville, Kentucky, Water and Sewer Revenue Bonds, Series 2002. Maysville also has a \$10,220,207 note to Kentucky Infrastructure Authority for the sewer plant.

5. Maysville presently has 6,686 water customers. Southern Mason has approximately 600 water customers. A copy of the water rates currently being charged by Maysville is attached hereto and incorporated herein by reference as **EXHIBIT C**. A copy of the water rates currently

being charged by Southern Mason is attached hereto and incorporated herein by reference as **EXHIBIT D.**

6. Southern Mason and Maysville have entered into a Purchase Agreement (“**Agreement**”), a copy of which is attached hereto and incorporated herein by reference as **EXHIBIT E.**

7. Pursuant to KRS 278.020(5) and (6), the proposed transfer of assets contemplated in the Agreement (“**Proposed Transaction**”) must be approved by this Commission.

8. Notice of the Proposed Transaction was published in the Ledger-Independent on October 22, 2004, and on October 29, 2004. The Notice will also be published the week of November 1, 2004. Copies of the published Notices are attached hereto and incorporated herein by reference as **EXHIBIT F.**

9. In addition, notice has been given to Western-Lewis Rectorville Water District, Buffalo Trace Water District, and Western-Mason Water District by mailing letters to these districts on October 21, 2004. Copies of the letters are attached hereto and incorporated herein by reference as **EXHIBITS G, H, and I.**

10. The Proposed Transaction has received coverage in the local press. A copy of the story from the Ledger-Independent is attached hereto and incorporated herein by reference as **EXHIBIT J.**

Factors for Consideration under KRS 278.020(5)

Financial Ability

11. Maysville’s financial condition is such that Maysville is financially able to operate water services as contemplated in the Agreement.

12. Maysville had operated the Maysville Utility Commission since 1963.

13. During the 2001, 2002, and 2003 fiscal years ending on June 30, the net income for the Maysville Utility Commission has been \$519,224, (\$2,056,333), and \$668,400, respectively. Retained earnings for the Maysville Utility Commission total \$8,436,676 as of June 30, 2003, and the cash on hand as of June 30, 2003, totals \$4,732,755. Copies of the Maysville Utility Commission's financial statements for fiscal years 2001, 2002, and 2003 are attached hereto and incorporated herein by reference as **EXHIBITS K, L, and M**. The loss in 2002 resulted from loss on disposition of property of \$2,563,522 as detailed on page 38 of the audit report attached hereto as **EXHIBIT N**.

14. Paragraph 5 of the Agreement specifies that the only full-time employee of Southern Mason will be offered employment with the Maysville Utility Commission.

15. Maysville anticipates enacting a bond ordinance ("**Ordinance**"). Under the terms of the bond ordinance or as otherwise required by the bond's underwriter, the cash flow from Maysville Utility Commission will be obligated to be used for servicing the debts of Southern Mason, subordinate to bond payments on the outstanding bond issues of Maysville.

16. In light of (a) Maysville's financial resources, (b) the financial strength of the Maysville Utility Commission, and (c) the financial covenants imposed by the proposed bond ordinance, Maysville had the financial ability to provide reasonable service as required by KRS 278.020(5).

Technical Abilities

17. Maysville Utility Commission has 30 employees who have the technical expertise to operate the utility system. In addition, Southern Mason's full-time employee will have the opportunity to continue his employment with Maysville Utility Commission.

18. In light of (a) the continuity of employment of the employee familiar with the

technical and operational issues associated with the water system, and (b) the added technical and operational expertise of the Maysville Utility Commission employees, Maysville has the technical ability to provide reasonable services as provided by KRS 278.020(5).

Managerial Abilities

19. Maysville Utility Commission has 30 full-time employees who operate their system. In addition, the employee of Southern Mason has the opportunity to continue his employment with Maysville Utility Commission.

20. In light of the continuity of employment of the employee familiar with the managerial duties associated with Southern Mason's water system and the added managerial expertise of the Maysville Utility Commission employees, Maysville has the managerial ability to provide reasonable services as required by KRS 278.020(5).

The Public Interest Analysis under KRS 278.020(6)

Effect on Service or Rates

21. Maysville intends to continue the good service heretofore provided by Southern Mason.

22. As specified above, Maysville anticipates retaining the employee who currently operates Southern Mason's water system.

23. As a result of this continuity of employment and Maysville's financial, technical, and managerial abilities as set forth above, the public interest will be served by the proposed transaction in as much as there will be no adverse affect on existing service.

24. Maysville has agreed in the Purchase Agreement to maintain the current water rate for five years from the closing date of acquisition of Southern Mason.

25. As a result of the agreement to retain prices, there will be no adverse affect on rates.

Benefits to the Public

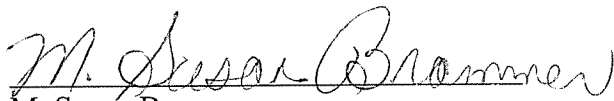
26. Customer service will be improved as a consequence of Maysville having several employees to maintain the system and do repair work.

27. Maysville has a 24 hour emergency dispatch center to report on service problems, such as water main breaks.

28. The proposed transaction permits the continued employment of Southern Mason's current full time employee.

WHEREFORE, in as much as the Applicants have shown that (a) Maysville has the requisite financial, technical, and managerial ability to operate the water system; and (b) the public interest will be served by the consummation of the proposed transaction, the Applicants ask the Public Service Commission and the Commonwealth of Kentucky to enter an Order authorizing the Applicants to transfer the assets pursuant to the terms of this Agreement.

2 November 2004.



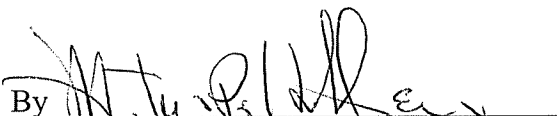
M. Susan Brammer
Maysville City Attorney
ROYSE, ZWEIGART, KIRK, BRAMMER & CAUDILL
215 Stanley Reed Court
Maysville, Kentucky 41056
(606) 564-4012

Verification

We hereby verify that the information set forth above is true to the best of our knowledge and belief.

SOUTHERN MASON WATER DISTRICT

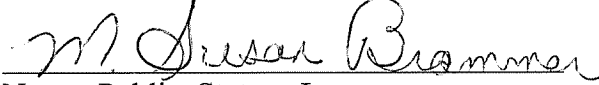
CITY OF MAYSVILLE, KENTUCKY

By 
Martin G. Halloran, Chairman

By 
David W. Cartmell, Mayor


COMMONWEALTH OF KENTUCKY
COUNTY OF MASON

The foregoing Application was sworn and subscribed to before me by Martin G. Halloran as Chairman for and on behalf of Southern Mason Water District, this 2 November 2004.


Notary Public, State at Large
My commission expires 5/10/08.

COMMONWEALTH OF KENTUCKY
COUNTY OF MASON

The foregoing Application was sworn and subscribed to before me by David W. Cartmell, as Mayor for and on behalf of City of Maysville, Kentucky, this 3 November 2004.


Notary Public, State at Large
My commission expires 8-12-08.

EXHIBITS

Exhibit A	Order creating Southern Mason
Exhibit B	Southern Mason's water service area
Exhibit C	Maysville water rates
Exhibit D	Southern Mason water rates
Exhibit E	Purchase agreement
Exhibit F	Notices
Exhibit G	Letter to Western-Lewis Rectorville Water District
Exhibit H	Letter to Buffalo Trace Water District
Exhibit I	Letter to Western-Mason Water District
Exhibit J	Newspaper story
Exhibit K	City financial statement 2001
Exhibit L	City financial statement 2002
Exhibit M	City financial statement 2003
Exhibit N	Page 38 of 2002 audit report

Order Bk 11 - Pg. 534A & 535A

Monday Morning, June 27, 1960
Court met pursuant to adjournment
Present: John P. Loyd, Judge

STATE OF KENTUCKY
MASON COUNTY COURT
June 27, 1960

IN THE MATTER OF

THE SOUTHERN MASON COUNTY WATER DISTRICT

ORDER CREATING DISTRICT

It appearing to the Court upon hearing on this date in the above styled matter, that a petition in writing has been made to this Court for the establishment and creation of a Water District to include the premises more fully described hereafter, said petition being signed by more than seventy-five freeholders thereof and it appearing that notice of the filing of said petition given by publication as required by law, and it further appearing that the establishment of the Water District is necessary to the public health, convenience, fire protection and comfort to the residents of the proposed Water District

NOW, THEREFORE, it is ordered and adjudged that the establishment of the proposed Water District is necessary for the public health, convenience, fire protection and comfort of the residents of the proposed district, and it is further ordered that a Water District, known as The Southern Mason County Water District, be and is hereby created and established, consisting of the following property:

All that land lying in the southern part of Mason County, and more particularly described as follows:

Beginning at the intersection of U. S. Highway No. 68 and the North Fork of Licking River; thence, due East one mile; thence due South one mile; thence due East one mile; thence in a Southeast direction one-half mile, more or less, to North Fork of Licking River to mouth of Mill Creek; thence with Mill Creek to L & N Railroad; thence with L & N Railroad 1.8 miles; thence due East 2.5 miles; thence due South to the Fleming County line; thence with the Fleming County line to the intersection of the Fleming County line and the Robertson County line; thence in a northerly direction, with the Robertson County line to the center of the North Fork of Licking River; thence, in an easterly direction, to the point of beginning.

John P. Loyd
JUDGE, MASON COUNTY COURT
6-27-60

STATE OF KENTUCKY
MASON COUNTY COURT
June 27, 1960

EXHIBIT A

IN THE MATTER OF
THE SOUTHERN MASON COUNTY WATER DISTRICT
ORDER OF APPOINTMENT OF
COMMISSIONERS

The Southern Mason County Water District having been established by County Court this 27th day of June, 1960, this Court does hereby appoint under the provisions of KRS 74.020, three water district commissioners, all of whom are no residents of the said Water District, the names, addresses and length of terms of these Commissioners of the District being as follows:

each of the above commissioners shall receive an annual salary of Hundred Dollars to be paid only from funds of the said Water District.

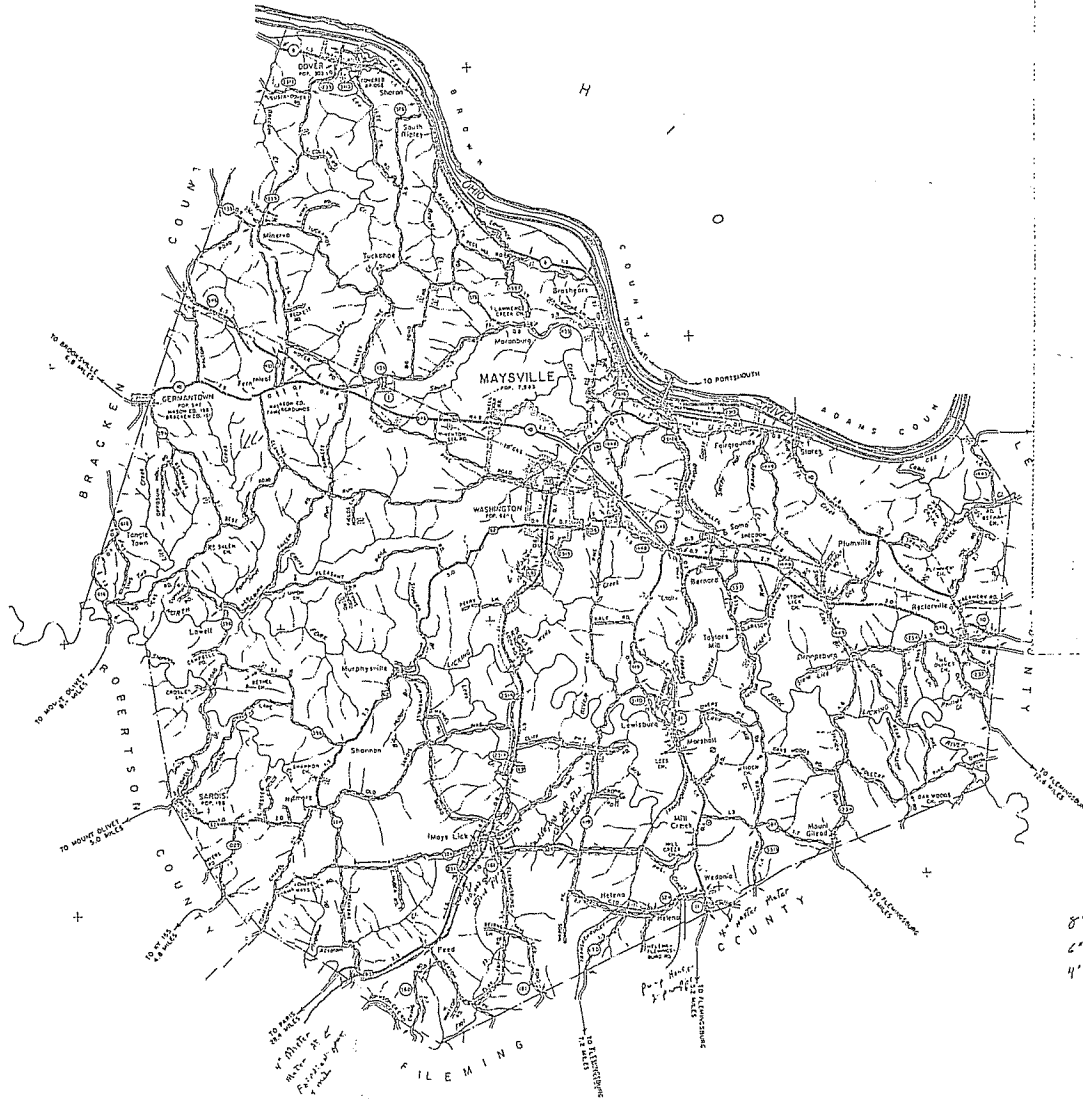
Each commissioner shall execute bond in the amount of One Hundred Dollars, said bond to be approved by this Court and shall be sworn to faithfully perform duties of his position.

- John P. Loyd
JUDGE, MASON COUNTY COURT

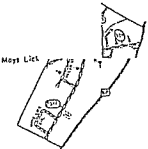
Ordered that Court be adjourned

6-27-60

John P. Loyd
6-27-60 DAT



8" - orange
 2" - blue
 4" - RD



1990 EDITION
 GENERAL HIGHWAY MAP
MASON COUNTY
 KENTUCKY

PREPARED BY THE
 KENTUCKY TRANSPORTATION CABINET
 DEPARTMENT OF HIGHWAYS
 DIVISION OF PLANNING
 IN COOPERATION WITH THE

LEGEND

	INTERSTATE HIGHWAY		STATE ROUTE		AIRPORT
	UNITED STATES HIGHWAY		COUNTY ROAD		FERRY
	KENTUCKY HIGHWAY		SCHOOL		CEMETERY
	EXPRESSWAY		CHURCH		GAS STATION
	LIMITED ACCESS HIGHWAY		POST OFFICE		TELEPHONE BOOTH
	BYPASS HIGHWAY		FIRE STATION		BUS STOP
	INTERCHANGE		POLICE STATION		TRAIN STATION
	OVERPASS		JAIL		SCHOOL BUS STOP
	UNDERPASS		COURT HOUSE		TRANSFER STATION
	BRIDGE		CITY HALL		SEWER PLANT
	TUNNEL		WATER TOWER		LANDFILL
	CULVERT		PUBLIC WORKS BUILDING		INCINERATOR
	DAM		FIRE DEPARTMENT		RECYCLING PLANT
	LOCK		POLICE DEPARTMENT		WATER TREATMENT PLANT
	WEIR		SHERIFF'S OFFICE		SEWER TREATMENT PLANT
	SLUICeway		HEALTH DEPARTMENT		LANDFILL
	DAM		PLANNING DEPARTMENT		LANDFILL
	LOCK		PUBLIC WORKS DEPARTMENT		LANDFILL
	WEIR		POLICE DEPARTMENT		LANDFILL
	SLUICeway		SHERIFF'S OFFICE		LANDFILL

EXHIBIT B

WATER AND SEWER RATES

In accordance with Maysville City Commission Ordinance Number 94C-69 the following are the Water and Sewer Rates for the territory served by the Maysville Utility Commission, effective on the readings in July 1, 1998 and payable in August, 1998.

CLASSIFICATION OF SERVICE

First 1,000 Gallons per month	@ \$ 5.91 per 1,000 gallons
Next 3,000 Gallons per month	@ \$ 2.96 per 1,000 gallons
Next 6,000 Gallons per month	@ \$ 2.52 per 1,000 gallons
Next 40,000 Gallons per month.....	@ \$ 1.93 per 1,000 gallons
Over 50,000 Gallons per month	@ \$ 1.18 per 1,000 gallons

All metered Water must go through rate schedule steps.
 Charge for Sanitary Sewer Service \$ 4.72 per 1,000 gallons flat rate fee, (Feb. 1, 1999).
 Surcharge of 25% of Water Bill to all Customers outside City Limits.
 A 25% Surcharge added to all Multi-family Apartments (Four or more) with one master meter.

The Industrial Recovery Cost shall be added to the above schedule based upon calculated extra cost for treatment of industrial sewage, of not less than \$0.05 per 1,000 gallons.

A penalty of 5% on all bills will be charged if not paid by the 15th of the following month.

MINIMUM CHARGE

5/8" Meter..(1,000 gallons).....	\$ 5.91 per month
1" Meter . (4,000 gallons).....	\$ 14.74 per month
1½" Meter . (17,000 gallons).....	\$ 44.24 per month
2" Meter ... (33,000 gallons).....	\$ 73.72 per month
3" Meter ... (60,000 gallons).....	\$ 117.96 per month
4" Meter....(98,000 gallons).....	\$ 147.47 per month
6" Meter....(211,000 gallons).....	\$ 294.93 per month

PRIVATE FIRE PROTECTION

For 2½" connection for fire use	\$ 181.00 plus taxes
For 4" connection for fire use	\$ 248.60 plus taxes
For 6" connection for fire use	\$ 368.50 plus taxes
For 8" connection for fire use	\$ 616.00 plus taxes
For 10" connection for fire use	\$ 924.00 plus taxes

All bills for Private Fire Protection Service are payable, in advance, on October 1 each year.

Public Fire Protection

Six Dollars and Sixty cents (\$6.60) per plug per month for all Public Fire Hydrants in excess of 97.

EXHIBIT C

Southern Mason Water District Rates

First 1,000 gallons	\$11.69 minimum bill
Next 4,000 gallons	5.47 per 1,000 gallons
Next 5,000 gallons	4.73 per 1,000 gallons
Over 10,000 gallons	4.03 per 1,000 gallons

Other charges include:

Ten percent penalty if bill is not paid after 10th day of receipt.

Reconnection Fee:	\$25.00
Return Check Fee:	17.50
Meter test at customer's request	15.00
Tap Fees:	
3/4 inch meter	425.00
1 inch meter	505.00

PURCHASE AGREEMENT

THIS AGREEMENT made as of 10 September 2004 by and between the Maysville Utility Commission (hereinafter "Commission") and the Southern Mason Water District (hereinafter "District"),

WITNESSETH, that in consideration of the mutual promises and undertakings hereinafter recited, the District agrees to sell, transfer, and assign, and the Commission agrees to purchase and assume the assets and liabilities of the District as hereinafter provided, upon the following terms and conditions:

(1) **PURCHASED ASSETS** The assets hereby sold and transferred by the District and purchased by the Commission consist of the District's entire water distribution system, including but not limited to water mains and laterals, easements and rights-of-way, system facilities and properties, inventories of parts, supplies and tools, cash deposits, accounts receivable and prepaid insurance. Specific assets existing as of 31 December 2003 as listed in the District Audit Report dated April 28, 2004; but said schedule shall not be deemed to limit or omit in any way the parties' intent that this Agreement shall include all assets of the District of whatever nature and wherever located. The only changes in such assets as between 31 December 2003 and the date of closing shall have resulted from transactions in the ordinary course of business. The District shall have its books audited before closing by a certified public accountant.

(2) **ASSUMED LIABILITIES** In consideration of the acquisition of the assets, the Commission assumes the debts as listed in the District Audit Report dated April 28, 2004. The only

EXHIBIT E

changes in such liabilities between 31 December 2003 and the date of closing shall have resulted from transactions in the ordinary course of business.

(3) **COVENANTS AND REPRESENTATIONS OF DISTRICT** The District covenants and represents that it owns no assets other than those listed in the District Audit Report dated 28 April 2004, and that it has absolute title thereto and full power to sell, transfer, and assign same to the Commission subject only to approval of the Public Service Commission of Kentucky. The District further covenants and represents that the debts listed in the District Audit Report dated 28 April 2004 constitute the entire indebtedness of the District and that its assets are not otherwise encumbered. The District further covenants and represents that it had entered into no water service extension agreements.

(4) **CONTINUED SERVICE** The District presently serves approximately 600 customers. The Commission shall after the closing integrate the District system into the Commission system and provide retail water service to the District's present customers on a parity with the present Commission water customers. Water rates shall be identical to those presently charged to District customers for five years from the closing date of acquisition of the District system.

(5) **OFFICE AND EMPLOYEES** The Commission agrees to keep the current District office located in May's Lick, Kentucky, open until 31 December 2004 and to continue to pay the May's Lick Lions Club \$350 per month rent on the office through 30 June 2005. The Commission agrees to offer Scottie Gulley a position with the Maysville Utility Commission as an employee at will.

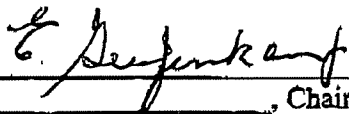
(6) **PUBLIC SERVICE COMMISSION** The Commission and the District shall jointly file an application for approval of this transaction by the Public Service Commission of Kentucky within thirty days of the signing of this Agreement by all parties and all parties shall cooperate in obtaining such approval.

(7) **CLOSING** The closing of this transaction shall occur within thirty days after approval by the Public Service Commission of Kentucky, at a time and place fixed by any of the parties on not less than ten days notice. The parties shall then execute and deliver all necessary and appropriate instruments to implement and finalize this transaction, including an audit of the District. Upon the closing of this transaction, the District shall take whatever steps may be necessary to formally dissolve and discontinue the District.

IN TESTIMONY WHEREOF, witness the execution of this Agreement as of the date first above written.

MAYSVILLE UTILITY COMMISSION

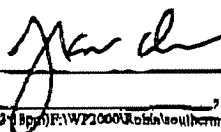
SOUTHERN MASON WATER DISTRICT

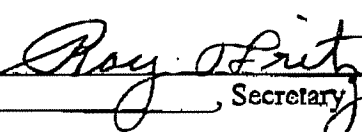
By , Chairman

By , Chairman

ATTEST:


ATTEST:

, Secretary
July 27, 2004 (2:48pm) F:\WP2000\Robbie\SouthernMasonAgreement

, Secretary

The City of Maysville, Kentucky, a Kentucky municipal corporation, hereby executes the Agreement this 14 October 2004 as the owner of Maysville Utility Commission; agrees that Maysville Utility Commission and the City of Maysville, Kentucky, shall comply with the terms of this Agreement; and the City of Maysville, Kentucky shall acquire the assets and liabilities of Southern Mason Water District.

CITY OF MAYSVILLE, KENTUCKY

By 
David W. Cartmell, Mayor

October 12, 2004 (2:36pm)F:\WP2000\City2004\SouthernMasonPA

Housing Act. State laws forbid discrimination in the sale, rental or advertising of real estate based on factors in addition to those protected under federal law. We will not knowingly accept any advertising for real estate which is in violation of the law. All persons are hereby informed that all dwellings advertised are available on an equal opportunity basis.

(606) 759-7663
or Evenings
(606) 759-5024



NEW LISTING!

BATH COUNTY - 630 acres, more or less, located in Bethel, KY. If you have been looking for a productive farm for cattle or crops, your search is over. This beautifully renovated colonial home with exquisite entrance foyer has gleaming hardwood flooring. This farm is improved with 11 barns, one of which is a free-stall barn 85'x430 connected to 42'x137 barn with office, bath, and storage room. This farm has 9 pasture fields with excellent fencing, 545 acres of cropland, 4 silos, 4 ponds, and approx. 18,000 lbs. of tobacco. You can have your own vacation site or retreat with the privacy of the 4 acre stocked lake on this property. Also improving the property are 2 additional homes that can be utilized for tenants or rental property. The many improvements on this land cost as much as the asking price for the entire farm. Call today for your private showing and for more details.

*Check out our Web Site at www.kachlers.com

Pets for Sale - Find a Friend
Leder Independent
Classifieds
606-564-9091 or 800-264-9091

Service Coverage Price

THAT'S STATE FARM INSURANCE.

SEE ME:

BILL BOGGS
533 North Shawnee Road
Maysville, Ky.

564-4900

Like a good neighbor, State Farm is there.
State Farm Insurance Companies
Home Offices: Bloomington, Illinois

SUBDIVISION
AA Highway, Tollesboro, KY
606-798-5513 • Sun.-Sat. 10-6

New Subdivision
with ALL Underground Utilities!!!!

Pick your lot & build your own "OR" let us customize a manufactured home for you.

✓ **100% Financing Available!**

INCOME PROPERTY

FIXER UPPER-2 br, adjoining lot, 1100 Elm St. \$57000obo. 606-564-0894.

445 Land for Sale

LEWIS COUNTY- 60-200 acres, over an acre lake, lots of deer and other wildlife, 20 acres of cleared land, Very Private! Call 606-796-3500

PRODUCE & HAY AUCTIONS

www.buffalotraces.com

October 23

Produce - 11:00 a.m.
Hay - 1:00 p.m.

Location:
Buffalo Trace Auctions
6031 KY Hwy 3170
Maysville, KY

For more information
888-440-7845

NEW OK LIVESTOCK AUCTION

7124 AA Highway East
Maysville, Ky 41056



Registered & Grade All Breed Horse Sale
Sunday, October 17
12noon-Tack 1:30p.m. Horses

Brood Cow Sale
Wed., October 20, 2004
7:00 p.m.
Other Consignments Welcomed!

Clear View Farms
Appaloosa Horse Sale
Saturday, October 23, 2004
11:00 a.m.

For more information call:
759-7280 or 1-800-496-2697

Local Company.

O. Stephens Trucking
Call 800-825-6936 or 606-849-4238

FOR SALE: Beautiful two & one-half story home, 2 baths, 4 bedrms, elec HP/CA, full basement, city water/sewer. \$130,000. Call Curtis with Chuck Marshall Real Estate for details, 584-5162

FOR SALE: Fabulous log home with 1 1/2 stories, 2 1/2 baths, 3 bdrms, elec HP/CA, city water/septic, 1/2 unfinished basement, wood fireplace, dbl attached garage, 5-bent barn. \$185,000. Call Curtis with Chuck Marshall Real Estate for details, 606-584-5162.

Chuck Marshall Auction & Real Estate Company

Chuck Marshall, Broker/Auctioneer
(606) 849-2953 or 845-5010
Sale Day 782-0374 Flemingsburg, KY
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"A Good Auction Doesn't Just Happen, We Make It Happen!"

PUBLIC NOTICE

Please take notice that Southern Mason Water District ("Southern Mason") and the City of Maysville ("Maysville") have entered into an agreement by which Maysville would purchase assets and assume the liabilities of Southern Mason ("Agreement"). Southern Mason and Maysville intend to apply to the Kentucky Public Service Commission ("PSC") for approval of the Agreement.

The Joint Application of Southern Mason and Maysville for an order approving the transfer of assets will be considered by the PSC in Case No. 2004-00384. Any corporation, association, or person with a substantial interest in this matter may, by written request, within thirty (30) days after publication of this notice request to intervene, and intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the PSC may obtain copies of the Agreement and any other filings made by Southern Mason and Maysville by contacting M. Susan Brammer, Attorney for Maysville, 215 Court Street, Maysville, Kentucky 41056. Her telephone number is (606) 564-4012.

Any person may examine the Agreement and any other filings made by Southern Mason and Maysville or other parties at the Maysville Utility Commission, 216 Bridge Street, Maysville, Kentucky 41056. Telephone inquiries to Maysville may be made at (606) 564-3531. Any person may also examine the Agreement and any other filings made by Southern Mason, Maysville, or other parties at the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601. Telephone inquiries to the PSC may be made at (502) 564-3940.

430 Houses for Sale



\$499,000 - Aristocratic 2 story brick, 5 BR's, 4 full baths, 3 half baths, kitchen w/island & wet-bar, family room w/FP, master BR suite w/FP & attached office, sun room, full walkout basement, 3 car attached garage, 1.23 acres, extensive views of the serene Ohio River Valley, 1109 Ashpoint Dr.

\$139,900 - New ranch style house built in 2004, 3 BR's, 2 full baths, open living-dining room w/vaulted ceilings, equipped kitchen w/breakfast bar & walk-in pantry, utility room w/sink, cabinets, washer & dryer included, 2 car attached garage, full basement, 4046 Pleasant Ridge.

\$45,900 - 2.246 acres, 12x60 mobile home with additions, 4 BR's, kitchen w/breakfast bar & dining area, spacious family room, thermo tilt-in windows, barn w/3 horse stalls, storage/shop area, pond, 9651 Mason Lewis Rd. Member of the Buffalo Trace Multi-Listing

606-883-3148

JoAnn Stapleton
Realtor®/ Broker

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PUBLIC NOTICE

Please take notice that Southern Mason Water District ("**Southern Mason**") and the City of Maysville ("**Maysville**") have entered into an agreement by which Maysville would purchase assets and assume the liabilities of Southern Mason ("**Agreement**"). Southern Mason and Maysville intend to apply to the Kentucky Public Service Commission ("**PSC**") for approval of the Agreement.

The Joint Application of Southern Mason and Maysville for an order approving the transfer of assets will be considered by the PSC in Case No. 2004-00384. Any corporation, association, or person with a substantial interest in this matter may, by written request, within thirty (30) days after publication of this notice request to intervene, and intervention may be granted beyond the thirty (30) day period for good cause shown.

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MAYSVILLE UTILITY COMMISSION
P.O. BOX 460
MAYSVILLE, KENTUCKY 41056

20 October 2004

Western-Lewis Rectorville Water District
800 Day Pike
Maysville, Kentucky 41056

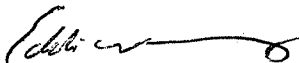
Dear Sirs

As a water district doing business in Mason County, Kentucky, we wanted to inform you that the City of Maysville, Kentucky, has made arrangements to acquire the assets and liabilities of Southern Mason Water District. We are in the process of preparing an Application to be filed with the Public Service Commission for approval of the Agreement.

Our Application to the Public Service Commission is Case No. 2004-00384. You may request to intervene in the case within thirty days after the notice is published. We intend to publish the public notice the week of October 18th, 2004.

If you would like to see copies of any documents or have any questions, please contact Sue Brammer, Maysville City Attorney, 215 Stanley Reed Court, Maysville, Kentucky 41056. She may be reached by telephone at (606) 564-4012.

Sincerely



Eddie Wenz
Maysville Utility Commission Manager

October 19, 2004 (11:34am)F:\WP2000\Sheri\Letters\UtilityCommissionI

EXHIBIT G

MAYSVILLE UTILITY COMMISSION
P.O. BOX 460
MAYSVILLE, KENTUCKY 41056

20 October 2004

Buffalo Trace Water District
41135 U.S. Highway 62
Sardis, Kentucky 41056

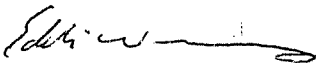
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Sincerely



Eddie Wenz
Maysville Utility Commission Manager

October 19, 2004 (11:40am)F:\WP2000\Sheri\Letters\UtilityCommission2

EXHIBIT H

MAYSVILLE UTILITY COMMISSION
P.O. BOX 460
MAYSVILLE, KENTUCKY 41056

20 October 2004

Western-Mason Water District
2054 Duke Street
Dover, Kentucky 41034

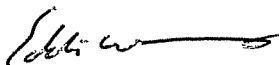
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Sincerely



Eddie Wenz
Maysville Utility Commission Manager

October 19, 2004 (11:40am)F:\WP2000\Sheri\Letters\UtilityCommission3

EXHIBIT I

City officials sing Ingram's praises

By **BETTY COUTANT**
News Editor

Maysville City Commission Thursday reluctantly accepted the resignation of Police Chief Van Ingram.

"I'm really sorry to see him leave. He's been a great chief, and he's brought some notoriety to Maysville — the good kind," Commissioner Johnny Mains said.

Ingram has been with the department since he was 18 years old, starting out as a dispatcher and working his way to chief in 1999. His retirement is effective Oct. 29.

The chief leaves the department for a job in Frankfort with the newly designated Office of Drug Control Policy. He will supervise the enforcement side of the office.

Ingram will leave behind a proud legacy, commission agreed.

"He had a keen interest in the community and the men and women under his command and is probably one of the most capable chiefs in the city's history," Mayor David Cartmell said.

"I admire the man. It took courage to do some of the things he did. He saw what needed to be done ... and he did it. He did it for those that he's left behind," Commissioner Victor McKay said.

Ingram always gave the job his all, Commissioner Bill Boggs said.

"Of course Van has served the city of Maysville above and beyond the call of duty. We are definitely

See **INGRAM** on Page A2

INGRAM

From Page A1

going to miss him. His leadership has been invaluable, but his leadership has put us in good condition to continue on," Boggs said.

Commissioner Rick Litton said the city is better for having Ingram for more than two decades.

"He is a terrific police officer, a great leader, a great chief, and a great family person. Maysville is better today because of Van Ingram. We will surely miss Van and what he gave to the job," Litton said.

The city will lose Ingram for the same reason it hired him, Mains said, because of his professionalism and talent.

"I think that's how people got to

know him and how he got the job he has. He's a sharp fellow," Mains said.

Cartmell said the contributions Ingram made will live on and hoped Ingram's connection to Maysville will remain.

"We hope that his long connection and his long and distinguished career which were devoted to the city of Maysville will not be severed," Cartmell said.

In other action Thursday, commission enacted zoning changes to several parcels within the city limits. The move was made to make the zoning map reflect the types of business that are already operating in the areas. It is also hoped the changes will spur business growth in certain areas, while protecting residential sites from unwanted structures.

The changes include:

- All heavy industry west of Lake Charles Road and north of Kentucky 8 west to the city limits from I-2 to I-2A.

- More than 54 acres north of Kentucky 9 and west of and adjacent to Federal Mogul and the Maysville-Mason County Industrial Development Authority property from I-1A to B-2.

- Property adjacent to and west of Kentucky 9 and Maple Leaf Road intersection from I-1A to B-2.

- Highland Ridge Apartments, Moody Drive from B-1 to R-3.

- All heavy industry located east of Lee Avenue and Elizabeth Street Apartments, south of East Second Street, north of Vine Street, and west of Main Street from I-2 to I-2B.

- Property along Norma Everman Drive and the west side

of Bank Street from B-2 to R-3.

First readings were held on zoning map amendments for property on Dryden Lane from R-4B, old town business to B-1 general business; and a portion of Cedar Hill Farm from I-1A to A-1 agricultural transition.

In other business, commission:

- Heard the second and final reading amending the city's flood control management procedures.

- Approved a leave of absence request from police officer Steve Moss for military duty.

- Accepted the resignation of police officer Michael Fogleman.

- Adopted a resolution for the acquisition of Southern Mason Water District. The city will take over assets and management. The water board voted in favor of the measure at its last meeting.

Contact Betty Coutant at betty.coutant@lee.net or 564-9091, ext. 274.

CITY OF MAYSVILLE, KENTUCKY

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2001

JAMES H. SMITH, CPA, PSC
Certified Public Accountant
2202 Old Main Street
Maysville, Kentucky 41056

EXHIBIT K

CITY OF MAYSVILLE, KENTUCKY
 AUDITED FINANCIAL STATEMENTS
 For the Year Ended June 30, 2001

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CITY OF MAYSVILLE, KENTUCKY
 AUDITED FINANCIAL STATEMENTS
 For the Year Ended June 30, 2001

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James H. Smith, CPA, PSC

Certified Public Accountants

2202 Old Main Street
Maysville, KY 41056

Phone (606) 759-0606
Fax (606) 759-8606

Member
American Institute of CPA's
Kentucky Society of CPA's

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Maysville
Maysville, Kentucky 41056

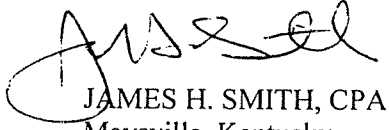
I have audited the accompanying general-purpose financial statements of the City of Maysville, Kentucky, as of June 30, 2001, and for the year then ended as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the City of Maysville, Kentucky's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Maysville, Kentucky as of June 30, 2001 and the results of its operations and changes in financial position of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 30, 2001, on my consideration of City of Maysville, Kentucky's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The supplemental information and supporting schedules listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Maysville, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the general purpose financial statements of the general purposed financial statements of the City of Maysville, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



JAMES H. SMITH, CPA
Maysville, Kentucky

November 30, 2001

CITY OF MAYSVILLE, KENTUCKY
COMBINED BALANCE SHEET - ALL FUND TYPES
June 30, 2001

	Governmental Funds		Fiduciary Fund Type		Proprietary Fund Type		Account Groups			Totals	
	General	Special Revenue	Trust Funds	Enterprise Funds	General Assets	Fixed Assets	Long-Term Debt	General		(Memorandum Only)	
								2001	2000	2001	2000
ASSETS											
Cash	\$ 158,010	\$ 188,692	\$ 27,736	\$ 1,500,802					\$ 1,875,240	\$ 1,333,488	
Investments	8,965,331		2,204,107	3,256,906					14,426,344	14,269,669	
Receivables:											
Accounts	62,176	85,985		341,744					489,905	408,293	
Property Taxes	2,827								2,827	2,827	
Intergovernmental	1,010,842	169,447		182,644					1,362,933	1,099,172	
Due From Other Funds	184,668	224,464							409,132	344,147	
Prepaid Expenses and Accruals			380	42,094					42,474	2,922	
Inventory, at cost				69,591					69,591	63,604	
Restricted Investments				948,302					948,302	960,272	
Fixed Assets (Net)				24,041,762	\$6,298,387				30,340,149	27,344,289	
Bond Issuance Cost				74,472					74,472	80,129	
Amount to be provided for the payment of general long-term debt								\$ 604,644	604,644	644,272	
TOTAL ASSETS	\$ 10,383,854	\$ 668,588	\$ 2,232,223	\$ 30,458,317	\$ 6,298,387	\$ 604,644	\$ 604,644	\$ 50,646,013	\$ 46,553,084		

The accompanying notes are an integral part of the financial statements.

CITY OF MAYSVILLE, KENTUCKY
COMBINED BALANCE SHEET - ALL FUND TYPES
June 30, 2001

	Governmental Funds		Fiduciary Fund Type		Proprietary Fund Type		Account Groups			Totals (Memorandum Only)	
	General	Special Revenue	Trust Funds	Enterprise Funds	General	Fixed Assets	Long-Term Debt	General	2001	2000	
LIABILITIES											
Accounts Payable	\$ 238,308	\$ 7,259		\$ 114,304				\$ 359,871	\$ 254,838		
Other Liabilities	142,277			26,238				168,515	202,396		
Intergovernmental Payables	8,813							8,813	98,965		
Customer Deposits				42,493				42,493	43,365		
Deferred Revenue	688,157	207,837						895,994	771,361		
Payable from Restricted Assets				499,607				499,607	218,385		
Bonds and Notes Payable				16,962,883				17,145,527	15,557,158		
Due to Other Funds	216,470	192,662						409,132	344,147		
Landfill Closure Liability								422,000	422,000		
Note Payable									222,272		
TOTAL LIABILITIES	1,294,025	407,758	-	17,645,525	-	604,644	19,951,952	18,134,887			
FUND EQUITY											
Contributed Capital				3,253,512				3,253,512	3,322,830		
Investment in General Fixed Assets									5,611,094		
Reserved for Pension Benefits			2,045,680					8,344,067	2,493,125		
Retained Earnings:											
Reserved for:											
Plant Improvements				296,961				296,961	294,670		
Debt Service				538,374				538,374	436,814		
Unreserved				8,723,945				8,723,945	6,626,000		
Fund Balance, Reserved		72,227		186,543				258,770	250,106		
Fund Balance, Unreserved	9,089,829	188,603						9,278,432	9,383,558		
TOTAL FUND EQUITY	9,089,829	260,830	2,232,223	12,812,792	6,298,387	-	30,694,061	28,418,197			
TOTAL LIABILITIES & FUND EQUITY	\$ 10,383,854	\$ 668,588	\$ 2,232,223	\$ 30,458,317	\$ 6,298,387	\$ 604,644	\$ 50,646,013	\$ 46,553,084			

The accompanying notes are an integral part of the financial statements.

CITY OF MAYSVILLE, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2001

	General	Special Revenue	Totals (Memorandum Only)	
			2001	2000
REVENUES:				
Licenses and Permits	\$ 5,052,578	\$ -	\$ 5,052,578	\$ 5,084,243
Intergovernmental	1,262,089	384,361	1,646,450	583,708
Taxes	923,494	83,259	1,006,753	1,052,799
Fines and Forfeitures	23,162	-	23,162	44,982
Charges for Services	26,884	105,266	132,150	178,677
Other	1,073,724	-	1,073,724	975,231
Interest	283,502	2,293	285,795	262,414
TOTAL REVENUES	8,645,433	575,179	9,220,612	8,182,054
EXPENDITURES:				
General Government	3,738,315	112,584	3,850,899	2,137,246
Public Works	2,114,596		2,114,596	2,053,474
Fire Department	759,985		759,985	724,616
Police Department	1,293,587	244,586	1,538,173	1,497,416
Parks and Recreation	51,050	183,859	234,909	234,204
Renaissance	679,423		679,423	75,937
Joint Planning Commission		14,434	14,434	13,849
Tourism Commission		87,319	87,319	87,766
TOTAL EXPENDITURES	8,636,956	642,782	9,279,738	6,824,508
Excess (Deficiency) of Revenues Over Expenditures	8,477	(67,603)	(59,126)	1,357,546
OTHER FINANCING SOURCES:				
Transfers, Net	(144,827)	98,827	(46,000)	(235,000)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(136,350)	31,224	(105,126)	1,122,546
Fund Balance, Beginning of Year	9,226,179	229,606	9,455,785	8,333,239
Fund Balance, End of Year	\$ 9,089,829	\$ 260,830	\$ 9,350,659	\$ 9,455,785

The accompanying notes are an integral part of the financial statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2001**

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:									
Licenses and Permits	\$ 4,195,000	\$ 5,052,578	\$ 857,578				\$ 4,195,000	\$ 5,052,578	\$ 857,578
Intergovernmental	1,834,000	1,262,089	(571,911)	\$ 435,207	\$ 384,361	\$(50,846)	2,269,207	1,646,450	(622,757)
Taxes	964,000	923,494	(40,506)	74,000	83,259	9,259	1,038,000	1,006,753	(31,247)
Fines and Forfeitures	22,000	23,162	1,162				22,000	23,162	1,162
Charges for Services	30,000	26,884	(3,116)	156,000	105,266	(50,734)	186,000	132,150	(53,850)
Other	2,637,627	1,073,724	(1,563,903)				2,637,627	1,073,724	(1,563,903)
Interest	150,000	283,502	133,502	2,000	2,293	293	152,000	285,795	133,795
TOTAL REVENUES	9,832,627	8,645,433	(1,187,194)	667,207	575,179	(92,028)	10,499,834	9,220,612	(1,279,222)
EXPENDITURES:									
General Government	9,201,000	3,738,315	5,462,685	206,000	112,584	93,416	9,407,000	3,850,899	5,556,101
Public Works	2,706,127	2,114,596	591,531				2,706,127	2,114,596	591,531
Fire Department	1,057,000	759,985	297,015				1,057,000	759,985	297,015
Police Department	1,596,000	1,293,587	302,413	233,707	244,586	(10,879)	1,829,707	1,538,173	291,534
Parks and Recreation	128,000	51,050	76,950	231,000	183,859	47,141	359,000	234,909	124,091
Other	1,494,500	679,423	815,077	152,000	101,753	50,247	1,646,500	781,176	865,324
TOTAL EXPENDITURES	16,182,627	8,636,956	7,545,671	822,707	642,782	179,925	17,005,334	9,279,738	7,725,596
Excess (Deficiency) of Revenues Over Expenditures	(6,350,000)	8,477	6,358,477	(155,500)	(67,603)	87,897	(6,505,500)	(59,126)	6,446,374
OTHER FINANCING SOURCES:									
Transfers (to) from other funds:									
Police and Firemen's Pension Fund	(235,000)	(46,000)	189,000						
Special Revenue Funds	(157,500)	(98,827)	58,673	157,500	98,827	58,673	(235,000)	(46,000)	189,000
Total Other Financing Sources (Uses)	(392,500)	(144,827)	247,673	157,500	98,827	58,673	(235,000)	(46,000)	189,000
Excess (Deficiency) of Revenues Over Expenditures and Transfers	(6,742,500)	(136,350)	6,606,150	2,000	31,224	29,224	(6,740,500)	(105,126)	6,635,374
Fund Balance, Beginning of Year	9,226,179	9,226,179	-	229,606	229,606	-	9,455,785	9,455,785	5,213,009
Fund Balance, End of Year	\$ 2,483,679	\$ 9,089,829	\$ 6,606,150	\$ 231,606	\$ 260,830	\$ 29,224	\$ 2,715,285	\$ 9,350,659	\$ 6,635,374

The accompanying notes are an integral part of the financial statements.

CITY OF MAYSVILLE, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS/FUND BALANCE - PROPRIETARY & TRUST FUNDS
For the Year Ended June 30, 2001

	Proprietary Fund	Fiduciary Fund	Total	
	Enterprise Funds	Expendable Trust Fund	(Memorandum Only)	
			2001	2000
Operating Revenues:				
Charges for Service	\$ 3,033,538		\$ 3,033,538	\$ 3,138,741
Other Operating Revenues	178,727		178,727	121,745
Total Operating Revenues	3,212,265	-	3,212,265	3,260,486
Operating Expenses:				
Water Operations	895,127		895,127	927,540
Sewer Operations	703,621		703,621	669,680
Clothing for Children and Other		18,939	18,939	13,492
Total Operating Expenses	1,598,748	18,939	1,617,687	1,610,712
Operating Income (Loss) Before Depreciation	1,613,517	(18,939)	1,594,578	1,649,774
Depreciation Expense	644,646		644,646	492,280
Operating Income (Loss)	968,871	(18,939)	949,932	1,157,494
Nonoperating Revenues (Expenses):				
Capital Contribution - Transfer From City	1,354,697			208,823
Interest Income	292,535	27,603	320,138	208,823
Interest Expense	(477,968)		(477,968)	(462,492)
Financial Fees and Amortization	(5,657)		(5,657)	(5,657)
Total Nonoperating Revenues (Expenses)	1,163,607	27,603	(163,487)	(259,326)
Net Income (Loss)	2,132,478	8,664	786,445	898,168
Depreciation Charged to Contributed Capital	69,318	-	69,318	71,356
Retained Earnings/Fund Balance, Beginning of Year	7,357,484	177,879	7,535,363	6,565,839
Retained Earnings/Fund Balance, End of Year	<u>\$ 9,559,280</u>	<u>\$ 186,543</u>	<u>\$ 8,391,126</u>	<u>\$ 7,535,363</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MAYSVILLE, KENTUCKY
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
For the Year Ended June 30, 2001

	<u>2001</u>	<u>2000</u> (Memorandum Only)
Additions:		
Contributions from Employees	\$ 3,539	\$ 3,373
Interest and Dividends	70,572	69,691
Realized Gains (Losses) on Investments	471,576	(8,905)
Unrealized Gains (Losses) on Investments	<u>(778,295)</u>	<u>419,527</u>
Total Additions	(232,608)	483,686
 Deductions:		
Pension Payments	246,797	242,997
Trustee Fees	<u>14,040</u>	<u>13,143</u>
Total Deductions	<u>260,837</u>	<u>256,140</u>
Net Increase (Decrease) Before Transfers	(493,445)	227,546
Transfers from General Fund	<u>46,000</u>	<u>235,000</u>
Net Increase After Transfers	(447,445)	462,546
Net Assets Held in Trust for Pension Benefits, Beginning of Year	<u>2,493,125</u>	<u>2,030,579</u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u><u>\$2,045,680</u></u>	<u><u>\$ 2,493,125</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MAYSVILLE, KENTUCKY
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUND
 For the Year Ended June 30, 2001**

	Enterprise Funds	Nonexpendable Trust Fund	Totals (Memorandum Only)	
			2001	2000
Operating Activities:				
Receipts from Customers	\$ 3,181,140		\$ 3,181,140	\$ 3,270,846
Payments to Suppliers	(1,000,106)		(1,000,106)	(1,087,161)
Payments to Employees/Beneficiaries	(611,364)	\$ (18,939)	(630,303)	(484,153)
Net Cash Provided By (Used In) Operating Activities	1,569,670	(18,939)	1,550,731	1,699,532
Noncapital Financing Activities:				
Customer Deposits (Net)	(872)		(872)	(6,196)
Net Cash Provided By (Used In) Noncapital Financing Activities	(872)	-	(872)	(6,196)
Capital And Related Financing Activities:				
Additions to Property, Plant, and Equipment	(2,585,463)		(2,585,463)	(611,524)
Contribution From City	1,354,697		1,354,697	-
Principal Paid on Bonds	(579,460)		(579,460)	(151,000)
Interest Paid on Bonds	(502,423)		(502,423)	(449,944)
Proceeds from Loan	1,985,185		1,985,185	631,164
Payments Received on Notes	39,628		39,628	37,472
Net Cash Provided By (Used In) Capital And Related Financing Activities:	(287,836)	-	(287,836)	(543,832)
Investing Activities:				
Interest on Investments	292,758	27,603	320,361	209,578
Purchase of Investments	(1,029,156)	(5,830)	(1,034,986)	(1,105,238)
Net Cash Provided By (Used In) Investing Activities	(736,398)	21,773	(714,625)	(895,660)
Increase (Decrease) In Cash and Cash Equivalents	544,564	2,834	547,398	253,844
And Cash Equivalents, Beginning of Year	1,904,540	24,769	1,929,309	1,675,465
And Cash Equivalents, End of Year	\$ 2,449,104	\$ 27,603	\$ 2,476,707	\$ 1,929,309
Reclassified as:				
Restricted	\$ 948,302	\$ 27,603	\$ 975,905	\$ 922,969
Unrestricted	1,500,802		1,500,802	1,006,340
	<u>\$ 2,449,104</u>	<u>\$ 27,603</u>	<u>\$ 2,476,707</u>	<u>\$ 1,929,309</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MAYSVILLE, KENTUCKY
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUND
 For the Year Ended June 30, 2001**

	Enterprise Funds	Nonexpendable Trust Funds	Totals (Memorandum Only)	
			2001	2000
Reconciliation Of Operating Income To Net Cash Provided By (Used In) Operating Activities:				
Operating Income (Loss)	\$ 968,871	\$ 8,664	\$ 977,535	\$ 1,179,873
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:				
Depreciation and Amortization	650,303		650,303	497,937
Change in Assets and Liabilities				
Decrease (Increase) in Prepaid Expenses	(39,552)		(39,552)	14,834
Increase (Decrease) in Accounts Receivable	(31,125)		(31,125)	10,360
Increase (Decrease) in Inventory	(5,987)		(5,987)	6,178
Increase (Decrease) in Accounts Payable	30,954		30,954	(29,007)
Increase (Decrease) in Accrued Liabilities	2,086		2,086	7,396
Total Adjustments	606,679	-	606,679	507,698
Cash Provided By (Used In) Operating Activities	<u>\$ 1,575,550</u>	<u>\$ 8,664</u>	<u>\$ 1,584,214</u>	<u>\$ 1,687,571</u>
Supplemental Schedule of Noncash Transactions:				
Investing:				
Property, Plant, and Equipment Additions				
in Construction and Retainage Payable	<u>\$ 305,677</u>	<u>\$ -</u>	<u>\$ 305,677</u>	<u>\$ (9,838,676)</u>
Financing:				
Residual Equity Transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Maysville, Kentucky operates under a City Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture and recreation, planning and zoning, and general administrative services.

The general-purpose financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Reporting Entity

The general purpose financials statements of the City of Maysville, Kentucky include the funds, account groups, agencies, boards and entities over which the Mayor and City Commission exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB codification of Governmental Accounting and Financial Reporting Standards "Defining the Reporting Entity," was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

Those organizations which have been included within the City's general-purpose financial statements are as follows:

1. The Maysville Utility Commission,
2. The Public Building Corporation,
3. The Parking Lot Operations and Maintenance Fund,
4. The Maysville-Mason County Recreation Park,
5. The Maysville-Mason County Ambulance Service,
6. The Maysville-Mason County Joint Planning Commission,
7. Police and Firemen's Pension Fund,
8. I. N. Foster Fund,
9. Maysville Tourism Commission, and
10. Regional Narcotics Task Force.

Certain organizations have been excluded from the City's financial statements because, although the Mayor appoints some members of these authorities and boards, there is no financial or governing interdependency between the City and these authorities or boards. These organizations maintain their own accounting records and prepare their own financial statements.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be expended and the means by which spending activities are controlled.

Comparative totals for the prior year are presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data is not presented in each of the statements since their inclusion makes the statements unduly complex and difficult to read.

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

The various funds are grouped, in the general-purpose financial statements in this report, into four generic fund types and three broad fund categories as follows:

Governmental Fund Types

Governmental Funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and changes in financial position. The following fund types are considered governmental funds:

1. The General Fund is the general operating fund of the City and accounts for all revenues and expenditures not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in the General Fund.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Fund Accounting (Continued)

2. The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are restricted by law to expenditure for specific purposes. The funds listed below are included in this group:
 - a. The Parking Lot Operations and Maintenance Fund was established to account for transfers from the general fund which are used to operate and maintain the municipal parking facilities.
 - b. The Maysville-Mason County Recreation Park was established to operate a recreational facility for the citizens of the City and for Mason County. The Park is financed through user fees and subsidies from the City and Mason County Fiscal Court.
 - c. The Maysville-Mason County Ambulance Service was established January 13, 1987 by an agreement between the City of Maysville and the Mason County Fiscal Court. The service was established to provide emergency ambulance service to the residents of Maysville and Mason County.
 - d. The Maysville-Mason County Joint Planning Commission was established by an agreement between the City of Maysville, and the Mason County Fiscal Court. The commission was established to enforce zoning and to make recommendations to the Mayor and the City Commission. The Commission is financed through a joint funding agreement between the participants.
 - e. The Maysville-Mason County Tourism Commission was established to promote tourism within Maysville and Mason County. The position of Tourism Coordinator was established by an agreement between the City of Maysville and the Maysville-Mason County Tourism Commission in order to increase tourism within Maysville and Mason County. The position of Tourism Coordinator is funded through tourism revenues and contributions from the City.
 - f. The Regional Narcotics Task Force was established to fund the investigation of illegal narcotics sales in the region. The task force is funded by grant monies and contributions from the cities and counties located in the region.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Fund Accounting (Continued)

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary for sound financial administration. The City applies all Financial Accounting and Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure prior to November 30, 1989 unless they conflict with the GASB. After that date, only GASB statements have been applied to its proprietary funds. When goods or services from such activities are provided to outside parties, the activities are organized into enterprise funds. The City maintains two enterprise funds as follows:

- a. The Maysville Utility Commission was established to account for the acquisition, operation and maintenance of the City's water and sewer facilities which are entirely or predominately self-supported by user charges. The City has deemed that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control and accountability by the Utility Commission.
- b. The Public Building Corporation was established to account for the construction of a public safety annex which is to be supported by lease income.

Trust Funds

The following Trust Funds were established to account for assets held by the City in a trustee capacity for individuals, private organizations and other governmental units.

- a. Police and Firemen's Pension Fund The City has a contributory retirement plan covering policemen and firemen hired prior to 1976 who elected not to have their retirement covered by the Commonwealth of Kentucky's County Employees' Retirement System.
- b. I. N. Foster Fund The I. N. Foster Fund was established by a citizen of Maysville for the purpose of providing clothing for poor children.

Accounts Groups

The General Fixed Assets Account Group was established to account for the fixed assets of the City other than those included in the Proprietary Funds. The General Long-Term Debt Account group was established to account for all long-term debt of the government except that accounted for in the Proprietary Funds.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The modified accrual basis of accounting is followed by all governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements, e.g., equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the "available" criteria.

Proprietary and pension Trust Funds are accounted for on an accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.

Licenses and permits, charges for services (except for utility charges), fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available.

D. Budgetary Data

Budget Policy

The City Commission annually approves the budget ordinance for the operating funds of the City of Maysville. Budgetary control is maintained at the departmental level. Budgets are amended by resolution of the City Commission to authorize expenditures of grants received and to adjust budgets as required.

There were no budget amendments made during the year.

Encumbrances

The City of Maysville, Kentucky does not use an encumbrance system.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity

Assets:

Cash and Cash Equivalents

For preparation of the cash flow statement, the City has defined cash and cash equivalents for proprietary and nonexpendable trust funds to include cash on hand, demand deposits, and savings accounts.

Investments

Investments of all funds except trust funds are stated at cost and consist of certificates of deposit and interest-bearing money market accounts. Investments in the I. N. Foster Fund consist of stock held by an agent of the City which is stated at its donated value. The Police and Fire Pension Fund consists of investments, as designated by the Pension Board of Trustees, and are stated at market.

Accounts Receivable

Accounts receivable are recorded in the General, Special Revenue, and Enterprise Funds. These represent revenues earned or accrued in the current period. Accounts receivable from other governments includes amounts due from grantors for grant programs. A \$5,178 allowance for doubtful accounts has been established in the Maysville Utility Commission, and a \$73,247 allowance for doubtful accounts has been established in the Maysville-Mason County Ambulance Service.

Interfund Receivables

During the course of operations, the City has transactions between funds to finance operations, provide services, and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2001, interfund amounts receivable or payable have been recorded.

Prepaid Items

Payments made to vendors for service that will benefit periods beyond June 30, 2000 are recorded as prepaid items.

Inventory

General Fund inventory consists of gasoline and is valued at the lower of cost (first in, first out) or market using the consumption method. Inventory in the Maysville Utility Commission is valued using an average cost.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

Assets:

Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations are recorded as expenditures in the governmental funds, and the related assets are recorded in the General Fixed Assets Account Group. Fixed assets acquired by proprietary funds are recorded within their funds.

Fixed assets consisting of equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Land and buildings are stated at their insured value. Donated fixed assets are valued at their estimated fair value on the date donated.

Property, plant, and equipment owned by the Maysville Utility Commission is stated at cost or estimated cost. Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Federal, state, or local sources used for the purpose of purchasing property, plant, and equipment are recorded as contributed capital when received. Depreciation on contributed assets placed in service is recorded as an expense in the statement of operations and then charged to the related contributed capital account.

Bond Issuance Cost

Issuance cost on the sale of the water and sewer revenue bonds are amortized on the straight-line method over the life of the bonds.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Fund Equity (Continued)

Liabilities:

Long-Term Debt

Long-term liabilities that will be financed from governmental funds are accounted for in the General Long-Term Debt account Group. Long-term liabilities of proprietary funds are recorded in their funds. General long-term debt consists of estimated closure costs related to the landfill and a lease note payable.

Compensated Absences

The personnel policies of the City require employees to take their unused vacation leave in the year following the year which it was earned. City management has made no provision in the accompanying general-purpose financial statements for accrued vacation liability at June 30, 2001.

Fund Equity:

Governmental Fund Types

Reserves are used to indicate that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use.

Proprietary Fund Types

Contributed capital, net of accumulated depreciation on assets purchased from contributions, is recorded in proprietary funds that have received capital grants or contributions from developers, customers, other governments, or other funds. Reserves are used to indicate segregation of a portion of retained earnings that are restricted for meeting various covenants as may be specified and defined in the revenue bond indenture.

F. Estimates and Assumptions

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

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures did not exceed budget in any individual department of the General Fund for the year ended June 30, 2001.

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets

A. Deposits and Investments

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. In addition, trust funds may invest in uninsured corporate securities. The three categories of risk are described as follows:

Category 1: Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3: Uncollateralized.

	Category			Fair Value/ Carrying		Bank Bal./ Fair
	1	2	3	Amount	Cost	Value
Cash and cash equivalents	\$ 400,000	\$3,575,748		\$3,975,748	\$3,912,133	\$4,236,197
Certificates of deposit		11,193,693		11,193,693	11,193,693	11,193,693
Pension Funds:						
Cash equivalents		270,855		270,855	270,855	270,855
U.S. Treasury bonds and notes	174,766			174,766	173,601	174,766
Corporate bonds and notes			\$ 483,206	483,206	481,954	483,206
Common stocks			1,118,018	1,118,018	1,175,252	1,118,018
I.N. Foster Fund:						
Common stocks			235,136	235,136	33,600	235,136
Totals	\$ 574,766	\$ 15,040,296	\$ 1,836,360	\$ 17,451,422	\$ 17,241,088	\$ 17,711,871

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Assets (Continued)

B. Property Tax Calendar

Property taxes for fiscal year 2001 were levied on August 18, 2000 on the assessed valuation of property located in the City of Maysville as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposits franchise taxes, are as follows:

Due date for payment of taxes	Upon receipt
2% discount period	By November 30
Face value amount payment dates	December 1 to December 31
Delinquent date, 2% penalty	January 1
10% delinquent date	February 1

C. Due From Other Governments

The following amounts were due from other governments as of June 30, 2001:

<u>Name of Government</u>	<u>Amount</u>
Maysville-Mason Co. Industrial Development Authority	\$ 810,127
Mason County Fiscal Court	87,866
Commonwealth of Kentucky Transportation Cabinet	383,359
Commonwealth of Kentucky Justice Cabinet	<u>81,581</u>
Total	<u>\$1,362,933</u>

D. Public Building Corporation Note Receivable and General Long-Term Debt Account Group Note Payable

The Maysville-Mason County Industrial Development Authority entered into an agreement with the City of Maysville Public Building Corporation to purchase land on the AA Highway and reimburse the Public Building Corporation for utilities extended to the AA Highway. The agreement is for \$541,495 to be paid to the Public Building Corporation over a fifteen year term which began in the fiscal year ending June 30, 1990. The payments are to be at variable interest rates equal to the amounts payable by the City of Maysville under its Kentucky Municipal League Pooled Financing Lease Program. The June 30, 2001 balance receivable from the Maysville-Mason County Industrial Development Authority and the balance payable to the Kentucky Municipal League Pooled Financing Lease Program is \$182,644.

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Assets (Continued)

E. Changes in General Fixed Assets

The following is a summary of changes in general fixed assets for the year ended June 30, 2001:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
Land and Buildings	\$ 2,692,360	\$ 480,361	\$ -0-	\$ 3,172,721
Equipment	<u>2,918,734</u>	<u>206,932</u>	<u>-0-</u>	<u>3,125,666</u>
Total	<u>\$ 5,611,094</u>	<u>\$ 687,293</u>	<u>\$ -0-</u>	<u>\$ 6,298,387</u>

F. Summary of Proprietary Fixed Assets

The following is a summary of the proprietary fund fixed assets:

Government Center - Land & Building	\$3,311,270
Water Utility Plant	9,099,745
Sewer Utility Plant	16,712,659
Construction in Progress	<u>33,851</u>
	29,157,525
Accumulated Depreciation	<u>(5,115,763)</u>
Net Property, Plant, & Equipment	<u>\$24,041,762</u>

Liabilities

G. Pension Plans

Pension Plan

Full time employees of the City of Maysville participate in the Statewide County Employees' Retirement System ("System"), a cost sharing multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 2001 was \$3,128,142. The City's total payroll was \$3,472,850.

Full time employees are eligible to participate in the System. Employees who retire at or after age 65 with five years of credited service are entitled to a retirement benefit, payable monthly for life equal to two percent of their final-average salary for each year of credited service. Final average salary is defined as the employee's average during their five highest years. Benefits fully vest on reaching five years of service.

Vested Employees may retire at or after age 55 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by state statute.

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Liabilities (Continued)

Pension Plan (Continued)

Under the Kentucky Revised Statute Sec. 61.565 (3) covered employees are required by state statute to contribute 5.0%, of their creditable compensation to the plan. Members occupying hazardous positions, as defined by statute, contribute at the rate of 8.0% of creditable compensation. Employer contribution rates are required to provide 30 year amortization of the unfunded actuarial accrued liability under the level-percentage-of-payroll method, the employer share of the annual normal cost, medical insurance, and the administrative cost of the system. Such contributions rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. For non-hazardous compensated employees, the contribution rate is 7.17%. For hazardous compensated employees, the rate is 16.78%.

The contribution requirements for the current and two prior years ended June 30 were:

	Required Employee <u>Contribution</u>	Required Employer <u>Contribution</u>	Required Total <u>Contribution</u>	Percentage of Required Contribution <u>Actually Made</u>
2001	\$193,753	\$343,918	\$537,671	100%
2000	160,725	300,683	461,408	100%
1999	168,721	337,365	506,086	100%

A copy of the county employees retirement system's stand alone financial statements can be obtained from the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Police and Fire Retirement Fund

The City contributes to a single employer retirement fund, which covers the City's policemen and firemen hired prior to 1976 that elected not to be covered by the Kentucky County Employees Retirement System. In 1976, the City froze admission of new entrants into the plan and all active members had the option to transfer to the Kentucky County Employees Retirement System. Members who had retired prior to 1976 remained in the Plan and continue to receive monthly benefits. The fund does not issue a stand alone financial report and is not included in another entity's financial report. At June 30, 2001, the Fund had twenty-two (22) members or beneficiaries receiving monthly annuities. The City's payroll for employees covered by the Fund for the year ended June 30, 2001 was \$46,510, and the City's total payroll was \$3,472,850.

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Liabilities (Continued)

Police and Fire Retirement Fund (Continued)

Benefits vest after twenty years of service. Employees can retire anytime after they have completed at least twenty years of service. Employees receive 50% of their final salary plus 2% of final salary per year of service between 20 and 25 years. The Fund also provided death and disability benefits.

In order to fund the Plan, the City transfers money, based on the results of the most recent actuarial study, from the General Fund to the Pension Plan. Employees are required to contribute at the same rate as required by Social Security.

The contribution requirements for the current and two prior years ended June 30 were:

	<u>Required Employee Contribution</u>	<u>Required Employer Contribution</u>	<u>Required Contribution Actually Made</u>	<u>Percentage of Required Total Contribution</u>
2001	\$3,539	\$46,000	\$46,000	100%
2000	3,373	235,000	238,373	100%
1999	2,969	143,000	145,969	100%

The "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the economic status of the fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the method used to determine Fund contributions.

The pension benefit obligation as of June 30, 2001. The pension benefit obligation, without future cost-of-living increases at June 30, 2000, the date of the latest actuarial valuation of the Plan was \$2,980,044. Significant actuarial assumptions used in determining the obligation include:

- a. A rate of return on the investment of present and future assets of 8.0% a year, compounded annually,
- b. Projected salary increase of 4.5% a year, compounded annually.

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Liabilities (Continued)

Police and Fire Retirement Fund (Continued)

The market value of the net assets available for benefits at June 30, 2000 was \$2,493,125. The total unfunded pension benefit obligation applicable to the participants of the Fund at June 30, 2000 was \$486,919. The three year historical trend information required under Governmental Accounting Standards Board Statement 5 and the ten-year historical trend information are not available.

The actuarial method of valuation used was the "entry age normal" cost method. Under this method, an annual service cost is established for each employee. This annual service cost is the level annual percent of member's employment until his retirement date in order to fully fund benefits at retirement. In addition, the actuarial valuation period to compute unfunded actuarial accrued liability was over 20 years. The actuarial study conducted at June 30, 2000 indicated that the annual contribution level needs to be approximately \$46,000 in order to support promised benefits with no future cost-of-living increases.

H. Kentucky Municipal League Pooled Financing Lease Program

The City of Maysville entered into a lease-purchase agreement with the Kentucky Municipal Finance Corporation to provide refinancing for the construction of a fire substation and financing of utility extensions along the AA Highway under the Kentucky Interlocal Cooperation Act.

The lease is for fifteen years commencing on March 1, 1990 and terminating on January 15, 2005. At the termination of the lease, the title to the fire substation is transferred to the City of Maysville. Rental expense of the year ending June 30, 2001 was \$48,595.

The aggregated lease payments by year are as follows:

Year Ended June 30,

2002		\$48,991
2003		49,411
2004		49,853
2005		<u>50,323</u>
	Total payments	198,578
	Amount representing interest	<u>(15,934)</u>
	Obligation, June 30, 2001	<u>\$182,644</u>

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Liabilities (Continued)

I. Maysville Utility Commission Revenue Bonds

Water and sewer revenue Ordinance No. 404, adopted October 31, 1963, is the basic water and sewer revenue bond ordinance of the City. The ordinance has been ratified and continued by subsequent parity bond authorizing ordinances through the 1977 refunding issue and the Water and Sewer Revenue Bonds, series of 1994 and requires the maintenance of certain reserves and minimum balances. The 1994 bond ordinances require that income from the system shall first be deposited in the Water and Sewer Revenue Fund. The monies in the Revenue Fund shall be used, disbursed, transferred and applied in the following order of priority:

Bond and Interest Redemption Fund

From the Revenue Fund, and as a first charge thereon, there shall be set aside and deposited in the Bond and Interest Redemption Fund in equal monthly deposits, on or before the 10th day of each month (and before the first day of a month in which interest or principle is due, if necessary in order to provide for the payment of such interest or principal), sums not less than:

- a. A sum equal to one sixth(1/6) of the interest becoming due on the next succeeding interest due date, with respect to all outstanding prior bonds;
- b. A sum equal to one twelfth (1/12) of the principal of all outstanding prior bonds and bonds maturing on the next succeeding December 1st.
- c. If additional parity bonds are issued, such additional sums as will be sufficient to provide for the payment of interest thereon, and the principal thereof, when due from time to time.

Debt Reserve Fund

A sum equal to forty percent (40%) of the remaining amount in the Revenue Fund shall be deposited into the Debt Reserve Fund, until a sum equal to the maximum annual payments due on principal and interest of all outstanding prior bonds, and any additional parity bonds shall have been accumulated. Withdrawals from the Debt Reserve Fund shall be made if and to the extent required at any time to prevent default in the payment of principal of interest on any bonds which by their terms are payable from the Bond Fund; and if necessary securities held as investments in Debt Reserve Fund shall be converted into cash for such purposes, and the City irrevocably pledges all monies and securities in the Debt Reserve Fund for such specified purposes only. In the event any such permitted withdrawals are made, the deficiency in the Debt Reserve Fund shall be restored as soon as revenues are available. As of June 30, 2001, this fund was properly funded.

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Liabilities (Continued)

Water and Sewer Depreciation Fund

A sum equal to the entire amount remaining in the Revenue Fund shall be deposited into the Depreciation Fund referred to as Reserve for Water Plant improvements. This reserve shall be used to make extensions, additions or construction to the System. Withdrawals and disbursements shall be made from the Reserve to meet payment of interest on or principal of water and sewer revenue bonds to whatever extent and if for any reason funds in the Bond and Interest Redemption Fund and the Debt Reserve Fund are insufficient for that purpose. In addition, at the request of the City, acting through its Board of Commissioners, the City and the Mason County Board of Education shall be entitled to payment in lieu of taxes in an amount not less than \$7,000 nor greater than \$10,000 in any one year, in amounts proportional to the taxes levied respectively for the benefit of the city and said Board of Education.

The Reserve may be used for the retirement of indebtedness before maturity by call or by purchases in the open market at a price not in excess of the current call price, but withdrawals for the purpose of debt reduction shall not be made in an amount which will reduce the Reserve to less than \$150,000, unless the remaining bonds outstanding are less than this amount. As of June 30, 2001, this fund was properly funded.

Bond Requirements

The summary of bond requirements is as follows:

	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>
WLWD	412,000	2005	\$ 111,000	5.0%
Washington	258,000	2016	167,000	5.0%
1994 Issue	<u>3,600,000</u>	2015	<u>3,530,000</u>	4.2 – 6.2%
	<u>\$ 4,270,000</u>		<u>\$ 3,883,000</u>	

Aggregate maturities are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$128,000	\$215,770	\$343,770
2003	215,000	209,145	424,145
2004	226,000	197,815	423,815
2005	233,000	185,685	418,685
2006	219,000	173,660	392,660
2007 - thereafter	<u>2,695,000</u>	<u>880,415</u>	<u>3,575,415</u>
	<u>\$ 3,716,000</u>	<u>\$1,862,490</u>	<u>\$5,578,490</u>

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Liabilities (Continued)

Bond Requirements (Continued)

The summary of bond transactions is as follows:

Bonds payable, July 1, 2000	\$ 3,883,000
Bonds retired	<u>(167,000)</u>
Bonds payable, June 30, 2001	<u>\$ 3,716,000</u>

J. Maysville Utility Commission Note Payable

The City has obtained financing for the new sewer plant through the Kentucky Infrastructure Authority. The total loan was to be \$12,500,000, of which, the City has drawn down \$11,722,252. The terms of the note require interest to be paid at 1.8%, and the loan is to be amortized over 20 years. Interest payments began in November 1998, and principal payments began on December 1, 2000, one year after the sewer plant began operations.

Aggregate maturities (based upon draw downs to date) are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$500,628	\$199,906	\$700,534
2003	509,680	190,855	700,535
2004	518,896	181,639	700,535
2005	528,278	172,257	700,535
2006	537,829	162,705	700,534
2007 - 2020	<u>8,635,204</u>	<u>1,172,282</u>	<u>9,807,486</u>
TOTAL	<u>\$ 11,230,515</u>	<u>\$ 2,079,644</u>	<u>\$ 13,310,159</u>

Under term of the loan agreement with KIA, the City is required to set aside \$100,000 per year into a Replacement Reserve until \$1,000,000 has been reserved. At June 30, 2001, the City had deposited \$100,000 into a separate account.

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Liabilities (Continued)

K. Public Building Corporation Notes Payable

The City obtained financing for the One Stop Government Center completed for occupancy in July, 2001. Notes with original balances aggregating \$2,000,000 are payable to two banks in monthly installments of \$13,477 over 20 years, with maturity on December 1, 2020. Interest rate on the notes is 5.25%.

Aggregate maturities on the notes are:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$59,650	\$102,072	\$161,722
2003	62,858	98,865	161,723
2004	66,238	95,484	161,722
2005	69,801	91,922	161,723
2006	73,555	88,168	161,723
2007 - 2020	<u>1,639,266</u>	<u>705,752</u>	<u>2,345,018</u>
TOTAL	<u>\$1,971,368</u>	<u>\$1,182,263</u>	<u>\$3,153,631</u>

L. General Long-Term Debt

The general long-term debt account includes the estimated amount required to be paid by the City for closure of the landfill, which is jointly operated with Mason County Fiscal Court. The landfill has stopped accepting new trash in accordance with state law and is beginning the closeout procedure. State and federal laws and regulations require a final cover on the landfill site and certain maintenance and monitoring functions at the site. The City and County have equally contributed \$900,000 to a closeout fund. The estimated closure and postclosure liability at June 30, 2001 is \$1,744,000. The City's estimated liability at June 30, 2001 is \$422,000. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

M. General Long-Term Debt (Continued)

The general long-term debt account also includes a \$182,644 note payable to the Kentucky Municipal Finance Corporation. The following is a summary of changes in general long-term debt for the year ended June 30, 2001:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Landfill closure	\$ 422,000	\$ 0	\$ 0	\$422,000
Note payable	<u>222,272</u>	<u> </u>	<u>39,628</u>	<u>182,644</u>
	<u>\$ 644,272</u>	<u>\$ 0</u>	<u>\$39,628</u>	<u>\$604,644</u>

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Liabilities (Continued)

N. Interfund Receivables/Payables

The following is a summary of interfund receivable and payables at June 30, 2001:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$184,668	\$216,470
Special Revenue Funds:		
Maysville-Mason Co. Recreation Park		67,526
Maysville-Mason Co. Ambulance Service	94,563	
Maysville-Mason Co. Joint Planning Commission		9778
Regional Narcotics Task Force		95,358
Maysville Tourism Commission	<u>129,901</u>	
	<u>\$ 409,132</u>	<u>\$ 409,132</u>

O. Conduit Debt

Revenue Bonds and Industrial Revenue Bonds have been issued through the City of Maysville, Kentucky to assist various private enterprises in construction manufacturing plants and educational facilities. These bonds do not constitute an indebtedness or pledge of faith and credit by the City. The balance outstanding at June 30, 2001 for Revenue Bonds is \$62,500,000 and for Industrial Revenue Bonds is \$156,340,000.

Fund Equity

P. Reserves

Reservations of equity report amounts that are not available for expenditure or are legally restricted for specific purposes.

Governmental Funds

Reserves of the Governmental Funds are limited to the portions of fund balance which are either not subsequently available for expenditures or legally segregated for special use. The following changes occurred in reserved fund balance in the Special Revenue Fund during the year ended June 30, 2000:

Reserved for equipment, July 1, 2000	\$ 63,493
City transfer to equipment fund	<u>8,734</u>
Reserved for equipment, June 30, 2001	<u>\$ 72,227</u>

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Fund Equity (Continued)

Nonexpendable Trust Fund

The fund equity for the I.N. Foster Fund is reserved for clothing for poor children.

Reserved, July 1, 2000	\$ 177,879
Interest and dividend income	27,603
Purchase of clothing	<u>(18,939)</u>
Reserved, June 30, 2001	<u>\$ 186,543</u>

Enterprise Fund

The following changes occurred in reserved fund equity of the enterprise funds during the year ended June 30, 2001:

Reserved fund equity: July 1, 2000

Reserved for:	
Debt service	\$ 436,814
Depreciation	<u>294,670</u>
Total reserved fund equity	731,484
Transfer to restricted assets – FY 6/01	<u>103,851</u>
Total reserved fund equity – June 30, 2001	<u>\$ 835,335</u>

Reserved fund equity: June 30, 2001

Reserved for:	
Debt service	\$ 538,374
Depreciation	<u>296,961</u>
Total reserved fund equity	<u>\$ 835,335</u>

CITY OF MAYSVILLE, KENTUCKY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2001

NOTE 4: SEGMENT INFORMATION

Segments of Enterprise Activities

The City maintains two enterprise funds which provide water and sewer services to customers and accounts for the activities of the Public Building Corporation services. Segment data for these funds for the year ended June 30, 2001 is as follows:

	<u>Utility Commission</u>	<u>Public Building Corporation</u>	<u>Total</u>
Operating revenue	\$3,187,004	\$25,261	\$3,212,265
Operating expenses	1,598,748	-----	1,598,748
Operating income before depreciation	1,588,256	25,261	1,613,517
Depreciation	644,646	-----	644,646
Net income	668,400	1,464,078	2,132,478
Acquisition of property, plant, and equipment	81,595	2,503,868	2,585,463
Net working capital	3,231,906	1,796,196	5,028,102
Total assets	25,168,207	5,290,110	30,458,317
Bonds and notes payable	14,991,515	1,971,368	16,962,883
Fund equity	9,883,785	2,929,007	12,812,792

NOTE 5: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In the opinion of the City's management and legal counsel, these matters are not anticipated to have a material impact on the City.

NOTE 6: LANDFILL

On June 3, 1996, Mason County, on behalf of the Maysville-Mason County Landfill ("the Landfill"), entered into a lease finance agreement for a landfill site. The lease will amortize \$1,500,000 of principal plus interest at 5.67% through June of 2011. Management believes the anticipated revenue from the landfill will be sufficient to retire the debt. However, the City and County governments are co-guarantors of the debt, and therefore, have a contingent liability. No provision has been included in the general-purpose financial statements for the contingent liability related to the Landfill Project.

NOTE 7: ECONOMIC DEPENDENCY

General Government Revenue

The City collected \$2,172,494 (52%) of its payroll license fees and 25% of its total revenues of the General Fund from ten employers within the City's limits.

Maysville Utility Commission Revenue

The billings of five customers were \$571,931, which this represents 18% of the Commission's operating revenues.

SUPPLEMENTARY INFORMATION

**CITY OF MAYSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
For the Year Ended June 30, 2001**

I. SCHEDULES OF FUNDING PROGRESS

Police and Fire Retirement Fund

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) --entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
06/30/00	\$2,493,125	\$2,980,044	\$486,919	84%	\$46,510	1050%
02/28/97	1,547,619	3,062,731	1,515,112	51%	38,820	3900%
03/31/93	86,998	3,440,519	2,576,521	25%	172,728	1500%

Those are the only two actuarial valuations performed in the previous six years.

County Employees' Retirement System

(Expressed in Thousands)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) --entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
6/30/00	\$6,729,576	\$4,453,155	\$(2,276,421)	151%	\$1,575,632	0%
6/30/99	5,196,878	3,955,132	(1,241,746)	131%	1,449,817	0%
6/30/98	4,273,262	3,529,912	(743,349)	121%	1,341,570	0%

**CITY OF MAYSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
For the Year Ended June 30, 2001**

II. SCHEDULES OF EMPLOYER CONTRIBUTIONS

Police and Fire Retirement Fund

<u>Fiscal Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2001	\$46,000	100%
2000	235,000	100%
1999	143,000	100%
1998	143,000	100%
1997	143,000	100%

County Employees' Retirement System

<u>Fiscal Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2001	\$343,918	100%
2000	300,683	100%
1999	337,365	100%
1998	357,553	100%
1997	311,577	100%

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

	<u>Police and Fire Retirement Fund</u>	<u>County Employee's Retirement System</u>
Valuation date	6/30/00	6/30/00
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percent closed
Amortization period	20 years	30 years
Actuarial asset valuation method	Fair market value	Five-year average of market to book value
Actuarial assumptions:		
Investment rate of return	8.0%	8.25%
Projected salary increases	4.5%	6.5%
Post retirement benefit increases	None	None

GENERAL FUND

**CITY OF MAYSVILLE, KENTUCKY
BALANCE SHEET - GENERAL FUND
June 30, 2001**

ASSETS

Cash	\$ 158,010
Investments	8,965,331
Receivables:	
Property Taxes	2,827
Other	62,176
Grants	383,359
Intergovernmental	627,483
Due From Other Funds	<u>184,668</u>
 TOTAL ASSETS	 <u><u>\$ 10,383,854</u></u>

LIABILITIES

Accounts Payable	238,308
Payroll Liabilities	50,958
Deferred Revenue	688,157
Intergovernmental Payable	8,813
Due to Other Funds	<u>307,789</u>
 TOTAL LIABILITIES	 1,294,025

FUND EQUITY

Fund Balance	<u>9,089,829</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$ 10,383,854</u></u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Licenses and Permits	\$ 4,195,000	\$ 5,052,578	\$ 857,578
Intergovernmental	1,834,000	1,262,089	(571,911)
Taxes	964,000	923,494	(40,506)
Fines and Permits	22,000	23,162	1,162
Charges for Services	30,000	26,884	(3,116)
Other	2,637,627	1,073,724	(1,563,903)
Interest	150,000	283,502	133,502
TOTAL REVENUES	9,832,627	8,645,433	(1,187,194)
EXPENDITURES:			
General Government	9,201,000	3,738,315	5,462,685
Public Works	2,706,127	2,114,596	591,531
Fire Department	1,057,000	759,985	297,015
Police Department	1,596,000	1,293,587	302,413
Parks and Recreation	128,000	51,050	76,950
Renaissance	1,494,500	679,423	815,077
TOTAL EXPENDITURES	16,182,627	8,636,956	7,545,671
Excess (Deficiency) of Revenues Over Expenditures	(6,350,000)	8,477	6,358,477
OTHER FINANCING SOURCES:			
Transfers (to) from other funds:			
Police and Firemen's Pension Fund	(235,000)	(46,000)	189,000
Special Revenue Funds	(157,500)	(98,827)	58,673
Total Other Financing Sources (Uses)	(392,500)	(144,827)	247,673
Excess (Deficiency) of Revenues Over Expenditures and Transfers	(6,742,500)	(136,350)	6,606,150
Fund Balance, Beginning of Year	9,226,179	9,226,179	-
Fund Balance, End of Year	\$ 2,483,679	\$ 9,089,829	\$ 6,606,150

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Licenses and Permits:			
Payroll Licenses	\$ 3,500,000	\$ 4,218,283	\$ 718,283
Insurance Tax	450,000	538,690	88,690
Occupational Licenses	230,000	284,163	54,163
Building Permits	15,000	11,442	(3,558)
	4,195,000	5,052,578	857,578
Intergovernmental Revenue:			
Mass Transportation Grants	154,000	151,413	(2,587)
Municipal Housing	28,000	20,782	(7,218)
Municipal Aid Program	100,000	124,437	24,437
County Reimbursements (E-911)	84,000	93,544	9,544
Firefighters' Incentive	64,000	51,763	(12,237)
Law Enforcement Incentive	64,000	82,783	18,783
Local Government Economic Assistance	75,000	17,280	(57,720)
Community Development Block Grant-Russell	200,000	35,800	(164,200)
FHWA Grant	160,000	130,000	(30,000)
Miscellaneous Grants	20,000	121,000	101,000
Renaissance Grant	885,000	433,287	(451,713)
	1,834,000	1,262,089	(571,911)
Taxes:			
Real and Personal Property	700,000	710,546	10,546
Franchise	125,000	108,208	(16,792)
Bank Shares	63,000	31,674	(31,326)
Tangible Property	70,000	70,980	980
Delinquent Property and Franchise	5,000	2,069	(2,931)
Tobacco	1,000	17	(983)
	964,000	923,494	(40,506)
Fines and Forfeitures:			
Base Court Revenue	14,000	13,842	(158)
Parking Fines	5,000	6,280	1,280
Penalties	3,000	3,040	40
	22,000	23,162	1,162
Other:			
Special Events	104,500	23,052	(81,448)
Capital Projects Grants	1,742,000	450,000	(1,292,000)
Payment in Lieu of Taxes	12,000	2,558	(9,442)
Franchise Fee, Kentucky Utilities	110,000	118,122	8,122
Police Patrol Contract	65,000	12,379	(52,621)
Off-Track Betting	50,000	46,131	(3,869)
Franchise Fee, Cablevision	40,000	42,458	2,458
Inland Container Pilot	390,000	240,775	(149,225)
Chamber of Commerce	83,000	83,007	7
Transit Service	10,127	16,789	6,662
Miscellaneous	16,000	23,551	7,551
Parking Meters	7,000	6,248	(752)
Lease and Reimbursement	8,000	8,654	654
	2,637,627	1,073,724	(1,563,903)
Charges for Services	30,000	26,884	(3,116)
Interest	150,000	283,502	133,502
Total Revenues	\$ 9,832,627	\$ 8,645,433	\$ (1,187,194)

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
General Government:			
Legislative services:			
Commissioners Salaries	\$ 80,000	\$ 61,851	\$ 18,149
Audit	11,000	5,700	5,300
	91,000	67,551	23,449
 Planning and Zoning:			
Personnel	98,000	87,302	10,698
Miscellaneous	-	9,565	(9,565)
Contractual Services	25,000	-	25,000
Supplies	-	6,981	(6,981)
Demolition and Equipment	39,000	-	39,000
Audit	1,000	-	1,000
	163,000	103,848	59,152
 Administrative Services:			
Personnel	421,000	348,446	72,554
Office Equipment	30,000	6,854	23,146
Contractual Services	35,000	2,525	32,475
Supplies	17,000	12,627	4,373
Miscellaneous	21,000	37,832	(16,832)
Utilities	18,000	21,582	(3,582)
Dues and Subscriptions	20,000	14,865	5,135
Travel and Lodging	11,000	6,141	4,859
Advertising	12,000	10,380	1,620
Vehicle and Equipment Maintenance	22,000	11,916	10,084
Postage	13,000	9,032	3,968
Maintenance and Repairs, and Other	3,000	195	2,805
Gas and Oil	5,000	60	4,940
	628,000	482,455	145,545
 Legal Services:			
Extra Legal Fees	30,000	22,440	7,560
City Attorney	33,000	26,108	6,892
District Court Expenses	7,000	-	7,000
Civil Defense	10,000	-	10,000
	80,000	48,548	31,452
 Other:			
Capital Projects	2,331,000	839,446	1,491,554
Insurance	275,000	206,225	68,775
Landfill Operations	125,000	86,801	38,199
Contribution, Maysville-Mason County			
Industrial Development Authority	75,000	25,483	49,517
Lease Payment, Kentucky League of Cities	60,000	49,884	10,116
Grants and Subsidies	100,000	88,725	11,275
Emergency 911 Program	42,000	50,700	(8,700)
Tax Collection Fees	32,000	27,875	4,125
Chamber of Commerce	123,000	83,070	39,930
Industrial Development Authority	5,050,000	1,554,074	3,495,926
Cost of Assessment	26,000	23,630	2,370
	8,239,000	3,035,913	5,203,087
 Total General Government	 \$ 9,201,000	 \$ 3,738,315	 \$ 5,462,685

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Public Works:			
Street Department:			
Personnel	\$ 1,064,000	\$1,007,809	\$ 56,191
Paving of Streets	300,000	124,437	175,563
Equipment	90,000	82,373	7,627
Vehicle and Equipment Maintenance	125,000	116,526	8,474
Supplies	57,000	40,500	16,500
Gasoline and Oil	50,000	51,007	(1,007)
Miscellaneous	57,000	32,911	24,089
Utilities	17,000	17,561	(561)
Uniforms and Clothing	12,000	12,672	(672)
Maintenance and Repairs, Other	3,000	1,921	1,079
Travel and Lodging	3,000	2,657	343
	<u>1,778,000</u>	<u>1,490,374</u>	<u>287,626</u>
Maintenance Public Property:			
Street Lights	125,000	84,987	40,013
Supplies and Other	65,000	16,407	48,593
Improvements	50,000	43,272	6,728
	<u>240,000</u>	<u>144,666</u>	<u>95,334</u>
Engineering Department:			
Personnel	176,000	148,072	27,928
Professional Fees	30,000	7,236	22,764
Supplies	10,000	8,759	1,241
Equipment	28,000	8,953	19,047
Miscellaneous	14,000	862	13,138
Vehicle and Equipment Maintenance	6,000	1,937	4,063
	<u>264,000</u>	<u>175,819</u>	<u>88,181</u>
Floodwall Maintenance:			
Maintenance and repairs	46,000	8,283	37,717
Utilities	25,000	11,008	13,992
	<u>71,000</u>	<u>19,291</u>	<u>51,709</u>
City Transit:			
Personnel	137,027	120,426	16,601
Parts and Uniforms	10,000	13,660	(3,660)
Gasoline and Maintenance	20,000	14,505	5,495
Insurance	16,000	15,600	400
Miscellaneous	13,100	1,779	11,321
Audit	2,000	1,400	600
Buses	75,000	32,843	42,157
Utilities	-	7,135	(7,135)
	<u>273,127</u>	<u>207,348</u>	<u>65,779</u>
Surplus Streets and Sewers:			
Improvements	40,000	51,918	(11,918)
Supplies	40,000	25,180	14,820
	<u>80,000</u>	<u>77,098</u>	<u>2,902</u>
Total Public Works	<u><u>\$ 2,706,127</u></u>	<u><u>\$2,114,596</u></u>	<u><u>\$ 591,531</u></u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
<i>Fire Department:</i>			
Personnel	\$ 798,000	\$ 609,097	\$ 188,903
Firefighter's Incentive	67,000	51,677	15,323
Vehicle and Equipment Maintenance	30,000	14,766	15,234
Utilities	25,000	24,089	911
Volunteer firefighters	20,000	24,435	(4,435)
Physical fitness	9,000	5,974	3,026
Supplies	13,000	2,840	10,160
Hydrants	10,000	8,184	1,816
Technical Equipment	16,000	2,681	13,319
Uniforms and Clothing	12,000	6,700	5,300
Miscellaneous	15,000	2,883	12,117
Maintenance and Repairs, Other	10,000	2,869	7,131
Travel and Lodging	7,000	209	6,791
Hazardous Material Equipment	20,000	-	20,000
Gasoline and Oil	5,000	3,581	1,419
Total Fire Department	1,057,000	759,985	297,015
<i>Police Department:</i>			
Personnel	1,194,000	1,030,807	163,193
Law Enforcement Incentive	70,000	71,800	(1,800)
Equipment and Cruiser	63,000	58,880	4,120
Supplies	29,000	25,931	3,069
Vehicle and Equipment Maintenance	30,000	11,956	18,044
Gasoline and Oil	24,000	16,385	7,615
Traffic Lights	14,000	10,738	3,262
Housing Authority	50,000	10,758	39,242
Miscellaneous	9,000	7,635	1,365
Uniforms and Clothing	10,000	10,789	(789)
Travel and Lodging	7,000	10,211	(3,211)
Other Contractor	8,000	6,152	1,848
Maintenance and Repairs, Other	5,000	285	4,715
Miscellaneous Grants	30,000	10,774	19,226
Drug Program	20,000	500	19,500
Traffic Safety	20,000	471	19,529
Physical Fitness	10,000	6,670	3,330
Utilities	3,000	2,845	155
Total Police Department	1,596,000	1,293,587	302,413

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<i>Parks and Recreation:</i>			
Grants and Subsidies	\$ 50,000	\$ 8,100	\$ 41,900
Utilities	15,000	13,034	1,966
Supplies	20,000	6,829	13,171
Little League	20,000	13,087	6,913
Miscellaneous	23,000	10,000	13,000
	<u>128,000</u>	<u>51,050</u>	<u>76,950</u>
<i>Renaissance:</i>			
Underground Utilities	1,085,000	542,596	542,404
Personnel	35,000	34,491	509
Supplies	5,200	588	4,612
Travel and Meetings	3,000	6,383	(3,383)
Rosemary Clooney Festival	105,000	41,138	63,862
Events	11,300	18,427	(7,127)
	<u>1,244,500</u>	<u>643,623</u>	<u>600,877</u>
<i>Russell Theatre:</i>			
Planning and Administration	-	35,800	(35,800)
Rehabilitation	250,000	-	250,000
	<u>250,000</u>	<u>35,800</u>	<u>214,200</u>
TOTAL EXPENDITURES - GENERAL FUND	<u><u>\$ 16,182,627</u></u>	<u><u>\$ 8,636,956</u></u>	<u><u>\$ 7,545,671</u></u>

SPECIAL REVENUE
FUNDS

**CITY OF MAYSVILLE, KENTUCKY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2001**

	Maysville- Mason Co. Recreation Park	Parking Lot Operations and Maintenance Fund	Maysville- Mason Co. Ambulance Service	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Regional Narcotics Task Force	Total
ASSETS							
Cash		\$ 54,795		\$ 7,866		\$ 126,031	\$ 188,692
Investments							
Accounts Receivable:							
Mason County Fiscal Court	\$ 83,767			4,099			87,866
YMCA	12,488						12,488
Due From Other Funds			\$ 94,563		129,901	81,581	224,464
Intergovernmental							81,581
Other (Net of Ambulance Service Allowance for Doubtful Accounts of \$73,247)		250	73,247				73,497
Total Assets	\$ 96,255	\$ 55,045	\$ 167,810	\$ 11,965	\$ 129,901	\$ 207,612	\$ 668,588
LIABILITIES AND FUND EQUITY							
Accounts Payable	\$ 7,259	\$ -					\$ 7,259
Intergovernmental							
Due to Other Funds	87,526			9,778		\$ 95,358	192,662
Deferred Revenue			95,583			112,254	207,837
Total Liabilities	94,785	-	95,583	9,778	-	207,612	407,758
Fund Balance, Reserved							72,227
Fund Balance, Unreserved	1,470	55,045	72,227	2,187	129,901		188,603
Total Fund Equity	1,470	55,045	72,227	2,187	129,901	-	260,830
Total Liabilities and Fund Equity	\$ 96,255	\$ 55,045	\$ 167,810	\$ 11,965	\$ 129,901	\$ 207,612	\$ 668,588

CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2001

	Maysville- Mason Co. Recreation Park	Parking Lot Operations and Maintenance Fund	Maysville- Mason Co. Ambulance Service	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Regional Narcotics Task Force	Total
Revenues:							
Intergovernmental Fees for Service	\$ 83,767		\$ 73,576	\$ 4,099	\$ 17,410	\$ 35,143	\$ 39,242
County Contribution			37,500	770			91,756
Room Tax					83,259		121,267
Golf Course	13,510						83,259
Grants and Other	2,815		8,513		10,581	201,943	13,510
Interest Income		\$ 2,293					223,852
Total Revenues	100,092	2,293	119,589	4,869	111,250	237,086	575,179
Expenditures:							
Recreation Park	183,859						183,859
Ambulance Service			112,584				112,584
Planning Commission				14,434			14,434
Tourism Commission					87,319		87,319
Regional Narcotics Task Force						244,586	244,586
Total Expenditures	183,859	-	112,584	14,434	87,319	244,586	642,782
Excess (Deficiency) of Revenues Over Expenditures	(83,767)	2,293	7,005	(9,565)	23,931	(7,500)	(67,603)
Transfers (To) From Other Funds	83,767	-	(7,005)	9,565	5,000	7,500	98,827
Excess (Deficiency) of Revenues Over Expenditures and Transfers	-	2,293	-	-	28,931	-	31,224
Fund Balance, July 1, 2000	1,470	52,752	72,227	2,187	100,970	-	229,606
Fund Balance, June 30, 2001	\$ 1,470	\$ 55,045	\$ 72,227	\$ 2,187	\$ 129,901	\$ -	\$ 260,830

**CITY OF MAYSVILLE, KENTUCKY
 COMBINED SPECIAL REVENUE FUNDS
 DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 228,926	\$ 160,509	\$ (68,417)
Fees for Service	156,000	105,266	(50,734)
Taxes	74,000	83,259	9,259
Grants and Other	206,281	223,852	17,571
Interest	2,000	2,293	293
Total Revenues	667,207	575,179	(92,028)
Expenditures:			
Recreation Park	231,000	183,859	47,141
Ambulance Service	206,000	112,584	93,416
Joint Planning Commission	45,000	14,434	30,566
Tourism Commission	107,000	87,319	19,681
Narcotics Task Force	233,707	244,586	(10,879)
Total Expenditures	822,707	642,782	179,925
Excess (Deficiency) of Revenues Over Expenditures	(155,500)	(67,603)	87,897
Transfers (To) From Other Funds	157,500	98,827	(58,673)
Excess (Deficiency) of Revenues Over Expenditures and Transfers	2,000	31,224	29,224
Fund Balance, July 1, 2000	229,606	229,606	-
Fund Balance, June 30, 2001	\$ 231,606	\$ 260,830	\$ 29,224

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COUNTY RECREATION PARK
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 100,000	\$ 83,767	\$ (16,233)
Golf Course	20,000	13,510	(6,490)
Miscellaneous	11,000	2,815	(8,185)
Interest Income	-	-	-
	<u>131,000</u>	<u>100,092</u>	<u>(30,908)</u>
Expenditures:			
Construction Materials	49,000	23,340	25,660
Personnel	91,000	90,167	833
Utilities	17,000	9,243	7,757
Maintenance and Repairs, Other	20,000	17,338	2,662
Par Three Golf	12,000	13,941	(1,941)
Vehicle and Equipment Maintenance	8,000	3,685	4,315
Supplies	6,000	7,094	(1,094)
Insurance	4,000	-	4,000
Gasoline and Oil	4,000	3,597	403
Audit	1,000	800	200
Telephone	1,000	1,416	(416)
Miscellaneous	10,000	9,382	618
Equipment	8,000	3,856	4,144
	<u>231,000</u>	<u>183,859</u>	<u>47,141</u>
Excess (Deficiency) of Revenues Over Expenditures	(100,000)	(83,767)	16,233
Transfers (To) From Other Funds	<u>100,000</u>	<u>83,767</u>	<u>16,233</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	-	-	-
Fund Balance, July 1, 2000	<u>1,470</u>	<u>1,470</u>	-
Fund Balance, June 30, 2001	<u>\$ 1,470</u>	<u>\$ 1,470</u>	<u>\$ -</u>

CITY OF MAYSVILLE, KENTUCKY
PARKING LOT OPERATIONS AND MAINTENANCE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Interest Income	\$ 2,000	\$ 2,293	\$ 293
Fund Balance, July 1, 2000	52,752	52,752	-
Fund Balance, June 30, 2001	\$ 54,752	\$ 55,045	\$ 14

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COUNTY AMBULANCE SERVICE
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Fees for Service	\$ 120,000	\$ 73,576	\$ (46,424)
Intergovernmental	61,000	37,500	(23,500)
Grants	<u>15,000</u>	<u>8,513</u>	<u>(6,487)</u>
	196,000	119,589	(76,411)
Expenditures:			
Ambulance Purchase	50,000	-	50,000
Personnel	97,000	70,701	26,299
Insurance	6,000	-	6,000
Equipment	20,000	12,939	7,061
Vehicle and Equipment Maintenance	10,000	4,353	5,647
Materials and Supplies	11,000	18,067	(7,067)
Gasoline and Oil	5,000	5,324	(324)
Collection Fee	6,000	-	6,000
Audit	<u>1,000</u>	<u>1,200</u>	<u>(200)</u>
	<u>206,000</u>	<u>112,584</u>	<u>93,416</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,000)	7,005	17,005
Transfers (To) From Other Funds	<u>10,000</u>	<u>(7,005)</u>	<u>(17,005)</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	-	-	-
Fund Balance, July 1, 2000	<u>64,616</u>	<u>72,227</u>	<u>7,611</u>
Fund Balance, June 30, 2001	<u>\$ 64,616</u>	<u>\$ 72,227</u>	<u>\$ 7,611</u>

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COMUNTY JOINT PLANNING COMMISSION
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 7,000	\$ 4,099	\$ (2,901)
Fees for Service	3,000	770	(2,230)
	10,000	4,869	(5,131)
Expenditures:			
Contract	40,000	11,740	28,260
Miscellaneous	5,000	2,357	2,643
Personnel	-	337	(337)
	45,000	14,434	30,566
Excess (Deficiency) of Revenues Over Expenditures	(35,000)	(9,565)	(25,435)
Transfers (To) From Other Funds	35,000	9,565	25,435
Excess (Deficiency) of Revenues Over Expenditures and Transfers	-	-	-
Fund Balance, July 1, 2000	2,187	2,187	-
Fund Balance, June 30, 2001	\$ 2,187	\$ 2,187	\$ -

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE TOURISM COMMISSION
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Room Tax	\$ 74,000	\$ 83,259	\$ 9,259
Tour Revenue	13,000	17,410	4,410
Intergovernmental	10,000	-	(10,000)
Grant	5,000	10,375	5,375
Miscellaneous	-	206	206
	<u>102,000</u>	<u>111,250</u>	<u>9,250</u>
Expenditures:			
Personnel	31,000	38,493	(7,493)
Advertisements	26,400	25,485	915
Tours and Welcome Center	21,205	5,815	15,390
Supplies and Miscellaneous	5,750	576	5,174
Seminars and Travel	6,000	5,835	165
Festival and Events	13,195	7,550	5,645
Dues and Subscriptions	3,450	3,565	(115)
	<u>107,000</u>	<u>87,319</u>	<u>19,681</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,000)	23,931	28,931
Transfers (To) From Other Funds	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	-	28,931	28,931
Fund Balance, July 1, 2000	<u>61,172</u>	<u>100,970</u>	<u>39,798</u>
Fund Balance, June 30, 2001	<u>\$ 61,172</u>	<u>\$ 129,901</u>	<u>\$ 68,729</u>

CITY OF MAYSVILLE, KENTUCKY
REGIONAL NARCOTICS TASK FORCE
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
KY Justice Cabinet Grant	\$ 175,281	\$ 163,111	\$ (12,170)
Intergovernmental	50,926	35,143	(15,783)
Forfeiture	-	38,832	38,832
	<u>226,207</u>	<u>237,086</u>	<u>10,879</u>
Expenditures:			
Personnel	178,229	166,175	12,054
Buy Money	25,000	55,667	(30,667)
Equipment and Equipment Lease	-	4,200	(4,200)
Travel and Lodging	7,990	5,387	2,603
Office Expense	10,080	10,231	(151)
Insurance	12,408	1,513	10,895
Miscellaneous	-	1,413	(1,413)
	<u>233,707</u>	<u>244,586</u>	<u>(10,879)</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,500)	(7,500)	-
Transfers (To) From Other Funds	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	-	-	-
Fund Balance, July 1, 2000	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2001	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MAYSVILLE, KENTUCKY
 COMBINING BALANCE SHEET
 TRUST FUNDS
 June 30, 2001**

	Fiduciary Funds		Total
	Pension Fund	Trust Fund	
	Police & Firemen's Pension Fund	I.N. Foster Fund	
ASSETS			
Cash and Savings		\$ 27,736	\$ 27,736
Investments	\$ 2,045,680	158,427	2,204,107
Accrued Interest Receivable		380	380
TOTAL ASSETS	\$ 2,045,680	\$ 186,543	\$ 2,232,223
 FUND EQUITY			
Fund Balance	<u>\$ 2,045,680</u>	<u>\$ 186,543</u>	<u>\$ 2,232,223</u>

CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
TRUST FUNDS
For the Year Ended June 30, 2001

	Fiduciary Funds		Total
	Pension Fund	Trust Fund	
	Police & Firemen's Pension Fund	I.N. Foster Fund	
Revenues:			
Interest and Dividends	\$ 70,572	\$ 27,603	\$ 98,175
Employee Withholdings	3,539		3,539
Realized Gains (Losses) on Investments	471,576		471,576
Unrealized Gains (Losses) on Investments	(778,295)		(778,295)
Total Revenues	<u>(232,608)</u>	<u>27,603</u>	<u>(205,005)</u>
Expenditures:			
Pension Payments	246,797		246,797
Clothing For Children		18,939	18,939
Trustee Fee	14,040		14,040
Total Expenditures	<u>260,837</u>	<u>18,939</u>	<u>279,776</u>
Excess (Deficiency) of Revenues Over Expenditures	(493,445)	8,664	(484,781)
Transfers (To) From Other Funds	<u>46,000</u>	<u>-</u>	<u>46,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Transfers	(447,445)	8,664	(438,781)
Fund Balance, July 1, 2000	<u>2,493,125</u>	<u>177,879</u>	<u>2,671,004</u>
Fund Balance, June 30, 2001	<u>\$ 2,045,680</u>	<u>\$ 186,543</u>	<u>\$ 2,232,223</u>

**CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUND
For the Year Ended June 30, 2001**

	<u>I.N. Foster Fund</u>
<i>Cash Flows From Operating Activities:</i>	
Payments for Children's Clothing	\$ (18,939)
Net Cash Used in Operating Activities	(18,939)
 <i>Cash Flows From Investing Activities:</i>	
Interest on Investments	27,603
Purchase of Investments	(5,830)
Net Cash Flows From Investing Activities	21,773
Net Increase in Cash and Cash Equivalents	2,834
Cash and Cash Equivalents, July 1, 2000	24,769
Cash and Cash Equivalents, June 30, 2001	\$ 27,603
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used In) Operating Activities:	
Operating Income	\$ 27,603
Net Cash Used In Operating Activities	\$ 27,603

ENTERPRISE FUNDS

**CITY OF MAYSVILLE, KENTUCKY
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
June 30, 2001**

	Maysville Utility Commission	Public Building Corporation	Total		Maysville Utility Commission	Public Building Corporation	Total
ASSETS							
Current Assets:							
Cash	\$ 306,925	\$ 1,193,877	\$ 1,500,802		\$ 114,304		\$ 114,304
Investments	2,656,906	600,000	3,256,906		42,493		42,493
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$5,178)	341,744		341,744		26,238		26,238
Accrued Interest Receivable	-	2,319	2,319		183,035	-	183,035
Materials and Supplies Inventory	69,591		69,591		36,307		36,307
Prepaid Expenses	39,775		39,775		73,565		73,565
	<u>3,414,941</u>	<u>1,796,196</u>	<u>5,211,137</u>		<u>628,628</u>	<u>389,735</u>	<u>628,628</u>
Restricted Assets:					<u>738,500</u>	<u>389,735</u>	<u>1,128,235</u>
Bond and Interest Redemption Fund	112,967		112,967				
Reserve for Water Plant Improvements	296,961		296,961				
Debt Service Fund	538,374		538,374				
	<u>948,302</u>	<u>-</u>	<u>948,302</u>				
Property, Plant and Equipment:							
Land - One Stop Building		168,838	168,838				
Water Utility Plant in Service	9,133,596	3,142,432	3,142,432			1,971,368	1,971,368
Sewer Utility Plant in Service	16,712,659		16,712,659		10,729,887		10,729,887
	<u>25,846,255</u>	<u>3,311,270</u>	<u>29,157,525</u>		<u>14,362,887</u>	<u>1,971,368</u>	<u>16,334,255</u>
Less Accumulated Depreciation	5,115,763		5,115,763		15,284,422	2,361,103	17,645,525
Net Property, Plant and Equipment	<u>20,730,492</u>	<u>3,311,270</u>	<u>24,041,762</u>		153,000		153,000
					70,000		70,000
					3,410,000		3,410,000
Unamortized Debt Discount	74,472	-	74,472				
Note Receivable, Industrial Development Authority	-	182,644	182,644				
	<u>\$ 25,168,207</u>	<u>\$ 5,290,110</u>	<u>\$ 30,458,317</u>		<u>\$ 25,168,207</u>	<u>\$ 5,290,110</u>	<u>\$ 30,458,317</u>
					296,961		296,961
					538,374		538,374
					6,334,616	2,389,329	8,723,945
					2,713,834	539,678	3,253,512
					<u>9,883,785</u>	<u>2,929,007</u>	<u>12,812,792</u>
					<u>\$ 25,168,207</u>	<u>\$ 5,290,110</u>	<u>\$ 30,458,317</u>

LIABILITIES AND FUND BALANCE

Current Liabilities:
Accounts Payable
Customer Deposits
Accrued Liabilities

Liabilities Payable from Restricted Assets:
Accrued Interest Payable
Bonds and Interest Redemption Reserve
Construction and Retainage Payable
Current Portion of Bonds and Notes Payable

Revenue Bonds and Notes Payable,
net of current portion:
Washington, Lewisburg Water District
City of Washington
Series of 1994
Notes Payable - Banks
Note Payable - KIA

Total Liabilities

Fund Equity:
Retained Earnings:
Reserved:
Plant Improvements
Debt Service
Unreserved
Contributed Capital

Total Fund Equity

CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES AND EXPENSES
ENTERPRISE FUNDS
For the Year Ended June 30, 2001

	Maysville Utility Commission	Public Building Corporation	Total
Revenues:			
Water Sales	\$ 1,421,861		\$ 1,421,861
Water Surcharge	49,559		49,559
Sewer Charges	1,562,118		1,562,118
Other Operating Revenues	153,466	25,261	178,727
	<u>3,187,004</u>	<u>25,261</u>	<u>3,212,265</u>
Expenses:			
Water Operations	895,127		895,127
Sewer Operations	703,621		703,621
Building Repairs	-		-
	<u>1,598,748</u>	<u>-</u>	<u>1,598,748</u>
Operating Income Before Depreciation	1,588,256	25,261	1,613,517
Depreciation Expenses:			
Water System	227,106		227,106
Sewer System	417,540		417,540
	<u>644,646</u>	<u>-</u>	<u>644,646</u>
Operating Income	943,610	25,261	968,871
Nonoperating Revenues (Expenses):			
Capital Contribution - Transfer From City		1,354,697	1,354,697
Interest Income	208,415	84,120	292,535
Interest Expense - Bonds	(244,248)		(244,248)
Interest Expense - KIA Loan	(233,720)		(233,720)
Financial Fees and Amortization	(5,657)		(5,657)
	<u>(275,210)</u>	<u>1,438,817</u>	<u>1,163,607</u>
Net Income	<u>\$ 668,400</u>	<u>\$ 1,464,078</u>	<u>\$ 2,132,478</u>

CITY OF MAYSVILLE, KENTUCKY
 STATEMENT OF CHANGES IN FUND EQUITY
 MAYSVILLE UTILITY COMMISSION
 For the Year Ended June 30, 2001

	Reserved for Plant Improvements	Reserved for Debt Service	Contributed Capital		Retained Earnings	Total Fund Equity
			Sewer System	Water System		
Balance, July 1, 2000	\$ 294,670	\$ 436,814	\$ 1,721,781	\$ 1,061,371	\$ 5,700,749	\$ 9,215,385
Net Income					668,400	668,400
Current Year's Depreciation Charged to Contributed Capital			(42,974)	(26,344)	69,318	-
Transfers, Net	2,291	101,560			(103,851)	-
Balance, June 30, 2001	\$ 296,961	\$ 538,374	\$ 1,678,807	\$ 1,035,027	\$ 6,334,616	\$ 9,883,785

CITY OF MAYSVILLE, KENTUCKY
STATEMENTS OF CHANGES IN FUND EQUITY
PUBLIC BUILDING CORPORATION
For the Year Ended June 30, 2001

	Contributed Capital	Retained Earnings	Total Fund Equity
Balance, Beginning of Year	\$ 539,678	\$ 925,251	\$ 1,464,929
Net Income	_____	1,464,078	1,464,078
Balance, End of Year	\$ 539,678	\$ 2,389,329	\$ 2,929,007

**CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2001**

	<u>Maysville Utility Commission</u>	<u>Public Building Corporation</u>	<u>Total</u>
<i>Cash Flows From Operating Activities:</i>			
Receipts from Customers	\$ 3,155,879	\$ 25,261	\$ 3,181,140
Payments to Suppliers	(1,000,106)		(1,000,106)
Payments to Employees	(611,364)		(611,364)
Net Cash Provided By (Used In) Operating Activities	<u>1,544,409</u>	<u>25,261</u>	<u>1,569,670</u>
<i>Cash Flows From Noncapital Financing Activities:</i>			
Customer Deposits(Net)	<u>(872)</u>		<u>(872)</u>
Net Cash Provided (Used) In Noncapital Financing Activities	<u>(872)</u>	-	<u>(872)</u>
<i>Cash Flows From Capital And Related Financing Activities:</i>			
Additions to Property, Plant and Equipment	(81,595)	(2,503,868)	(2,585,463)
Contribution From City		1,354,697	1,354,697
Principal Paid on Bonds and Notes	(565,643)	(13,817)	(579,460)
Interest Paid on Bonds	(502,423)		(502,423)
Proceeds from Notes Payable		1,985,185	1,985,185
Received from Note Receivable		39,628	39,628
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(1,149,661)</u>	<u>861,825</u>	<u>(287,836)</u>
<i>Cash Flows From Investing Activities:</i>			
Purchase of Investments	(1,029,156)		(1,029,156)
Interest on Investments	208,415	84,343	292,758
Net Cash Provided By (Used In) In Investing Activities	<u>(820,741)</u>	<u>84,343</u>	<u>(736,398)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(426,865)	971,429	544,564
Cash and Cash Equivalents, July 1, 2000	<u>1,682,092</u>	<u>222,448</u>	<u>1,904,540</u>
Cash and Cash Equivalents, June 30, 2001	<u>\$ 1,255,227</u>	<u>\$ 1,193,877</u>	<u>\$ 2,449,104</u>
Classified as:			
Restricted	\$ 948,302	\$ -	\$ 948,302
Unrestricted	306,925	1,193,877	1,500,802
	<u>\$ 1,255,227</u>	<u>\$ 1,193,877</u>	<u>\$ 2,449,104</u>

CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2001

	<u>Maysville Utility Commission</u>	<u>Public Building Corporation</u>	<u>Total</u>
<i>Reconciliation Of Operating Income To Net</i>			
<i>Cash Provided By (Used In) Operating Activities:</i>			
Operating Income	\$ 943,610	\$ 25,261	\$ 968,871
 Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:			
Depreciation	644,646		644,646
Amortization	5,657		5,657
 Change in Asset and Liabilities:			
Decrease (Increase) in Prepaid Expense	(39,775)	223	(39,552)
(Increase) Decrease in Accounts Receivable	(31,125)		(31,125)
(Increase) Decrease in Inventory	(5,987)		(5,987)
Increase (Decrease) in Accounts Payable	30,954		30,954
Increase in Accrued Liabilities	2,086		2,086
Total Adjustments	<u>606,456</u>	<u>223</u>	<u>606,679</u>
 Net Cash Provided By Operating Activities	 <u>\$ 1,550,066</u>	 <u>\$ 25,484</u>	 <u>\$ 1,575,550</u>
 <i>Supplemental Schedule of Noncash Transactions:</i>			
<i>Investing</i>			
Property, Plant, and Equipment Additions in Construction and Retainage Payable	<u>\$ (84,058)</u>	<u>\$ 389,735</u>	<u>\$ 305,677</u>

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF UTILITY OPERATING EXPENSES
For the Year Ended June 30, 2001

	<u>Water</u>	<u>Sewer</u>	<u>TOTAL</u>
<i>Pumping Expense:</i>			
Personnel	\$ -	\$ 20,095	\$ 20,095
Power	117,192	121,601	238,793
Maintenance	10,557	33,245	43,802
	<u>127,749</u>	<u>174,941</u>	<u>302,690</u>
<i>Treatment Expense:</i>			
Personnel	102,477	91,857	194,334
Chemicals and Supplies	86,041	18,524	104,565
Maintenance	40,022	46,382	86,404
	<u>228,540</u>	<u>156,763</u>	<u>385,303</u>
<i>Transmission Expense:</i>			
Personnel	146,155	67,323	213,478
Supplies	8,631	7,799	16,430
Maintenance	100,280	30,352	130,632
	<u>255,066</u>	<u>105,474</u>	<u>360,540</u>
<i>Customer Accounts Expense:</i>			
Personnel	43,475	43,433	86,908
Supplies and Other	5,278	4,796	10,074
Uncollectible Accounts	4,907	4,401	9,308
	<u>53,660</u>	<u>52,630</u>	<u>106,290</u>
<i>Administrative & General Expense:</i>			
Personnel	50,018	46,531	96,549
Fringe Benefits	70,002	61,691	131,693
Insurance	35,076	35,076	70,152
Transportation	22,251	22,251	44,502
Other Expenses	52,765	48,264	101,029
	<u>230,112</u>	<u>213,813</u>	<u>443,925</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 895,127</u></u>	<u><u>\$ 703,621</u></u>	<u><u>\$ 1,598,748</u></u>

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
For the Year Ended June 30, 2001

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land and Buildings	\$ 2,692,360	\$ 480,361	\$ -	\$ 3,172,721
Equipment and Vehicles	2,918,734	206,932	-	3,125,666
	<u>\$ 5,611,094</u>	<u>\$ 687,293</u>	<u>\$ -</u>	<u>\$ 6,298,387</u>
Net Investments in General Fixed Assets: General Fund	<u>\$ 5,611,094</u>	<u>\$ 687,293</u>	<u>\$ -</u>	<u>\$ 6,298,387</u>

Note - Additions to Land and Buildings consisted of:

H. B. Stowe House - Washington
Two Houses - Downtown Maysville

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF GENERAL LONG-TERM DEBT
June 30, 2001

Amount to be Provided for the Payment of General Long-Term Debt

Amount to be provided from:

General Fund	<u>\$ 604,644</u>
 General Long-Term Debt	
Landfill Closure	\$ 422,000
Note Payable	<u>182,644</u>
	<u>\$ 604,644</u>

FEDERAL GRANT AND
GOVERNMENT COMPLIANCE
REPORTS

James H. Smith, CPA, PSC

Certified Public Accountant

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council
City of Maysville
Maysville, Kentucky 41056

I have audited the financial statements of City of Maysville as of and for the year ended June 30, 2001, and have issued my report thereon dated November 30, 2001. I conducted my 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.

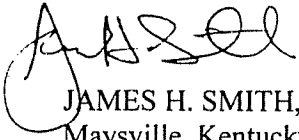
Compliance

As part of obtaining reasonable assurance about whether City of Maysville's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered City of Maysville's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted other matters involving the internal control over financial reporting that I have reported to the management of the City of Maysville, in a separate letter dated November 30, 2001.

This report is intended for the information of the City Council and management of City of Maysville, Kentucky and the Department of Local Government for Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'J. H. Smith', with a large, stylized initial 'J'.

JAMES H. SMITH, CPA, PSC
Maysville, Kentucky

November 30, 2001

James H. Smith, CPA, PSC

Certified Public Accountant

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Council
City of Maysville
Maysville, Kentucky 41056

Compliance

I have audited the compliance of the City of Maysville with the types of compliance requirements described *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The City of Maysville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of reportable conditions and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Maysville's management. My responsibility is to express an opinion on the City of Maysville's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Maysville's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Maysville's compliance with those requirements.

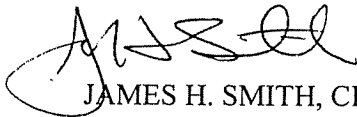
In my opinion, the City of Maysville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the City of Maysville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Maysville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the City Council, management, Department for Local Government of the Commonwealth of Kentucky, and appropriate grantor agencies. This restriction is not intended to be and should not be used by anyone other than these specified parties.



JAMES H. SMITH, CPA, PSC
Maysville, Kentucky

November 30, 2001

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2001

<u>Grant/Program Title</u>	<u>Grant No.</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Balance 06-30-00</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance 06-30-01</u>
Environmental Protection Agency: Passed Through Kentucky Infrastructure Authority (Loan): Wastewater Revolving Loan	A-98-01	66.458	\$ 10,432,804	\$ -	\$ 42,803	\$ 42,803	\$ -
U.S. Department of Transportation: Passed Through Commonwealth of KY: UMTA - Capital	KY-1817920	(M) 20.507	26,275	-	26,275	26,275	-
UMTA - Operating	KY-1817708	(M) 20.507	92,000	-	78,854	78,854	-
Federal Highway Administration: Transportation Enhancement: Renaissance	C-01025258	(M) 20.205	200,000	-	93,485	93,485	-
Renaissance	C-99123675	(M) 20.205	300,000	-	178,716	178,716	-
H. B. Stowe Museum		(M) 20.205	160,000	-	130,000	130,000	-
U.S. Department of Justice: Passed Through Commonwealth of KY: Regional Narcotics Task Force	6130-N2-11/00	(M) 16.579	175,280	-	76,240	118,658	42,418
Passed Through Maysville Housing Auth.: Police-Housing Authority		14.854	20,782	-	20,782	20,782	-
U.S. Department of HUD: Passed Through Commonwealth of KY: Community Development Block Grant (Russell Theatre)	99-099	14.228	250,000	-	35,800	35,800	-
				\$ -	\$ 682,955	\$ 725,373	\$ 42,418

The accompanying notes are an integral part of the financial statements.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2001

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Maysville, Kentucky and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - LOANS AND LOAN GUARANTEES

The auditee had no loans or loan guarantees during or at the end of the year, except for the loan payable to Kentucky Infrastructure Authority which is indicated in the Schedule of Expenditures of Federal Awards, and those loans disclosed in the basic financial statements of the City.

NOTE C - INSURANCE

The City carried insurance coverage during the entire year in amounts sufficient or in excess of required levels, including coverage for general and professional liability, real and personal property, workers compensation and fidelity bonding of employees who have access to funds.

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF REPORTABLE CONDITIONS AND QUESTIONED COSTS
For the Year Ended June 30, 2001

SUMMARY OF AUDITOR'S RESULTS

- A. Type of report issued on the financial statements: Unqualified
- B. There was no material noncompliance with laws, regulations, contracts, and grants.
- C. Type of report issued on compliance for major programs: Unqualified
- D. My audit report disclosed no reportable conditions required to be reported on under Section 510(a) of OMB Circular A-133.
- E. The City operated the following major programs during the year ended June 30, 2001:
- | | | |
|-------------------------------|--------------|-------------------|
| UMTA - Capital and Operating | CFDA #20.507 | Type B |
| Transportation Enhancement | CFDA #20.205 | Type A - Selected |
| Regional Narcotics Task Force | CFDA #16.579 | Type B - Selected |
- F. Type A programs were all programs with expenditures exceeding \$300,000.
- G. The City qualified as a low-risk auditee under Section 530 of OMB Circular A-133.
- H. All reportable conditions included as Findings in the prior year report have been remedied.

FINDINGS - CURRENT YEAR

None

QUESTIONED COSTS

None

CITY OF MAYSVILLE, KENTUCKY

**Report on Audited Financial Statements
and Supplementary Information for the
Year Ended June 30, 2002**

MILLER, MAYER, SULLIVAN & STEVENS - LLP
CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY" SM

EXHIBIT L

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MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY"™

INDEPENDENT AUDITORS' REPORT

The Honorable David Cartmell, Mayor
City Commissioners and City Manager
City of Maysville, Kentucky

We have audited the accompanying basic financial statements of the City of Maysville, Kentucky, as of and for the year ended June 30, 2002 as listed in the table of contents. These basic financial statements are the responsibility of the City of Maysville, Kentucky's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Maysville, Kentucky as of June 30, 2002, and the results of its operations and the cash flows of its proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, Statement No. 33, *Accounting and Financial Reporting for Non Exchange Transactions*, Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*, as of July 1, 2001. This resulted in a change in the format and content of the basic financial statements for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2002, on our consideration of the City of Maysville, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Maysville, Kentucky. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of

additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and is also not a required part of the basic financial statements of the City of Maysville, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky
December 3, 2002



CITY OF MAYSVILLE
216 BRIDGE STREET
MAYSVILLE, KY 41056
606-564-9419 • Fax 606-564-9416

Romie Griffey
Comptroller

Management Discussion and Analysis

OVERVIEW

The report on Audited Financial Statements and Supplementary information for the year ending June 30, 2002 for the City of Maysville, Kentucky contains various financial statements and disclosures required by GASB (Government Accounting Standards Board) and other reporting required by Federal and State Governments.

This annual report consists of a series of financial statements and may be confusing to the average reader. We will identify specific information to aid in the understanding of this report. However, the report is intended to be read in detail for a complete understanding of the financial operations of the City of Maysville.

BASIC FINANCIAL STATEMENTS

The basic financial statements, which are presented in the new required format for the fiscal year ended in June 30, 2002, include both government-wide financial statements and fund financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 1-4), and they provide information about the activities of the city as a whole and present a longer-term view of the City's finances. The fund financial statements (beginning on page 5) focus on governmental activities and how various services were financed in the short-term as well as the balance remaining for future spending. Fund Financial statements also report the City's operations in more detail than the government-wide statements by providing information about the city's most significant funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities report information on the City as a whole. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. The City's net assets are the difference between assets and liabilities, and is one way to measure the City's financial health or financial position. Overtime, increases or decreases in the City's net assets are one indicator of whether its financial position is improving or deteriorating. Other factors, however, such as changes in the City's property tax base and the condition of the City's roads need to be considered to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including general administration, public works, public safety, parks and recreation, and community development. Taxes, licenses and permits, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and rental operations are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- **Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

The City also is the trustee or fiduciary for certain activities. We exclude these activities from the City's other financial statements because the city cannot use those assets to finance its operations. All of the City's fiduciary activities are reported in a statement of Net Assets – Fiduciary Funds on page 13. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Since this report is a complete revision of past reporting requirements, comparison of Information is not possible. However, general comments regarding overall financial position and results of operations can be made.

GOVERNMENT FUNDS

As indicated on page 7 the excess of revenues over expenditures for the year was \$1,377,329 and the net change in fund balance was \$1,187,422. This resulted from maintaining payroll license fee collections in a period of lower employment through the addition of a major construction project in the City of Maysville. The City maintains a fund balance sufficient to provide adequate public service for the next fiscal year if economic conditions do not improve.

PROPRIETARY FUNDS

The primary proprietary fund is the Maysville Utility Commission. As noted on page 10, operating income (before non-operating revenues and expenses) was \$854,622 for the year ended June 30, 2002. During the year ended June 30, 2002, water and sewer rates were sufficient to provide adequate revenue for operations and maintaining bond requirements. The commission has been notified that a major water user (approximately 17% of gross water revenue) will reduce purchases over the next few years. This may require a rate adjustment if future growth does not offset this loss of revenue.

The Maysville Utility Commission recorded a loss on disposition of assets totaling \$2,563,522. This resulted from the abandonment of an old sewer plant as explained on page 38. A new sewer plant was constructed and placed in service during the prior year.

BUDGET

Supplementary information starting on page 41 details the original budget and amended budget adopted by the City for the year. No amendment to the budget was required for the year. Actual expenditures were \$5,161,722 below budget estimates. This resulted primarily from projected capital projects, which were not funded.

The Maysville Utility Commission did not formally adopt a budget for the current fiscal year. For a number of years property funds were exempt from adopting a budget due to the nature of this operation. It was brought to our attention during the course of this year's audit that this requirement has been changed. The Maysville Utility Commission will adopt a formal budget for this fiscal year starting July 1, 2003.

WATER AND SEWER REVENUE FUND

As noted on page 24 of this report, the City maintains a Water and Sewer Operation and Maintenance Fund required by certain bond covenants. This Fund was under by \$191,000 at June 30, 2002, based on fiscal year 2002 operating expenditures. This shortage will be corrected by the purchase of a certificate of deposit for the required amount.


Romie Griffey,
City Comptroller

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2002

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 3,829,562	\$ 1,482,259	\$ 5,311,821
Certificates of deposit	7,441,374	2,678,113	10,119,487
Investments	138,584		138,584
Receivables:			
Accounts	52,648	511,069	563,717
Taxes & license	927,175		927,175
Property taxes	6,920		6,920
Intergovernmental	661,070		661,070
Other	34,547		34,547
Due from other funds		8,543	8,543
Prepaid expenses		34,532	34,532
Inventory, at cost		63,154	63,154
	13,091,880	4,777,670	17,869,550
Total Current Assets			
Restricted investments		888,924	888,924
Noncurrent Assets:			
Intergovernmental receivable	627,484		627,484
Note receivable		196,422	196,422
Property and equipment, net	3,230,236	21,699,124	24,929,360
Bond issuance costs		142,150	142,150
	3,857,720	22,037,696	25,895,416
Total Noncurrent Assets			
Total Assets	\$ 16,949,600	\$ 27,704,290	\$ 44,653,890

Continued

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 373,941	\$ 68,267	\$ 442,208
Other liabilities	95,775	68,878	164,653
Intergovernmental payables	10,737		10,737
Deferred revenue	994,649		994,649
Bonds and notes payable	58,106	62,841	120,947
Due to other funds	8,543		8,543
Total Current Liabilities	<u>1,541,751</u>	<u>199,986</u>	<u>1,741,737</u>
Payable from restricted assets:			
Accrued interest payable		127,333	127,333
Bonds and notes payable		659,680	659,680
Total Liabilities Payable from Restricted Assets		<u>787,013</u>	<u>787,013</u>
Total Current Liabilities	1,541,751	986,999	2,528,750
Noncurrent liabilities:			
Bonds and notes payable	96,421	15,629,357	15,725,778
Total Liabilities	<u>\$ 1,638,172</u>	<u>\$ 16,616,356</u>	<u>\$ 18,254,528</u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 3,075,709	\$ 5,273,681	\$ 8,349,390
Restricted	627,484	888,924	1,516,408
Unrestricted	11,608,235	4,925,329	16,533,564
Total Net Assets	<u>\$ 15,311,428</u>	<u>\$ 11,087,934</u>	<u>\$ 26,399,362</u>

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2002

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government:					
Legislative	\$ 69,927	\$	\$	\$	\$ (69,927)
Planning and Zoning	121,744	1,825	2,585		(117,334)
Administrative	1,590,614	27,542	87,431		(1,475,641)
Legal	36,897				(36,897)
Total General Government	1,819,182	29,367	90,016		(1,699,799)
Public Works:					
Streets	1,489,750		88,399	277,224	(1,124,127)
Maintenance	176,740				(176,740)
Engineering	236,007				(236,007)
Floodwall	11,399				(11,399)
Surplus streets and sewers	60,939				(60,939)
Parking lots	2,735	13,008			10,273
Transit	205,169	15,732	81,424	65,872	(42,141)
Total Public Works	2,182,739	28,740	169,823	343,096	(1,641,080)
Public Safety:					
Police	1,332,217		218,394		(1,113,823)
Fire	897,658		60,536		(837,122)
Ambulance	149,807	239,168		124,222	213,583
Regional Narcotics Task Force	232,288	16,527	208,261		(7,500)
Total Public Safety	2,611,970	255,695	487,191	124,222	(1,744,862)
Parks & Recreation	219,582	15,015	68,986		(135,581)
Community Development:					
Renaissance/Main Street	203,708	141,072		267,274	204,638
Russell Theatre	230,839			230,839	
Tourism	91,572	101,394	5,444		15,266
Total Renaissance	526,119	242,466	5,444	498,113	219,904
Total Governmental Activities	7,359,592	571,283	821,460	965,431	(5,001,418)
Business-Type Activities:					
Water	1,485,367	1,571,499			86,132
Sewer	1,359,921	1,631,232			271,311
Rental	233,793	189,453		175,000	130,660
Total Business-Type Activities	3,079,081	3,392,184		175,000	488,103
Total	\$ 10,438,673	\$ 3,963,467	\$ 821,460	\$ 1,140,431	\$ (4,513,315)

(Continued)

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2002

Changes in Net Assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (5,001,418)	\$ 488,103	\$ (4,513,315)
General revenues:			
Taxes:			
Real and personal property	690,267		690,267
Franchise	112,063		112,063
Bank shares	57,755		57,755
Tangible property	96,120		96,120
Payment in lieu of taxes	243,317		243,317
Other	3,217		3,217
Licenses and permits:			
Payroll licenses	4,125,058		4,125,058
Insurance licenses	680,381		680,381
Occupational licenses	302,405		302,405
Building permits	10,231		10,231
Franchise fees:			
Kentucky Utilities	122,285		122,285
Cablevision	43,511		43,511
Intergovernmental	51,344		51,344
Fines & forfeitures	16,612		16,612
Other	40,795		40,795
Investment income	295,321	188,117	483,438
Special items		(2,563,522)	(2,563,522)
Transfers	(143,907)	143,907	
Total general revenues and transfers	<u>6,746,775</u>	<u>(2,231,498)</u>	<u>4,515,277</u>
Change in net assets	1,745,357	(1,743,395)	1,962
Net assets, beginning of year	<u>13,566,071</u>	<u>12,831,329</u>	<u>26,397,400</u>
Net assets, end of year	<u>\$ 15,311,428</u>	<u>\$ 11,087,934</u>	<u>\$ 26,399,362</u>

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2002

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 3,637,515	\$ 192,046	\$ 3,829,561
Certificates of deposit	7,441,374		7,441,374
Investments	138,584		138,584
Receivables:			
Taxes & license	927,175		927,175
Property taxes	6,920		6,920
Other	34,447	52,748	87,195
Grants	501,777		501,777
Intergovernmental		159,293	159,293
Due from other funds	186,012	258,107	444,119
	\$ 12,873,804	\$ 662,194	\$ 13,535,998
Total assets			
LIABILITIES			
Accounts payable	\$ 367,320	\$ 6,621	\$ 373,941
Payroll liabilities	95,775		95,775
Deferred revenue	877,824	116,825	994,649
Intergovernmental payable	10,737		10,737
Due to other funds	291,649	161,012	452,661
	1,643,305	284,458	1,927,763
Total liabilities			
FUND BALANCE			
Fund balance, unreserved	11,230,499	377,736	11,608,235
Total liabilities and fund balance	\$ 12,873,804	\$ 662,194	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,165,872	3,230,236
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	627,484
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes payable	(140,738)
Capital leases payable	(13,789)
Net assets of governmental activities	\$ 15,311,428

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2002

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Licenses and permits	\$ 5,118,075	\$	\$ 5,118,075
Intergovernmental revenue	1,185,663	409,498	1,595,161
Taxes	1,090,676	93,371	1,184,047
Franchise fees	370,769		370,769
Fines and permits	23,835		23,835
Other	353,548	39,573	393,121
Charges for services	27,542	240,985	268,527
Interest	294,265	1,056	295,321
	<u>8,464,373</u>	<u>784,483</u>	<u>9,248,856</u>
Total revenues			
Expenditures:			
General Government:			
Legislative	69,927		69,927
Planning and Zoning	111,302	10,442	121,744
Administrative	1,348,192		1,348,192
Legal	36,897		36,897
	<u>1,566,318</u>	<u>10,442</u>	<u>1,576,760</u>
Total General Government			
Public Works:			
Streets	1,424,347		1,424,347
Maintenance	176,740		176,740
Engineering	170,765		170,765
Floodwall	11,399		11,399
Transit	178,586		178,586
Surplus streets & sewers	60,939		60,939
Parking lots	2,735		2,735
	<u>2,025,511</u>		<u>2,025,511</u>
Total Public Works			
Public Safety:			
Police	1,285,108		1,285,108
Fire	850,413		850,413
Ambulance		108,801	108,801
Regional Narcotics Task Force		232,288	232,288
	<u>2,135,521</u>	<u>341,089</u>	<u>2,476,610</u>
Total Public Safety			

Continued

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2002

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Parks & Recreation	66,348	152,987	219,335
Community Development:			
Renaissance/Main Street	203,708		203,708
Russell Theatre	5,000		5,000
Tourism		91,572	91,572
Total Community Development	208,708	91,572	300,280
Capital	1,119,187	79,959	1,199,146
Debt Service	73,885		73,885
Total expenditures	7,195,478	676,049	7,871,527
Excess (deficiency) of revenues over expenditures	1,268,895	108,434	1,377,329
Other financing sources (uses):			
Transfers (to) from other funds	(102,795)	(87,112)	189,907
Net change in fund balance	1,166,100	21,322	1,187,422
Fund balance, beginning of year	9,089,829	260,831	9,350,660
Prior period adjustment	974,570	95,583	1,070,153
Fund balance, end of year	<u>11,230,499</u>	<u>\$ 377,736</u>	<u>\$ 11,608,235</u>

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2002

Net change in fund balances-total governmental funds: \$ 1,187,422

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	775,169
Depreciation expense	(281,689)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital lease obligation principal payments	64,455
---	--------

Change in Net Assets of Governmental Activities	\$ 1,745,357
---	--------------

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2002

	Maysville Utility Commission	Public Building Corporation	Total
ASSETS			
Current assets:			
Cash	\$ 734,297	\$ 747,962	\$ 1,482,259
Certificates of deposit	2,678,113		2,678,113
Accounts receivable (net)	289,965	221,104	511,069
Due from other funds		8,543	8,543
Prepaid expenses	34,532		34,532
Inventory, at cost	63,154		63,154
Total current assets	3,800,061	977,609	4,777,670
Restricted cash and certificates of deposit	888,924		888,924
Noncurrent assets:			
Property and equipment, net	17,700,683	3,998,441	21,699,124
Bond issuance costs	142,150		142,150
Notes receivable		196,422	196,422
Total noncurrent assets	17,842,833	4,194,863	22,037,696
Total Assets	\$ 22,531,818	\$ 5,172,472	\$ 27,704,290
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 68,267	\$	\$ 68,267
Other liabilities	68,878		68,878
Notes payable		62,841	62,841
Total current liabilities	137,145	62,841	199,986
Payable from restricted assets:			
Accrued interest payable	127,333		127,333
Bonds and notes payable	659,680		659,680
Total liabilities payable from restricted assets	787,013		787,013
Noncurrent liabilities:			
Bonds and notes payable	13,780,207	1,849,150	15,629,357
Total Liabilities	\$ 14,704,365	\$ 1,911,991	\$ 16,616,356
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,187,231	\$ 2,086,450	\$ 5,273,681
Restricted	888,924		888,924
Unrestricted	3,751,298	1,174,031	4,925,329
Total Net Assets	\$ 7,827,453	\$ 3,260,481	\$ 11,087,934

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2002

	Maysville Utility Commission	Public Building Corporation	Total
Revenues:			
Water sales	\$ 1,480,166	\$	\$ 1,480,166
Water surcharge	49,528		49,528
Sewer charges	1,589,427		1,589,427
Lease income		189,453	189,453
Other operating revenues	83,609		83,609
	<u>3,202,730</u>	<u>189,453</u>	<u>3,392,183</u>
Expenses:			
Water operations	1,009,073		1,009,073
Sewer operations	816,863		816,863
Leasing operations		45,065	45,065
	<u>1,825,936</u>	<u>45,065</u>	<u>1,871,001</u>
Operating income before depreciation	<u>1,376,794</u>	<u>144,388</u>	<u>1,521,182</u>
Depreciation expense:			
Water system	227,704		227,704
Sewer system	294,468		294,468
Public Building Corporation		85,605	85,605
	<u>522,172</u>	<u>85,605</u>	<u>607,777</u>
Operating income	<u>854,622</u>	<u>58,783</u>	<u>913,405</u>
Nonoperating revenues (expenses):			
Interest income	149,746	38,371	188,117
Interest expense	(419,845)	(103,123)	(522,968)
Loss on disposition	(2,563,522)		(2,563,522)
Amortization	(77,334)		(77,334)
Nonoperating revenues (expenses)	<u>(2,910,955)</u>	<u>(64,752)</u>	<u>(2,975,707)</u>
Income (loss) before other revenues, expenses gains, losses, and transfers	<u>(2,056,333)</u>	<u>(5,969)</u>	<u>(2,062,302)</u>
Capital contributions:			
Grant proceeds		175,000	175,000
Transfer from other funds		143,907	143,907
Total capital contributions		<u>318,907</u>	<u>318,907</u>
Net income (loss)	<u>(2,056,333)</u>	<u>312,938</u>	<u>(1,743,395)</u>
Net assets, beginning of year	9,883,786	2,929,006	12,812,792
Prior period adjustment		18,537	18,537
Net assets, end of year	<u>\$ 7,827,453</u>	<u>\$ 3,260,481</u>	<u>\$ 11,087,934</u>

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2002

	Maysville Utility Commission	Public Building Corporation	Total
Cash flows from operating activities:			
Receipts from customers	\$ 3,254,509	\$ 189,453	\$ 3,443,962
Payments to suppliers	(1,053,192)	(45,065)	(1,098,257)
Payments to employees	(809,683)		(809,683)
Net cash provided by (used in) operating activities	<u>1,391,634</u>	<u>144,388</u>	<u>1,536,022</u>
Cash flows from noncapital financing activities:			
Loan to Downtown Maysville Revolving Loan Fund		(100,000)	(100,000)
Customer deposits (net)	2,729		2,729
Net cash provided (used) in noncapital financing activities	<u>2,729</u>	<u>(100,000)</u>	<u>(97,271)</u>
Cash flows from capital and related financing activities:			
Additions to property, plant and equipment	(55,885)	(1,143,975)	(1,199,860)
Contribution from City		135,364	135,364
Principal paid on notes and bonds	(4,261,628)	(59,377)	(4,321,005)
Interest paid on notes and bonds	(402,384)	(103,123)	(505,507)
Proceeds from bonds	3,710,000		3,710,000
Bond issuance costs	(144,876)		(144,876)
Payments on note receivable		41,906	41,906
Net cash provided by (used in) capital and related financing activities	<u>(1,154,773)</u>	<u>(1,129,205)</u>	<u>(2,283,978)</u>
Cash flows from investing activities:			
Purchase of investments	(27,910)		(27,910)
Sale of investments		600,000	600,000
Interest on investments	149,746	38,902	188,648
Net cash provided by (used in) in investing activities	<u>121,836</u>	<u>638,902</u>	<u>760,738</u>
Net increase (decrease) in cash and cash equivalents	361,426	(445,915)	(84,489)
Cash and cash equivalents, beginning of year	577,091	1,193,877	1,770,968
Cash and cash equivalents, end of year	<u>\$ 938,517</u>	<u>\$ 747,962</u>	<u>\$ 1,686,479</u>
Classified as:			
Restricted	\$ 149,493	\$	\$ 149,493
Unrestricted	789,024	747,962	1,536,986
	<u>\$ 938,517</u>	<u>\$ 747,962</u>	<u>\$ 1,686,479</u>

Continued

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2002

	Maysville Utility Commission	Public Building Corporation	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income	\$ 854,622	\$ 58,783	\$ 913,405
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	522,172	85,605	607,777
Change in assets and liabilities:			
Accounts receivable	51,779		51,779
Inventory	6,437		6,437
Prepaid expenses	5,243		5,243
Accounts payable	(46,037)		(46,037)
Accrued liabilities	(2,582)		(2,582)
Total adjustments	537,012	85,605	622,617
Net cash provided by operating activities	\$ 1,391,634	\$ 144,388	\$ 1,536,022
Supplemental Schedule of Noncash Transactions:			
<i>Investing</i>			
Disposition of property and equipment, net	\$ 2,563,522	\$	\$ 2,563,522

See the accompanying notes to the basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2002

	<u>Fiduciary Funds</u>		<u>Total</u>
	<u>Pension Trust</u>	<u>Private-purpose</u>	
	<u>Police & Firemen's Pension Fund</u>	<u>I.N. Foster Fund</u>	
ASSETS			
Cash and savings	\$	43,648	\$ 43,648
Investments	1,630,209	871,638	2,501,847
Accrued interest receivable		229	229
	<hr/>		<hr/>
Total assets	\$ 1,630,209	\$ 915,515	\$ 2,545,724
	<hr/>		<hr/>
NET ASSETS			
Net assets held in trust for pension benefits	\$ 1,630,209	\$	\$ 1,630,209
Fund balance		915,515	915,515
	<hr/>		<hr/>
Total net assets	\$ 1,630,209	\$ 915,515	\$ 2,545,724
	<hr/>		<hr/>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2002

	Fiduciary Funds		Total
	Pension Trust	Private Purpose	
	Police and Firemen's Pension Fund	I.N. Foster Fund	
Revenues:			
Interest and dividends	\$ 58,487	\$ 28,412	\$ 86,899
Employee withholdings	4,009		4,009
Realized gain (loss) on investments	(156,944)		(156,944)
Unrealized gain (loss) on investments	(123,457)	6,413	(117,044)
Total revenues (loss)	(217,905)	34,825	(183,080)
Expenditures:			
Pension payments	232,171		232,171
Clothing for children		8,763	8,763
Trustee fee	11,395		11,395
Total expenditures	243,566	8,763	252,329
Excess (deficiency) of revenues over expenditures	(461,471)	26,062	(435,409)
Transfers (to) from other funds	46,000		46,000
Excess (deficiency) of revenues over expenditures and transfers	(415,471)	26,062	(389,409)
Fund balance, beginning of year	2,045,680	186,543	2,232,223
Prior period adjustment		702,910	702,910
Fund balance, end of year	\$ 1,630,209	\$ 915,515	\$ 2,545,724

CITY OF MAYSVILLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Maysville, Kentucky (City) operates under a City Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture and recreation, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. For the fiscal year ended June 30, 2002, the City implemented the new financial reporting requirements of GASB No. 31, 33, 34, and 37. The adoption of these standards resulted in changes from reporting investments on a cost basis to reporting them at fair value, changed the revenue recognition of non exchange transactions, and changed the presentation and content of the basic financial statements.

A. **Reporting Entity.** The City's financial reporting entity is comprised of the following:

Primary Government	City of Maysville, Kentucky
Blended Component Units:	Maysville Utility Commission Public Building Corporation Maysville-Mason County Recreation Park Maysville-Mason County Ambulance Service Maysville-Mason County Joint Planning Commission Maysville Tourism Commission Regional Narcotics Task Force

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity* and includes all component units of which the City appointed a voting majority of an equal number of the component units' Board, and the City is either able to impose its will on the component unit or a financial benefit or burden relationship exists.

B. **Basis of Presentation**

Government-Wide Financial Statements. The statement of net assets and statement of activities display information about the City as a whole. These statements include all funds of the City, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes,

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

intergovernmental revenues, and other non exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the City:

Governmental Funds

General Fund. The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The City has the following Special Revenue Funds:

1. The Parking Lot Operations and Maintenance Fund was established to account for transfers from the General Fund, which are used to operate and maintain the municipal parking facilities.
2. The Maysville-Mason County Recreation Park was established to operate a recreational facility for the citizens of the City and for Mason County. The Park is financed through user fees and subsidies from the City and Mason County Fiscal Court (Court).
3. The Maysville-Mason County Ambulance Service was established by an agreement between the City and County. The service was established to provide emergency ambulance service to the residents of the City and County.
4. The Maysville-Mason County Joint Planning Commission was established by an agreement between the City and County. The Commission was established to enforce zoning laws and to make recommendations to the Mayor and the City Commission. The Commission is financed through a joint funding agreement between the City and County.
5. The Maysville Tourism Commission was established to promote tourism within the City. The Commission is funded through tourism revenues and contributions from the City.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

6. The Regional Narcotics Task Force was established to fund the investigation of illegal narcotics sales in the region. The task force is funded by grant monies and contributions from the cities and counties located within the region.

Proprietary Fund

Enterprise Fund. Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has the following Enterprise Funds:

1. The Maysville Utility Commission was established to account for the acquisition, operation, and maintenance of the City's water and sewer facilities, which are entirely or predominantly self-supported by user charges.
2. The Public Building Corporation was established to account for the construction and acquisition of public facilities, which is to be supported by lease income.

Fiduciary Funds (Not Included in Government-Wide Statements)

Trust Funds. Trust funds were established to account for assets held by the City in a trustee capacity for individuals, private organizations, and other governmental units. The City has the following Trust Funds:

1. Police and Firemen's Pension Fund was established as a contributory retirement plan covering policemen and firemen hired prior to 1976, who elected not to have their retirement covered by the Commonwealth of Kentucky's County Employees' Retirement System.
2. I.N. Foster Fund was established by a citizen of the City for the purpose of providing clothing for poor children.

Major and Non Major Funds. The funds are further classified as major or non major as follows:

<u>Fund</u>	<u>Fund Type</u>	<u>Major/Non Major</u>
General Fund	Governmental	Major
Parking Lot Operations and Maintenance	Special Revenue	Non Major
Maysville-Mason County Recreation Park	Special Revenue	Non Major
Maysville-Mason County Ambulance Service	Special Revenue	Non Major
Maysville-Mason County Joint Planning Commission	Special Revenue	Non Major
Maysville Tourism Commission	Special Revenue	Non Major
Regional Narcotics Task Force	Special Revenue	Non Major
Maysville Utility Commission	Enterprise	Major
Public Building Corporation	Enterprise	Major

- C. **Measurement Focus and Basis of Accounting.** Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus. In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 2 below.

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

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

Basis of Accounting. In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period (generally 60 days) or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. The proprietary fund has elected not to follow pronouncements issued after November 30, 1989 as allowed by GASB No. 20.

Estimates and Assumptions. The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

revenues and expense during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Equity

Cash and Investments. For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand and savings accounts of the City. For the purposes of the proprietary fund, Statement of Cash Flows, "cash and cash equivalents" include all demand, savings accounts, and certificate of deposits with an original maturity of three months or less.

Investments are carried at fair value, except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Interfund Receivables and Payables. During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, interest earnings, ambulance fees, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible, but not available, are deferred in the fund financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable (\$11,733) are based upon historical trends and the periodic aging of accounts receivable.

Inventory. Inventory is included in the Maysville Utility Commission and is valued using an average cost.

Property and Equipment. The accounting treatment for property and equipment (property) 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.

In the government-wide financial statements, property is accounted for as capital assets. All property is valued at historical cost, or estimated historical cost if actual is unavailable, except for donated property, which is recorded at the estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized.

Depreciation of all exhaustible property is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

is provided over the asset's estimated useful lives, using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Vehicles and equipment	10 years

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

The City has not reported its infrastructure assets in the basic financial statements as of June 30, 2002. In accordance with GASB 34, the estimated historical cost of infrastructure assets, including streets, roads, bridges, curbs, gutters, and flood walls is not required to be included until fiscal year 2007.

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indenture.

Bond Issuance Costs. Issuance costs on the sale of the water and sewer revenue bonds are amortized on the straight-line method over the life of the bonds. These costs are reported in the proprietary fund and are accounted for the same in the government-wide and fund financial statements.

Long-Term Liabilities. 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 are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, and leases payable.

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

Compensated Absences. The personnel policies of the City require employees to take their unused vacation leave in the year following the year in which it was earned. As such, no provision for accrued vacation liability has been recorded in the accompanying basic financial statements.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

Equity Classifications. Government-wide financial statements classify equity as net assets and is displayed in three components:

1. ***Invested in capital assets, net of related debt*** consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. ***Restricted net assets*** consists of net assets with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
 - b. Law through constitutional provisions or enabling legislation.
3. ***Unrestricted net assets*** consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements report governmental fund equity as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in government-wide statements.

E. Revenues, Expenditures, and Expenses

Payroll License Fee. The City levies a payroll tax of 1.95% on all individuals, who work within the City limits. This tax is withheld by an employee's employer and remitted to the City monthly or quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City.

Insurance License Fee. The City levies an insurance license fee of 7% on all insurance sold within the City limits. Insurance companies are required to collect this fee from policy holders and to remit this fee quarterly. The insurance license fee is recorded in the General Fund and is used to pay the general operations of the City.

Occupational License Fee. The City levies an occupational license fee on gross sales of all companies. A flat fee on businesses with specialized sales is assessed depending on the type of business. Companies are required to report and remit this fee annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

Real and Personal Property Taxes. The City levies a tax on all real and personal property within the City in accordance with State laws. All real and personal property was taxed at \$0.163 per \$100 of assessed value for the year ended June 30, 2002. Motor vehicles were taxed at \$0.246 per \$100 of assessed value. These taxes are collected annually and are recorded in the General Fund and used to pay the general operations of the City.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

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

Non Operating Revenues and Expenses. Proprietary funds report all revenue and expenses as operating, except interest income, interest expense, amortization, and loss on disposal of property.

Expenditures/Expenses. In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. All expenses other than insurance have been charged as a direct cost to the program in which it benefits.

In the fund financial statements, expenditures in the Governmental Funds are reported by character and in the Proprietary Funds by operating and non operating.

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

Interfund Transfers. Permanent re-allocation of resources between funds of the City are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual Governmental Funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- A. **Insured Deposits.** Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. In addition, trust funds may invest in uninsured corporate securities. During the year, all of the City's funds were invested in the proper type of investment in accordance with state law.
- B. **Property Tax Calendar.** Property taxes for fiscal year 2002 were levied on September 13, 2001 on the assessed valuation of property, located in the City as of the preceding January 1, the

CITY OF MAYSVILLE, KENTUCKY
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For the Year Ended June 30, 2002

lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

Due date for payment of taxes Upon receipt
 2% discount period By November 30
 Face value amount payment dates December 1 to December 31
 Delinquent date, 2% penalty January 1
 10% delinquent date February 1

C. Expenditures Exceeding Budget. Expenditures exceeded budgeted amounts as follows:

<u>Department/Classification</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Parking lot	\$	\$ 2,735	\$ 2,735
Renaissance	132,200	203,708	71,508
Debt service	60,000	73,885	13,885
Russell Theatre		5,000	5,000

The City did not budget expenditures in the Maysville Utility Commission as required by State law.

D. Notes and Bonds Payable. The loan agreements relating to the notes and bonds payable issues of the Maysville Utility Commission contain some restrictions or covenants that are financial related. These include covenants, such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the City's level of compliance thereon as of June 30, 2002:

2002 Revenue Bond Issue

1. **Water and Sewer Revenue Fund.** The gross incomes and revenues of the System are to be deposited into the Revenue Fund and apportioned as follows:

- a. **Water and Sewer Revenue Bond Fund.** This reserve is to be made up of three accounts: (i) Interest Account, (ii) Principal Account (iii) Debt Service Reserve Account, which are irrevocably pledged and will be used and applied for the following purposes. Moneys in the Interest Account will be used solely for the payment of interest coming due on the 2002 bonds and any additional parity bonds. Funds in the Principal Account will be used solely for the purpose of paying the principal of the 2002 bonds and any additional parity bonds when due at maturity or pursuant to any call for redemption. The Debt Service Reserve Account will be held for the benefit of the holders of all of the 2002 bonds and any additional parity bonds and will be used solely for the purpose of paying principal of or interest on the 2002 bonds and any parity bonds as to which there would otherwise be a default.

- (1) **Interest Account.** Monthly deposits of 1/6th of the interest coming due on the 2002 bonds and any parity bonds on the next succeeding interest payment date are to be deposited into the interest account. This fund was properly funded at June 30, 2002.

CITY OF MAYSVILLE, KENTUCKY
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- (2) Principal Account. Monthly deposits, which together with other funds available for such purpose, will be equal to 1/12th of the principal amount of the 2002 bonds and any parity bonds coming due the next payment date are to be deposited into the principal account. This fund was properly funded at June 30, 2002.
- (3) Debt Service Reserve. There is established a reserve account which is the lesser of (i) the maximum annual principal and interest requirements for the bonds and any parity bonds, (ii) an amount equal to 10% of the proceeds of the bonds and any parity bonds within the meaning of Section 148(d) of the Internal Revenue Code and (iii) an amount equal to 125% of the average annual debt service on the bonds and any parity bonds. Based on this criteria, the Reserve Account required balance at June 30, 2002 is \$371,000. This fund was properly funded at June 30, 2002.
- b. Water and Sewer Operation and Maintenance Fund. Each month there is to be set aside an amount as may be determined, pursuant to an annual budget for the System which shall be adopted annually by the City's Utility Commission, an amount sufficient to pay the reasonable and current expenses of operating, maintaining and insuring the System for the current month and the next ensuing month. This fund is underfunded \$191,000 at June 30, 2002, based on fiscal year 2002 operating expenditures.
- c. Water and Sewer Depreciation Fund. After the required monthly deposits into the Bond Fund and the Operation and Maintenance Fund, any balance remaining in the Revenue Fund shall be deposited into the Depreciation Fund. The Depreciation Fund shall be used to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs, and contingencies in the operation of the System, provided also that withdrawals may be made from the Depreciation Fund to fund any deficiency in the Bond Fund, including the Debt Service Reserve Account, and any deficiency in the Operation and Maintenance Fund. At June 30, 2002 this fund had a balance of \$98,546.
2. Kentucky Infrastructure Authority Note Payable. Under terms of the loan agreement with Kentucky Infrastructure Authority, the City is required to set aside \$100,000 per year into a Replacement Reserve until \$1,000,000 has been reserved. At June 30, 2002 this reserve was properly funded at \$200,000.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

- A. **Cash and Investments**. The City's policies regarding deposits of cash are discussed in Note II A above. The table presented below is designed to disclose the level of custody credit risk assumed by the City, based upon how its deposits were insured or secured with collateral at June 30, 2002. The categories of credit risk are defined as follows:

Category 1. Insured or collateralized with securities held by the City or by its agent in the City's name.

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- Category 2.** Uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3.** Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name, or collateralized with no written or approved collateral agreement.

Type of Deposit	Category			Total Bank Balance	Total Carrying Amount
	1	2	3		
Demand deposits	\$ 564,540	\$ 4,697,630	\$	\$ 5,262,170	\$ 4,886,043
Time deposits	35,460	10,901,814	496,915	11,434,189	11,434,189
	<u>\$ 600,000</u>	<u>\$ 15,599,444</u>	<u>\$ 496,915</u>	<u>\$ 16,696,359</u>	<u>\$ 16,320,232</u>

Reconciliation to Government-Wide Statement of Net Assets:	
Unrestricted cash, including time deposits	\$ 15,431,308
Restricted cash, including time deposits	888,924
	<u>\$ 16,320,232</u>

The City's policies and applicable laws regarding investments are discussed in Note II A above. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the City, based upon whether the investments are insured or registered and upon who holds the security at June 30, 2002. The categories of credit risk are defined as follows:

- Category 1.** Insured or registered, with securities held by the entity or its agent in the entity's name.
- Category 2.** Uninsured and unregistered, with securities held by counter party's trust department or agent in the entity's name.
- Category 3.** Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the City's name.

Type of Investment	Custody Credit Risk Category			Total Bank Balance	Total Carrying Amount
	1	2	3		
Kentucky League of Cities - Investment Pool	\$	\$	\$ 138,584	\$ 138,584	\$ 138,584

CITY OF MAYSVILLE, KENTUCKY
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For the Year Ended June 30, 2002

- B. **Restricted Assets.** The amounts reported as restricted assets are comprised of cash and certificates of deposit held by the City, related to their required reserve account. The restricted assets as of June 30, 2002 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash</u>	<u>Certificate of Deposit</u>	<u>Total</u>
Bond and interest reserve	\$ 105,675	\$	\$ 105,675
Operating and maintenance reserve		113,703	113,703
Depreciation		98,546	98,546
Debt service		371,000	371,000
Replacement reserve		200,000	200,000
	<u>\$ 105,675</u>	<u>\$ 783,249</u>	<u>\$ 888,924</u>

- C. **Accounts Receivable.** Accounts receivable on the statement of net assets, as of June 30, 2002, consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current			
Accounts:			
User fees	\$ 292,496	\$ 301,698	\$ 594,194
Less allowance for doubtful accounts	<u>(239,848)</u>	<u>(11,733)</u>	<u>(251,581)</u>
	<u>52,648</u>	<u>289,965</u>	<u>342,613</u>
Taxes and Licenses:			
Payroll license	734,462		734,462
Insurance license	181,780		181,780
Occupational license	<u>10,933</u>		<u>10,933</u>
	<u>927,175</u>		<u>927,175</u>
Property taxes due from other governments	<u>6,920</u>		<u>6,920</u>
Due from other funds		<u>8,543</u>	<u>8,543</u>
Intergovernmental:			
Community Development Block Grant	67,405		67,405
Mass Transit Grant	5,856		5,856
Renaissance Grant	151,292	175,000	326,292
Highway Grant	277,225		277,225
Ambulance Grant	7,222		7,222
Mason County Fiscal Court	71,570		71,570
Regional Narcotics Grant	80,500		80,500
Maysville-Mason County Industrial Authority		44,316	44,316
	<u>661,070</u>	<u>219,316</u>	<u>880,386</u>
Other:			
Chamber of Commerce	23,341		23,341
Miscellaneous	<u>11,206</u>	<u>1,788</u>	<u>12,994</u>
	<u>34,547</u>	<u>1,788</u>	<u>36,335</u>
Total current receivables	1,682,360	519,612	2,201,972

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For the Year Ended June 30, 2002

	Governmental Activities	Business-Type Activities	Total
Long-Term			
Maysville-Mason County Industrial Authority	627,484	196,422	823,906
Total receivables	<u>\$ 2,309,844</u>	<u>\$ 716,034</u>	<u>\$ 3,025,878</u>

- D. **Interfund Receivables/Payables.** The following interfund payables and receivables occurred as of June 30, 2002:

	Due from Other Funds	Due to Other Funds
Major Funds:		
General Fund	\$ 186,012	\$ 291,649
Public Building Corporation	8,543	
	194,555	291,649
Non Major Funds:		
Maysville-Mason County Recreation Fund		60,896
Maysville-Mason County Ambulance Fund	107,940	
Maysville-Mason County Joint Planning Commission		10,088
Maysville Tourism Commission	150,167	
Regional Narcotics Task Force		90,029
	258,107	161,013
	<u>\$ 452,662</u>	<u>\$ 452,662</u>

- E. **Notes Receivable.** The Maysville-Mason County Industrial Development Authority entered into an agreement with the City of Maysville Public Building Corporation to purchase land on the AA highway. The agreement is for \$541,495 to be paid to the Public Building Corporation over a 15-year term, which began in the fiscal year ending June 30, 1990. The payments are to be at variable interest rates equal to the amounts payable by the City under its Kentucky Municipal League Pool Financing Lease Program. The balance of the receivable due from the Maysville-Mason County Industrial Development Authority is \$140,738 at June 30, 2002.

During the year ended June 30, 2002, the Maysville Public Building Corporation loaned the Downtown Maysville Revolving Loan Fund \$100,000. There is no written loan agreement; however, the Maysville Public Building Corporation expects repayment of the loan at no interest prior to June 30, 2004.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

F. **Property and Equipment.** The activity related to property and equipment for the fiscal year ended June 30, 2002 was as follows:

	Balance July 1, 2001 Restated	Additions	Deletions	Balance June 30, 2002
Governmental Activities:				
Land	\$ 390,830	\$	\$	\$ 390,830
Land improvements	201,107			201,107
Buildings	3,132,603			3,132,603
Vehicles and equipment	2,896,399	256,939		3,153,338
Infrastructure	<u>6,620,939</u>	<u>518,230</u>		<u>518,230</u>
Total estimated cost	<u>6,620,939</u>	<u>775,169</u>		<u>7,396,108</u>
Accumulated depreciation:				
Buildings	2,117,955	53,058		2,171,013
Vehicles and equipment	<u>1,766,228</u>	<u>228,631</u>		<u>1,994,859</u>
Total accumulated depreciation	<u>3,884,183</u>	<u>281,689</u>		<u>4,165,872</u>
Governmental Activities Total property and equipment, net	<u>\$ 2,736,756</u>	<u>\$ 493,480</u>	<u>\$</u>	<u>\$ 3,230,236</u>
	Balance July 1, 2001 Restated	Additions	Deletions	Balance June 30, 2002
Business-Type Activities:				
Land	\$ 168,838	\$ 137,454	\$	\$ 306,292
Building	3,142,432	635,322		3,777,754
Water utility plant	9,099,745	16,805		9,116,550
Sewer utility plant	16,712,659	29,156	4,948,527	11,793,288
Construction in progress	<u>33,851</u>	<u>9,924</u>		<u>43,775</u>
Total estimated cost	<u>29,157,525</u>	<u>828,661</u>	<u>4,948,527</u>	<u>25,037,659</u>
Accumulated depreciation:				
Building		85,605		85,605
Water utility plant	2,607,250	227,703		2,834,953
Sewer utility plant	<u>2,508,513</u>	<u>294,469</u>	<u>2,071,794</u>	<u>731,188</u>
Total accumulated depreciation	<u>5,115,763</u>	<u>607,777</u>	<u>2,071,794</u>	<u>3,651,746</u>
Business-Type Activities Total property and equipment, net	<u>\$ 24,041,762</u>	<u>\$ 220,884</u>	<u>\$ 2,876,733</u>	<u>\$ 21,385,913</u>

CITY OF MAYSVILLE, KENTUCKY
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Depreciation expense was charged to governmental activities as follows:

General Government:		\$ 65,948
Administrative		
Public Works:		
Streets	\$ 66,303	
Engineering	3,873	
Transit	<u>26,583</u>	96,759
Public Safety:		
Police	34,285	
Fire	32,755	
Ambulance	<u>46,700</u>	113,740
Parks and Recreation		<u>5,242</u>
Total Depreciation Expense		<u><u>\$ 281,689</u></u>

G. **Lease Obligation.** The City has entered into agreements to construct buildings and purchase equipment through capital leases. Title to the assets is held by the lessor until such time as the lease has been paid in full. At that time, title is transferred to the City. The lease agreements may be cancelled by the City at the end of any fiscal year upon written notice to the lessor. The following is a schedule of property and equipment and outstanding liabilities relating to capital lease agreements at June 30, 2002:

	<u>Fire Station</u>	<u>Equipment</u>	<u>Total</u>
Asset cost	\$ 437,000	\$ 45,342	\$ 482,342
Accumulated depreciation	<u>152,950</u>	<u>9,068</u>	<u>162,018</u>
Book Value	<u>\$ 284,050</u>	<u>\$ 36,274</u>	<u>\$ 320,324</u>
Current portion of lease	\$ 44,317	\$ 13,789	\$ 58,106
Long-term portion of lease	<u>96,421</u>	<u>96,421</u>	<u>96,421</u>
Lease payable	<u>\$ 140,738</u>	<u>\$ 13,789</u>	<u>\$ 154,527</u>

CITY OF MAYSVILLE, KENTUCKY
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For the Year Ended June 30, 2002

H. **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, 2002, the governmental long-term debt consisted of the following:

Capital lease payable:

15-year lease for the refinancing and construction of a fire substation and utility extensions along the AA Highway. Interest is based on a variable rate. The lease expires January 15, 2005, at which time the title to the fire substation is transferred to the City \$ 140,738

2-year capital lease for the purchase of equipment. Lease bears interest at 6%. The lease expires January 19, 2003, at which time the title to the equipment is transferred to the City 13,789

Total Governmental Activity debt \$ 154,527

Business-Type Activities. As of June 30, 2002, the proprietary fund long-term debt consisted of the following:

Note Payable - The Maysville Utility Commission has obtained financing for the new sewer plant through the Kentucky Infrastructure Authority. The total note was to be \$12,500,000, of which, the City drew down \$11,722,252. The terms of the note require interest to be paid at 1.8%, and the loan is to be amortized over 20 years. Interest payments began in November 1998, and principal payments began on December 1, 2000, one year after the sewer plant began operations. The note is subordinate to the bonds payable of the Maysville Utility Commission. In addition, the City has agreed to raise the user fee rates anytime the fees collected are not sufficient to meet the debt service and required deposit to the replacement reserve account \$ 10,729,887

Note Payable- The Public Building Corporation obtained financing for the One-Stop Government Center by obtaining two notes from local banks. The notes have an original balance of \$2,000,000 and are payable in monthly installments of \$13,477 through December 1, 2020. The notes bear interest at 5.25%. The banks have obtained a mortgage on property at 209 Government Street, 132 and 134 East Second Street and 208 Casto Street 1,911,991

Bonds Payable - The Maysville-Utility Commission issued refunding bonds in April 2002 to defease the Series of 1994 bonds, Washington-Lewisburg Water District bonds and the City of Washington Bonds. The 2002 bonds bear interest from 3.0% to 4.65% and are payable through June 30, 2015. Interest is paid semi-annually. The bonds are secured by a pledge of a fixed portion of the gross income and revenues of the System to be set aside in the City's Water and Sewer Revenue Fund 3,710,000

Total Business-Type Activity debt \$ 16,351,878

Current portion \$ 62,841

Current portion payable from restricted resources 659,680

Non-current portion 15,629,357

Total bonds and notes payable \$ 16,351,878

CITY OF MAYSVILLE, KENTUCKY
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For the Year Ended June 30, 2002

I. **Advance Refundings of Debt.** During the year, the Maysville Utility Commission issued \$3,710,000 of bonds in which the proceeds were used to prepay three bond issues. Included in the Statement of Activities and the Statement of Revenues, Expenses and Changes in Fund Net Assets are expenses of \$35,750, related to a prepayment penalty and \$74,471 in unamortized bond issuance costs on the bond issues which were paid. These costs were allocated 50% to the water operations and 50% to the sewer operations. The bond issues paid were as follows:

1994 Water and Sewer Bonds	\$ 3,465,000
Washington-Lewisburg Water District Waterworks Revenue Bonds	91,000
City of Washington Sewer System Revenue Bonds	<u>160,000</u>
Total bonds refunded	<u><u>\$ 3,716,000</u></u>

J. **Changes in Long-Term Debt.** The following is a summary of changes in long-term debt for the year ended June 30, 2002:

Type of Debt	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002	Amounts Due Within One Year
Governmental Activities:					
Capital lease payable	<u>\$ 218,982</u>	<u>\$ _____</u>	<u>\$ 64,455</u>	<u>\$ 154,527</u>	<u>\$ 58,106</u>
Business-Type Activities:					
Notes payable	\$13,201,883		\$ 560,005	\$12,641,878	\$ 150,000
Bonds payable	<u>3,761,000</u>	<u>3,710,000</u>	<u>3,761,000</u>	<u>3,710,000</u>	<u>572,521</u>
Total Business-Type Activities	<u>\$16,962,883</u>	<u>\$3,710,000</u>	<u>\$ 4,321,005</u>	<u>\$16,351,878</u>	<u>\$ 722,521</u>

K. **Annual Debt Service Requirements.** The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2002 are as follows:

	Year Ending June 30	Principal	Interest	Total
Governmental Activities:				
2003		\$ 58,106	\$ 4,870	\$ 62,976
2004		46,863	2,696	49,559
2005		<u>49,558</u>	<u>689</u>	<u>50,247</u>
		<u>\$ 154,527</u>	<u>\$ 8,255</u>	<u>\$ 162,782</u>

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

	Year Ending June 30	Principal	Interest	Total
Proprietary Activities:				
	2003	\$ 722,521	\$ 476,156	\$ 1,198,677
	2004	855,116	432,313	1,287,429
	2005	868,060	410,227	1,278,287
	2006	861,365	387,749	1,249,114
	2007	895,044	364,201	1,259,245
	2008-2012	4,809,534	1,417,791	6,227,325
	2013-2017	4,786,547	668,353	5,454,900
	2018-2020	2,553,691	123,047	2,676,738
		<u>\$ 16,351,878</u>	<u>\$ 4,279,837</u>	<u>\$ 20,631,715</u>

L. **Conduit Debt.** Revenue Bonds and Industrial Revenue Bonds have been issued through the City to assist various private enterprises in construction of manufacturing plants and educational facilities. These bonds do not constitute an indebtedness or pledge of faith and credit by the City. The balance outstanding at June 30, 2002 for Revenue Bonds and for Industrial Revenue Bonds is not available.

M. **Interest Expense.** Interest expense has been included in the Statement of Activities in the following functions/programs:

Governmental Activities:	
Administrative	\$ 9,430
Proprietary Activities:	
Water	209,922
Sewer	209,923
Rental	103,123
	522,968
Total interest expense	\$ 532,398

N. **Fund Equity.** Fund equity is restricted as follows:

Proprietary Funds:	
Bond and interest redemption fund	\$ 105,675
Operating and maintenance reserve	113,703
Depreciation reserve	98,546
Debt service reserve	371,000
Replacement reserve	200,000
Total fund equity, restricted	\$ 888,924

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NOTES TO FINANCIAL STATEMENTS
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O. **Transfers.** The following operating transfers were made during the year:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 174,630	\$ 231,425
Public Building Corporation	143,907	
	318,537	231,425
Non Major Funds:		
Maysville-Mason County Recreation Fund	68,986	
Maysville-Mason County Ambulance Service		174,630
Maysville-Mason County Joint Planning Commission	6,032	
Maysville Tourism Commission	5,000	
Regional Narcotics Task Force	7,500	
	87,518	174,630
	\$ 406,055	\$ 406,055

The transfers to/from the general fund were made for the following purposes:

1. The public building transfer was made to complete the construction of the One-Stop Facility.
2. The Maysville-Mason County Recreation Fund transfer represents the City's share of operating this fund. Under an interlocal agreement with Mason County Fiscal Court (County), the City and County are responsible equally for the net cost of operating this entity.
3. The Ambulance Fund transferred funds to the City because under a previous agreement with the fiscal court, the net cost of operating this entity was to be split 50/50. However, a new agreement has been made in which the City is responsible for all costs of operating this entity in excess of the County contribution of \$6,250 per month. Based on this new agreement, management determined that the excess funds in this entity could be transferred to the general fund.
4. The Maysville-Mason County Joint Planning Commission transfer was made to match the net cost of operating this department.
5. Transfers to the Maysville Tourism Commission and Regional Narcotics Task Force were made to provide operating funds to these organizations.

CITY OF MAYSVILLE, KENTUCKY
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For the Year Ended June 30, 2002

IV. PRIOR PERIOD ADJUSTMENTS

Fund Balances. Adjustments were made to the beginning of the year fund balances as follows:

General Fund:	
Fund balance as reported June 30, 2001	\$ 9,089,829
Bank shares receipts earned FY 2001	23,806
Interest on certificates of deposit earned for fiscal years 1999-2001	360,116
Adjustments to record tax and license fee accruals at the beginning of the year in accordance with GASB Statement No. 33 on non exchange transactions	1,218,132
Amounts due from Mason County Industrial Authority, which were not a current resource in FY 2001 as it was not expected to be collected in FY 2002	<u>(627,484)</u>
Fund balance as restated, June 30, 2001	<u>\$ 10,064,399</u>
Special Revenue Funds:	
Fund balance as reported June 30, 2001	\$ 260,831
Reclassification of deferred revenue in the Maysville-Mason County Ambulance Service	<u>95,583</u>
Fund balance as restated, June 30, 2001	<u>\$ 356,414</u>
Enterprise Funds:	
Fund balance as reported June 30, 2001	\$ 12,812,792
Adjust cost of One-Stop Facility for prior year construction costs in the Public Building Corporation	<u>18,537</u>
Fund balance as restated, June 30, 2001	<u>\$ 12,831,329</u>
Fiduciary Funds:	
Fund balance as reported June 30, 2001	\$ 186,543
Restatement of investments from cost value to market value in accordance with GASB #31	<u>702,910</u>
Fund balance as restated, June 30, 2001	<u>\$ 889,453</u>

V. PENSION PLANS

- A. **County Employees Retirement System.** Full-time employees of the City participate in the Kentucky Retirement System, Statewide County Employees' Retirement System ("System"), a cost sharing multiple-employer public employee retirement system. The payroll for City employees covered by the System for the year ended June 30, 2002 was \$3,437,841. The City's total payroll was \$3,967,521.

Retirement dates and benefits are established by state statute as follows:

1. **Normal Retirement Date.** A member may elect to retire upon: (1) attaining age 65 for non-hazardous positions or attaining age 55 for hazardous positions and (2) having contributed to the System. Upon completion of 27 years of service credit, 15 of which are

CITY OF MAYSVILLE, KENTUCKY
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current service for non-hazardous positions, or completion of 20 years service credit for hazardous positions, a member may elect to retire with an unreduced benefit.

2. **Early Retirement Date.** A member may elect to retire before the normal retirement date at any time after: (1) for non-hazardous positions, attainment of age 55 and completion of 60 months of service credit at least 12 of which are current, or at any age after 25 years of service, or (2) for hazardous positions, attainment of age 50 and completion of 15 years of service credit.

3. **Normal Retirement Benefits.** For non-hazardous positions, upon attainment of age 65 and completion of 48 months of service, of which 12 months are current service, a monthly benefit equal to 2.20% of the member's final compensation multiplied by his service will be payable. For hazardous positions, a monthly benefit equal to 2.50% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months are current service. A member, with less than 48 months for non-hazardous positions or 60 months for hazardous positions, who retires on or after the normal retirement date is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

4. **Early Retirement Benefits.** A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for an unreduced benefit. If a non-hazardous position employee has 27 or more years of service credit, an unreduced benefit is payable.

5. **Other Benefits.** In addition to the normal and early retirement benefits provided by the system, disability, death, and medical insurance benefits are available.

Under the Kentucky Revised Statute Section 61.563(3) covered non-hazardous compensated employees are required by state statute to contribute 5.0% of their creditable compensation to the plan. Members occupying hazardous positions, as defined by statute, contribute at the rate of 8.0% of creditable compensation. Employer contribution rates are required to provide 30 year amortization of the unfunded actuarial accrued liability under the level-percentage-of-payroll method, the employer share of the annual normal cost, medical insurance, and the administrative cost of the system. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. For non-hazardous compensated employees, the contribution rate is 6.41%. For hazardous compensated employees, the rate is 16.28%.

Schedule of Contributions

	Required Employee Contribution	Required Employer Contribution	Required Total Contribution	Percentage of Required Contribution Actually Made
2002	\$ 213,437	\$ 357,048	\$ 570,485	100%
2001	193,753	343,918	537,671	100%
2000	160,725	300,683	461,408	100%

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

A copy of the County Employees' Retirement System's stand alone financial statements can be obtained from the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or on the Internet at www.kyret.com

- B. Police and Fire Retirement Fund.** The City contributes to a single employer defined benefit retirement fund, which covers the City's policemen and firemen hired prior to 1976 that elected not to be covered by the Kentucky County Employees Retirement System. In 1976, the City froze admission of new entrants into the plan, and all active members had the option to transfer to the Kentucky County Employees Retirement System. Members who had retired prior to 1976 remained in the Plan and continue to receive monthly benefits. The fund does not issue a stand alone financial report and is not included in another entity's financial report. At June 30, 2002, the fund had twenty-one members or beneficiaries receiving monthly annuities. The City's payroll for employees covered by the Fund for the year ended June 30, 2002 was \$52,403, and the City's total payroll was \$3,328,479.

Benefits vest after twenty years of service. Employees can retire anytime after they have completed at least twenty years of service. Employees receive 50% of their final salary plus 2% of final salary per year of service between 20 and 25 years. The fund also provides death and disability benefits.

In order to fund the Plan, the City transfers money, based on the results of the most recent actuarial study, from the General Fund to the Police and Fire Retirement Fund. Employees are required to contribute at the same rate as required by Social Security.

The contribution requirements for the current and two prior years ended June 30, were:

	<u>Required Employee Contribution</u>	<u>Required Employer Contribution</u>	<u>Required Contribution Actually Made</u>	<u>Percentage of Required Total Contribution</u>
2002	\$ 4,009	\$ 46,000	\$ 50,009	100%
2001	3,539	46,000	49,539	100%
2000	3,373	235,000	238,373	100%

The "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the economic status of the fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the method used to determine Fund contributions.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

The pension benefit obligation, without future cost-of-living increases at June 30, 2000, the date of the latest actuarial valuation of the Plan was \$2,980,044. Significant actuarial assumptions used in determining the obligation include:

- a. A rate of return on the investment of present and future assets of 8.0% a year, compounded annually,
- b. Projected salary increase of 4.5% a year, compounded annually.

The market value of the net assets available for benefits at June 30, 2002 was \$1,630,209. The total unfunded pension benefit obligation applicable to the participants of the Fund at June 30, 2002 was approximately \$1,300,000.

The actuarial method of valuation used was the "entry age normal" cost method. Under this method, an annual service cost is established for each employee. This annual service cost is the level annual percent of member's employment until his retirement date in order to fully fund benefits at retirement. In addition, the actuarial valuation period to compute unfunded actuarial accrued liability was over 20 years. The actuarial study conducted at June 30, 2000 indicated that the annual contribution level needs to be approximately \$46,000 in order to support promised benefits with no future cost-of-living increases. However, losses on investments since the previous actuarial study will require increased contribution levels in future years.

VI. INSURANCE

The City participates in a public entity risk pool through the Kentucky Municipal Risk Management Association ("Association"). Insurance coverage under this plan transfers the risk of loss to the Association. However, should the Association's reserves become inadequate, they could make a special assessment to the City and other participating entities in the Association. The Association maintains re-insurance for claims in excess of \$250,000. Coverage amounts are as follows:

Type of Coverage	Insured Amount	Deductible
General liability	\$ 1,000,000	\$
Public officials liability	\$ 1,000,000	5,000
Law enforcement liability	\$ 1,000,000	5,000
Auto liability	\$ 1,000,000	
Workers compensation	\$ 4,000,000	

VII. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In the opinion of the City's management and legal counsel, these matters are not anticipated to have a material impact on the City.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

VIII. LANDFILL

On June 3, 1996, Mason County Fiscal Court, on behalf of the Maysville-Mason County Landfill ("the Landfill"), entered into a lease finance agreement for a landfill site. The lease will amortize \$1,500,000 of principal plus interest at 5.67% through June of 2011. Management believes the anticipated revenue from the landfill will be sufficient to retire the debt. However, the City and County governments are co-guarantors of the debt, and therefore, have a contingent liability. No provision has been included in the basic financial statements for the contingent liability related to the Landfill project.

IX. ABANDONED SEWER PLANT

During fiscal year 2002, the Maysville Utility Commission commenced operations of a new sewer plant and abandoned the operations of the old sewer plant. The book value of the property and equipment for the old sewer plant, excluding the recorded value of the land totaling \$2,563,522 has been charged as a special item and included in non-operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year 2002.

X. ECONOMIC DEPENDENCY

General Government Revenue. The City collected \$2,206,949 (53%) of its payroll license fees and 26% of the total revenues of the General Fund from ten employers within the City limits.

Maysville Utility Commission Revenue. The billings to five customers totaled \$551,033, which represented 17% of the Commission's operating revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress - Defined Benefit Retirement Plan
- Budgetary Comparison Schedules:
 - General Fund
 - Special Revenue Funds

CITY OF MAYSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLANS
For the Year Ended June 30, 2002

I. SCHEDULES OF FUNDING PROGRESS

Police and Fire Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2000	\$ 2,493,125	\$ 2,980,044	\$ 486,919	84%	\$ 46,510	1050%
2/28/1997	1,547,619	3,062,731	1,515,112	51%	38,820	3900%
3/31/1993	863,998	3,440,519	2,576,251	25%	172,728	1500%

County Employees' Retirement System
Non-Hazardous
(Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2002	\$ 5,397,787 *	\$ 4,165,355	\$ (1,232,432)	130%	\$ 1,663,183	-74%
6/30/2001	5,423,835	3,706,282	(1,717,553)	146%	1,544,973	-111%
6/30/2000	5,284,034	3,368,601	(1,915,433)	160%	1,452,058	-132%

County Employees' Retirement System
Hazardous
(Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2002	\$ 1,485,512 *	\$ 1,327,291	\$ (158,221)	112%	\$ 345,849	-46%
6/30/2001	1,486,666	1,193,860	(292,806)	125%	316,700	-93%
6/30/2000	1,445,543	1,084,554	(360,989)	133%	288,576	-125%

* Asset valuation method was changed to reflect the amount of investment gain/loss for the current year equally over the current year and the following four years.

CITY OF MAYSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLANS
For the Year Ended June 30, 2002

II. SCHEDULES OF EMPLOYER CONTRIBUTIONS

Police and Fire Retirement Fund

Fiscal Year	Annual Required Contributions	Percentage Contributed
2002	\$ 46,000	100%
2001	46,000	100%
2000	235,000	100%
1999	143,000	100%
1998	143,000	100%
1997	143,000	100%

County Employees' Retirement System

Fiscal Year	Annual Required Contributions	Percentage Contributed
2002	\$ 357,048	100%
2001	343,918	100%
2000	300,683	100%
1999	337,365	100%
1998	357,553	100%
1997	311,577	100%

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSION PLAN FUNDING PROGRESS

	<u>Police and Fire Retirement Fund</u>	<u>County Employee's Retirement System Non-Hazardous</u>	<u>County Employee's Retirement System Hazardous</u>
Valuation date	6/30/2000	6/30/2002	6/30/2002
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percent closed	Level percent closed
Amortization period	20 years	30 years	30 years
Actuarial asset valuation method	Fair market value	Five-year smoothing of investment gains and losses	Five-year smoothing of investment gains and losses
Actuarial assumptions:			
Investment rate of return	8.00%	8.25%	8.25%
Projected salary increases	4.50%	6.50%	6.50%
Post retirement benefit increases	None	1.60%	1.60%

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2002

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Licenses and permits	\$ 4,195,000	\$ 4,195,000	\$ 5,118,075	\$ 923,075
Intergovernmental revenue	955,000	955,000	1,185,663	230,663
Taxes	1,240,000	1,240,000	1,090,676	(149,324)
Franchise fees	364,000	364,000	370,769	6,769
Fines and permits	22,000	22,000	23,835	1,835
Other	238,200	238,200	353,548	115,348
Charges for services	30,000	30,000	27,542	(2,458)
Interest	150,000	150,000	294,265	144,265
Total revenues	<u>7,194,200</u>	<u>7,194,200</u>	<u>8,464,373</u>	<u>1,270,173</u>
Expenditures:				
General government	1,969,000	1,969,000	1,566,318	402,682
Public works	2,759,000	2,759,000	2,025,511	733,489
Public safety	2,767,000	2,767,000	2,135,521	631,479
Parks and recreation	126,000	126,000	66,348	59,652
Community Development	132,200	132,200	208,708	(76,508)
Capital	4,544,000	4,544,000	1,119,187	3,424,813
Debt service	60,000	60,000	73,885	(13,885)
Total expenditures	<u>12,357,200</u>	<u>12,357,200</u>	<u>7,195,478</u>	<u>5,161,722</u>
Excess (deficiency) of revenues over expenditures	(5,163,000)	(5,163,000)	1,268,895	6,431,895
Other financing sources (uses):				
Transfers (to) from other funds	(487,000)	(487,000)	(102,795)	384,205
Excess (deficiency) of revenues over expenditures and transfers	(5,650,000)	(5,650,000)	1,166,100	6,816,100
Fund balance, beginning of year	9,089,829	9,089,829	9,089,829	
Prior period adjustment			974,570	974,570
Fund balance, end of year	<u>\$ 3,439,829</u>	<u>\$ 3,439,829</u>	<u>\$ 11,230,499</u>	<u>\$ 7,790,670</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Licenses and permits:				
Payroll licenses	\$ 3,500,000	\$ 3,500,000	\$ 4,125,058	\$ 625,058
Insurance licenses	450,000	450,000	680,381	230,381
Occupational licenses	230,000	230,000	302,405	72,405
Building permits	15,000	15,000	10,231	(4,769)
	<u>4,195,000</u>	<u>4,195,000</u>	<u>5,118,075</u>	<u>923,075</u>
Intergovernmental revenue:				
Mass transportation grants	100,000	100,000	147,296	47,296
Municipal housing	28,000	28,000	19,671	(8,329)
Municipal aid program	100,000	100,000	88,399	(11,601)
Firefighters' incentive	64,000	64,000	60,536	(3,464)
Law enforcement incentive	78,000	78,000	83,108	5,108
Community Development Block Grant	200,000	200,000	190,811	(9,189)
Miscellaneous grants			328,568	328,568
Renaissance grant	385,000	385,000	267,274	(117,726)
	<u>955,000</u>	<u>955,000</u>	<u>1,185,663</u>	<u>230,663</u>
Taxes:				
Real and personal property	700,000	700,000	690,267	(9,733)
Payment in lieu of taxes	402,000	402,000	243,317	(158,683)
Bank shares	63,000	63,000	57,755	(5,245)
Tangible property	70,000	70,000	96,120	26,120
Delinquent property	5,000	5,000	3,156	(1,844)
Tobacco			61	61
	<u>1,240,000</u>	<u>1,240,000</u>	<u>1,090,676</u>	<u>(149,324)</u>
Franchise Fees:				
Kentucky Utilities	110,000	110,000	122,285	12,285
Cablevision	45,000	45,000	43,511	(1,489)
Verizon & Bell South (E-911)	84,000	84,000	92,910	8,910
Franchise	125,000	125,000	112,063	(12,937)
	<u>364,000</u>	<u>364,000</u>	<u>370,769</u>	<u>6,769</u>
Fines and forfeitures:				
Base court revenue	14,000	14,000	13,842	(158)
Parking fines	5,000	5,000	7,223	2,223
Penalties	3,000	3,000	2,770	(230)
	<u>22,000</u>	<u>22,000</u>	<u>23,835</u>	<u>1,835</u>

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other:				
Special events	65,200	65,200	141,072	75,872
Police patrol contract	65,000	65,000	22,705	(42,295)
Off-track betting	50,000	50,000	18,918	(31,082)
Chamber of Commerce			87,431	87,431
Transit service	15,000	15,000	15,732	732
Donation	20,000	20,000	40,000	20,000
Miscellaneous	16,000	16,000	21,905	5,905
Parking meters	7,000	7,000	5,785	(1,215)
	<u>238,200</u>	<u>238,200</u>	<u>353,548</u>	<u>115,348</u>
Charges for services	<u>30,000</u>	<u>30,000</u>	<u>27,542</u>	<u>(2,458)</u>
Interest	<u>150,000</u>	<u>150,000</u>	<u>294,265</u>	<u>144,265</u>
Total revenues	<u>\$ 7,194,200</u>	<u>\$ 7,194,200</u>	<u>\$ 8,464,373</u>	<u>\$ 1,270,173</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2002

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Licenses and permits:				
Payroll licenses	\$ 3,500,000	\$ 3,500,000	\$ 4,125,058	\$ 625,058
Insurance licenses	450,000	450,000	680,381	230,381
Occupational licenses	230,000	230,000	302,405	72,405
Building permits	15,000	15,000	10,231	(4,769)
	<u>4,195,000</u>	<u>4,195,000</u>	<u>5,118,075</u>	<u>923,075</u>
Intergovernmental revenue:				
Mass transportation grants	100,000	100,000	147,296	47,296
Municipal housing	28,000	28,000	19,671	(8,329)
Municipal aid program	100,000	100,000	88,399	(11,601)
Firefighters' incentive	64,000	64,000	60,536	(3,464)
Law enforcement incentive	78,000	78,000	83,108	5,108
Community Development Block Grant	200,000	200,000	190,811	(9,189)
Miscellaneous grants	200,000	200,000	328,568	328,568
Renaissance grant	385,000	385,000	267,274	(117,726)
	<u>955,000</u>	<u>955,000</u>	<u>1,185,663</u>	<u>230,663</u>
Taxes:				
Real and personal property	700,000	700,000	690,267	(9,733)
Payment in lieu of taxes	402,000	402,000	243,317	(158,683)
Bank shares	63,000	63,000	57,755	(5,245)
Tangible property	70,000	70,000	96,120	26,120
Delinquent property	5,000	5,000	3,156	(1,844)
Tobacco			61	61
	<u>1,240,000</u>	<u>1,240,000</u>	<u>1,090,676</u>	<u>(149,324)</u>
Franchise Fees:				
Kentucky Utilities	110,000	110,000	122,285	12,285
Cablevision	45,000	45,000	43,511	(1,489)
Verizon & Bell South (E-911)	84,000	84,000	92,910	8,910
Franchise	125,000	125,000	112,063	(12,937)
	<u>364,000</u>	<u>364,000</u>	<u>370,769</u>	<u>6,769</u>
Fines and forfeitures:				
Base court revenue	14,000	14,000	13,842	(158)
Parking fines	5,000	5,000	7,223	2,223
Penalties	3,000	3,000	2,770	(230)
	<u>22,000</u>	<u>22,000</u>	<u>23,835</u>	<u>1,835</u>

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Maintenance public property:				
Personnel			14,238	(14,238)
Material & supplies	120,000	120,000	75,036	44,964
Other	125,000	125,000	87,466	37,534
	<u>245,000</u>	<u>245,000</u>	<u>176,740</u>	<u>68,260</u>
Engineering department:				
Personnel	184,000	184,000	162,817	21,183
Contractural	31,000	31,000		31,000
Materials & supplies	59,000	59,000	7,204	51,796
Other	5,000	5,000	744	4,256
	<u>279,000</u>	<u>279,000</u>	<u>170,765</u>	<u>108,235</u>
Floodwall maintenance:				
Materials & supplies	46,000	46,000	3,428	42,572
Other	25,000	25,000	7,971	17,029
	<u>71,000</u>	<u>71,000</u>	<u>11,399</u>	<u>59,601</u>
City transit:				
Personnel	145,700	145,700	121,826	23,874
Contractural	19,000	19,000	18,471	529
Materials & supplies	40,400	40,400	31,101	9,299
Other	9,900	9,900	7,188	2,712
	<u>215,000</u>	<u>215,000</u>	<u>178,586</u>	<u>36,414</u>
Surplus streets and sewers:				
Materials & supplies	80,000	80,000	60,939	19,061
Parking lots:				
Materials & supplies			2,735	(2,735)
Total public works	<u>2,759,000</u>	<u>2,759,000</u>	<u>2,025,511</u>	<u>733,489</u>
Public Safety:				
Fire department:				
Personnel	896,000	896,000	739,924	156,076
Contractural	4,000	4,000	1,732	2,268
Materials & supplies	117,000	117,000	69,644	47,356
Other	71,000	71,000	39,113	31,887
	<u>1,088,000</u>	<u>1,088,000</u>	<u>850,413</u>	<u>237,587</u>

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police department:				
Personnel	1,462,000	1,462,000	1,166,803	295,197
Contractural	7,000	7,000	5,385	1,615
Materials & supplies	135,000	135,000	88,311	46,689
Other	75,000	75,000	24,609	50,391
	<u>1,679,000</u>	<u>1,679,000</u>	<u>1,285,108</u>	<u>393,892</u>
Total public safety	<u>2,767,000</u>	<u>2,767,000</u>	<u>2,135,521</u>	<u>631,479</u>
Parks and Recreation:				
Materials & supplies	20,000	20,000	20,081	(81)
Other	106,000	106,000	46,267	59,733
	<u>126,000</u>	<u>126,000</u>	<u>66,348</u>	<u>59,652</u>
Community Development:				
Renaissance/Main Street:				
Personnel	38,000	38,000	37,524	476
Contractural	700	700	700	700
Materials & supplies	4,000	4,000	2,806	1,194
Other	89,500	89,500	163,378	(73,878)
	<u>132,200</u>	<u>132,200</u>	<u>203,708</u>	<u>(71,508)</u>
Russell Theatre:				
Contractural			5,000	(5,000)
Total Community Development	<u>132,200</u>	<u>132,200</u>	<u>208,708</u>	<u>(76,508)</u>
Capital:				
Planning & Zoning	14,000	14,000		14,000
Administrative Services	2,650,000	2,650,000	252,271	2,397,729
Street Department	61,000	61,000	17,200	43,800
Engineering Department	1,461,000	1,461,000	580,599	880,401
Fire Department	60,000	60,000		60,000
Police Department	48,000	48,000	43,278	4,722
Russell Theatre	250,000	250,000	225,839	24,161
	<u>4,544,000</u>	<u>4,544,000</u>	<u>1,119,187</u>	<u>3,424,813</u>
Debt Service:				
Principal & interest	60,000	60,000	73,885	(13,885)
Total expenditures	<u>\$ 12,357,200</u>	<u>\$ 12,357,200</u>	<u>\$ 7,195,478</u>	<u>\$ 5,161,722</u>

CITY OF MAYSVILLE, KENTUCKY
SPECIAL REVENUE FUND TOTALS
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2002

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 411,351	\$ 411,351	\$ 409,498	\$ (1,853)
Fees for services	133,000	133,000	240,985	107,985
Taxes	74,000	74,000	93,371	19,371
Golf course	20,000	20,000	14,960	(5,040)
Grants and other	28,583	28,583	24,613	(3,970)
Interest income	2,000	2,000	1,056	(944)
	<u>668,934</u>	<u>668,934</u>	<u>784,483</u>	<u>115,549</u>
Expenditures:				
Recreation park	221,000	221,000	152,987	68,013
Ambulance service	231,000	231,000	188,760	42,240
Joint planning commission	23,000	23,000	10,442	12,558
Tourism commission	108,000	108,000	91,572	16,428
Regional Narcotics Task Force	245,434	245,434	232,288	13,146
	<u>828,434</u>	<u>828,434</u>	<u>676,049</u>	<u>152,385</u>
Excess (deficiency) of revenues over expenditures	(159,500)	(159,500)	108,434	267,934
Transfers (to) from other funds	136,500	136,500	(87,112)	(223,612)
Excess (deficiency) of revenues over expenditures and transfers	(23,000)	(23,000)	21,322	44,322
Fund balance, beginning of year	260,831	260,831	260,831	
Prior period adjustment			95,583	95,583
Fund balance, end of year	<u>\$ 283,831</u>	<u>\$ 283,831</u>	<u>\$ 377,736</u>	<u>\$ 93,905</u>

CITY OF MAYSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ended June 30, 2002

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with this Statute, the following process is used to adopt the annual budget:

- A. The budget proposal is the responsibility of the Mayor of the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
- B. The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
- C. No budget ordinance shall be adopted which provides for appropriations to exceed revenues in any one fiscal year in violation of Section 157 of the Kentucky Constitution.
- D. The City legislative body may amend the budget ordinance after the ordinances' adoption if the amended ordinance continues to satisfy the requirements of Section 91A.030 of the KRS.
- E. Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

Budgetary Accounting

The annual operating budgets of governmental funds are prepared and presented on the modified accrual basis of accounting.

The City has not adopted a budget ordinance for the Maysville Utility Commission as required by state law. As such, the required budgetary comparison schedule for the City's proprietary funds are not presented.

The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenses and Changes in Fund Balance, Budgetary and Actual are the same.

There were no budget amendments during the year.

Expenditures Exceeding Budget

Expenditures exceeded budgeted amounts as follows:

<u>Department/Classification</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Parking lot	\$	\$ 2,735	\$ 2,735
Renaissance	132,200	203,708	71,508
Debt service	60,000	73,885	13,885
Russell Theatre		5,000	5,000

CITY OF MAYSVILLE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2002

	Maysville- Mason Co. Recreation Park	Parking Lot Operations and Maintenance Fund	Maysville- Mason Co. Ambulance Service	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Regional Narcotics Task Force	Total
ASSETS							
Cash	\$	\$ 56,001	\$	\$ 9,691	\$	\$ 126,354	\$ 192,046
Accounts receivable:							
Due from other funds			107,940		150,167	80,500	258,107
Intergovernmental	68,987		7,222	2,584			159,293
Other (net of ambulance service allowance for doubtful accounts of \$239,848)		100	52,648				52,748
Total Assets	\$ 68,987	\$ 56,101	\$ 167,810	\$ 12,275	\$ 150,167	\$ 206,854	\$ 662,194
LIABILITIES AND FUND BALANCE							
Accounts payable	\$ 6,621	\$	\$	\$	\$	\$ 90,029	\$ 6,621
Due to other funds	60,895			10,088		116,825	161,012
Deferred revenue						206,854	116,825
Total Liabilities	67,516			10,088			284,458
Fund Balance, unreserved	1,471	56,101	167,810	2,187	150,167		377,736
Total Fund Balance	1,471	56,101	167,810	2,187	150,167		377,736
Total Liabilities and Fund Balance	\$ 68,987	\$ 56,101	\$ 167,810	\$ 12,275	\$ 150,167	\$ 206,854	\$ 662,194

OTHER SUPPLEMENTARY INFORMATION

Other Supplementary Information includes financial statements and schedules that are not required by the GASB, and are not considered a part of the basic financial statements, but are presented for additional analysis.

Such statements and schedules include:

- Combining Statements - Non Major Governmental Funds
- Combining Statements - Enterprise Funds
- Federal Grant Disclosures

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2002

	Maysville- Mason Co. Recreation Park	Parking Lot Operations and Maintenance Fund	Maysville- Mason Co. Ambulance Service	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Regional Narcotics Task Force	Total
Revenues:							
Intergovernmental	\$ 68,986	\$	\$ 124,222	\$ 2,585	\$ 5,444	\$ 208,261	\$ 409,498
Fees for services			239,160	1,825			240,985
Room tax					93,371		93,371
Golf course	14,960						14,960
Grants and other	55		8		8,023	16,527	24,613
Interest income		1,056					1,056
Total revenues	84,001	1,056	363,390	4,410	106,838	224,788	784,483
Expenditures:							
Recreation park	152,987						152,987
Ambulance operation			188,760				188,760
Joint Planning commission				10,442			10,442
Tourism commission					91,572		91,572
Regional Narcotics Task Force						232,288	232,288
Total expenditures	152,987		188,760	10,442	91,572	232,288	676,049
Excess (deficiency) of revenues over expenditures	(68,986)	1,056	174,630	(6,032)	15,266	(7,500)	108,434
Transfers (to) from other funds	68,986		(174,630)	6,032	5,000	7,500	(87,112)
Excess (deficiency) of revenues over expenditures and transfers		1,056			20,266		21,322
Fund balance, beginning of year	1,471	55,045	72,227	2,187	129,901		260,831
Prior period adjustment			95,583				95,583
Fund balance, end of year	\$ 1,471	\$ 56,101	\$ 167,810	\$ 2,187	\$ 150,167	\$	\$ 377,736

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COUNTY RECREATION PARK
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$ 100,000	\$ 68,986	\$ (31,014)
Golf course	20,000	14,960	(5,040)
Miscellaneous	1,000	55	(945)
	<u>121,000</u>	<u>84,001</u>	<u>(36,999)</u>
Expenditures:			
Parks & Recreation:			
Personnel	101,000	86,682	14,318
Contractual	48,000	23,761	24,239
Material and supplies	60,000	36,742	23,258
Other	12,000	5,802	6,198
	<u>221,000</u>	<u>152,987</u>	<u>68,013</u>
Excess (deficiency) of revenues over expenditures	(100,000)	(68,986)	31,014
Transfers (to) from other funds	100,000	68,986	(31,014)
Excess (deficiency) of revenues over expenditures and transfers			
Fund balance, beginning of year	<u>1,471</u>	<u>1,471</u>	
Fund balance, end of year	<u>\$ 1,471</u>	<u>\$ 1,471</u>	<u>\$</u>

CITY OF MAYSVILLE, KENTUCKY
PARKING LOT OPERATIONS AND MAINTENANCE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Interest income	\$ 2,000	\$ 1,056	\$ (944)
Fund balance, beginning of year	<u>55,045</u>	<u>55,045</u>	
Fund balance, end of year	<u>\$ 57,045</u>	<u>\$ 56,101</u>	<u>\$ (944)</u>

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COUNTY AMBULANCE SERVICE
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Fees for service	\$ 130,000	\$ 239,160	\$ 109,160
Intergovernmental	66,000	124,222	58,222
Miscellaneous		8	8
	<u>196,000</u>	<u>363,390</u>	<u>167,390</u>
Expenditures:			
Ambulance:			
Personnel	94,000	64,075	29,925
Contractual	13,000	1,200	11,800
Material and supplies	34,000	43,526	(9,526)
Capital	90,000	79,959	10,041
	<u>231,000</u>	<u>188,760</u>	<u>42,240</u>
Excess (deficiency) of revenues over expenditures	(35,000)	174,630	209,630
Transfers (to) from other funds	10,000	(174,630)	(184,630)
Excess (deficiency) of revenues over expenditures and transfers	<u>(25,000)</u>		<u>25,000</u>
Fund balance, beginning of year	72,227	72,227	
Prior period adjustment		95,583	95,583
Fund balance, end of year	<u>\$ 47,227</u>	<u>\$ 167,810</u>	<u>\$ 120,583</u>

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COUNTY JOINT PLANNING COMMISSION
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$ 6,000	\$ 2,585	\$ (3,415)
Fees for service	3,000	1,825	(1,175)
	<u>9,000</u>	<u>4,410</u>	<u>(4,590)</u>
Expenditures:			
Planning Commission:			
Contractual	13,000	9,186	3,814
Material and supplies	10,000	1,256	8,744
	<u>23,000</u>	<u>10,442</u>	<u>12,558</u>
Excess (deficiency) of revenues over expenditures	(14,000)	(6,032)	7,968
Transfers (to) from other funds	14,000	6,032	(7,968)
Excess (deficiency) of revenues over expenditures and transfers			
Fund balance, beginning of year	<u>2,187</u>	<u>2,187</u>	
Fund balance, end of year	<u>\$ 2,187</u>	<u>\$ 2,187</u>	<u>\$</u>

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE TOURISM COMMISSION
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Room tax	\$ 74,000	\$ 93,371	\$ 19,371
Intergovernmental	20,000	5,444	(14,556)
Miscellaneous	9,000	8,023	(977)
	<u>103,000</u>	<u>106,838</u>	<u>3,838</u>
Expenditures:			
Tourism Commission:			
Personnel	35,925	40,064	(4,139)
Contractual	28,300	37,405	(9,105)
Material and supplies	850	443	407
Other	42,925	13,660	29,265
	<u>108,000</u>	<u>91,572</u>	<u>16,428</u>
Excess (deficiency) of revenues over expenditures	(5,000)	15,266	20,266
Transfers (to) from other funds	5,000	5,000	
Excess (deficiency) of revenues over expenditures and transfers		20,266	20,266
Fund balance, beginning of year	<u>129,901</u>	<u>129,901</u>	
Fund balance, end of year	<u>\$ 129,901</u>	<u>\$ 150,167</u>	<u>\$ 20,266</u>

CITY OF MAYSVILLE, KENTUCKY
REGIONAL NARCOTICS TASK FORCE
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$ 219,351	\$ 208,261	\$ (11,090)
Other	18,583	16,527	(2,056)
	<u>237,934</u>	<u>224,788</u>	<u>(13,146)</u>
Expenditures:			
Regional Narcotics Task Force:			
Personnel	179,362	175,452	3,910
Contractual	12,297	9,472	2,825
Material and supplies	12,100	12,293	(193)
Other	41,675	35,071	6,604
	<u>245,434</u>	<u>232,288</u>	<u>13,146</u>
Excess (deficiency) of revenues over expenditures	(7,500)	(7,500)	
Transfers (to) from other funds	7,500	7,500	
Excess (deficiency) of revenues over expenditures and transfers			
Fund balance, beginning of year			
Fund balance, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>

ENTERPRISE FUNDS

CITY OF MAYSVILLE, KENTUCKY
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
June 30, 2002

ASSETS	Maysville Utility Commission	Public Building Corporation	Total	LIABILITIES AND FUND EQUITY	Maysville Utility Commission	Public Building Corporation	Total
Current assets:				Current liabilities:			
Cash	\$ 734,297	\$ 747,962	\$ 1,482,259	Accounts payable	\$ 68,267	\$	\$ 68,267
Certificates of deposit	2,678,113		2,678,113	Customer deposits	45,222		45,222
Accounts receivable (net of allowance for doubtful accounts of \$11,733)	289,965		289,965	Accrued liabilities	23,656		23,656
Grants receivable		175,000	175,000	Notes payable		62,841	62,841
Accrued interest receivable		1,788	1,788				
Notes receivable		44,316	44,316				
Due from other funds		8,543	8,543	Liabilities payable from restricted assets:			
Materials and supplies inventory	63,154		63,154	Accrued interest payable	53,768		53,768
Prepaid expenses	34,532		34,532	Unredeemed bonds and interest	73,565		73,565
				Current portion of bonds and notes payable	659,680		659,680
	3,800,061	977,609	4,777,670				
Restricted assets:							
Bond and interest redemption fund	105,675		105,675				
Operating and maintenance reserve	113,703		113,703	Noncurrent liabilities:			
Depreciation reserve	98,546		98,546	Bonds payable	3,560,000		3,560,000
Debt service reserve fund	371,000		371,000	Notes payable	10,220,207	1,849,150	12,069,357
Replacement reserve	200,000		200,000				
	888,924		888,924				
Property and equipment:				Total liabilities	13,780,207	1,849,150	15,629,357
Land		306,292	306,292				
Buildings		3,777,754	3,777,754				
Water utility plant in service	9,116,550		9,116,550	Fund equity:			
Sewer utility plant in service	12,106,499		12,106,499	Retained earnings:			
Construction in progress	43,775		43,775	Restricted:			
Less accumulated depreciation	21,266,824	4,084,046	25,350,870	Bond and interest reserve	105,675		105,675
	3,566,141	85,605	3,651,746	Operating and maintenance reserve	113,703		113,703
Property and equipment, net	17,700,683	3,998,441	21,699,124	Depreciation reserve	98,546		98,546
Other long term assets:				Debt service reserve	371,000		371,000
Bond issuance costs	142,150		142,150	Replacement reserve	200,000		200,000
Notes receivable		196,422	196,422	Unrestricted	6,938,529	3,260,481	10,199,010
	142,150	196,422	338,572	Total fund equity	7,827,453	3,260,481	11,087,934
	\$ 22,531,818	\$ 5,172,472	\$ 27,704,290				
					\$ 22,531,818	\$ 5,172,472	\$ 27,704,290

CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES AND EXPENSES
ENTERPRISE FUNDS
For the Year Ended June 30, 2002

	<u>Maysville Utility Commission</u>	<u>Public Building Corporation</u>	<u>Total</u>
Revenues:			
Water sales	\$ 1,480,166	\$	\$ 1,480,166
Water surcharge	49,528		49,528
Sewer charges	1,589,427		1,589,427
Lease income		189,453	189,453
Other operating revenues	83,609		83,609
	<u>3,202,730</u>	<u>189,453</u>	<u>3,392,183</u>
Expenses:			
Water operations	1,009,073		1,009,073
Sewer operations	816,863		816,863
Leasing operations		45,065	45,065
	<u>1,825,936</u>	<u>45,065</u>	<u>1,871,001</u>
Operating income before depreciation	<u>1,376,794</u>	<u>144,388</u>	<u>1,521,182</u>
Depreciation expense:			
Water system	227,704		227,704
Sewer system	294,468		294,468
Public Building Corporation		85,605	85,605
	<u>522,172</u>	<u>85,605</u>	<u>607,777</u>
Operating income	<u>854,622</u>	<u>58,783</u>	<u>913,405</u>
Nonoperating revenues (expenses):			
Interest income	149,746	38,371	188,117
Interest expense	(419,845)	(103,123)	(522,968)
Loss on disposition of property	(2,563,522)		(2,563,522)
Amortization	(77,334)		(77,334)
Nonoperating revenues (expenses)	<u>(2,910,955)</u>	<u>(64,752)</u>	<u>(2,975,707)</u>
Income (loss) before other revenues, expenses gains, losses, and transfers	<u>(2,056,333)</u>	<u>(5,969)</u>	<u>(2,062,302)</u>
Capital contributions:			
Grant proceeds		175,000	175,000
Transfer from other funds		143,907	143,907
Total capital contributions		<u>318,907</u>	<u>318,907</u>
Net income (loss)	(2,056,333)	312,938	(1,743,395)
Net assets, beginning of year	9,883,786	2,929,006	12,812,792
Prior period adjustment		18,537	18,537
Net assets, end of year	<u>\$ 7,827,453</u>	<u>\$ 3,260,481</u>	<u>\$ 11,087,934</u>

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF UTILITY OPERATING EXPENSES
MAYSVILLE UTILITY COMMISSION
For the Year Ended June 30, 2002

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pumping Expense:			
Personnel	\$	\$ 17,973	\$ 17,973
Power	118,346	125,665	244,011
Maintenance	8,367	56,769	65,136
	<u>126,713</u>	<u>200,407</u>	<u>327,120</u>
Treatment Expense:			
Personnel	119,900	86,125	206,025
Chemicals and Supplies	105,171	31,742	136,913
Maintenance	44,630	80,708	125,338
	<u>269,701</u>	<u>198,575</u>	<u>468,276</u>
Transmission Expense:			
Personnel	5,669	367	6,036
Supplies	9,808	8,733	18,541
Maintenance	261,515	105,269	366,784
	<u>276,992</u>	<u>114,369</u>	<u>391,361</u>
Customer Accounts Expense:			
Personnel	50,477	50,242	100,719
Supplies and Other	6,898	6,776	13,674
Uncollectible Accounts	9,771	7,814	17,585
	<u>67,146</u>	<u>64,832</u>	<u>131,978</u>
Administrative & General Expense:			
Personnel	32,016	32,016	64,032
Fringe Benefits	80,990	73,106	154,096
Insurance	26,538	26,538	53,076
Transportation	24,510	24,904	49,414
Other Expenses	104,467	82,116	186,583
	<u>268,521</u>	<u>238,680</u>	<u>507,201</u>
Total operating expenses	<u>\$ 1,009,073</u>	<u>\$ 816,863</u>	<u>\$ 1,825,936</u>

FEDERAL GRANT DISCLOSURES

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2002

<u>Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Balance July 1, 2001</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2002</u>
A. U.S. Department of Transportation:						
<i>Passed Through Commonwealth of KY:</i>						
UMTA - capital	20.507	KY-03-0037	\$	\$ 58,553	\$ 58,553	\$
UMTA - operating	20.509	MASS 1819715		75,572	81,428	5,856
ISTEA	20.205	C-99123675		13,686	121,285	107,599
ISTEA	20.205	C-01025258	\$	147,811	19,178	19,178
					280,444	132,633
B. U. S. Department of Justice:						
<i>Passed Through Commonwealth of KY:</i>						
Regional Narcotics Task Force	16.579	6130-N2-11/00	81,581	135,371	53,790	80,500
Regional Narcotics Task Force	16.579	6345-N2-12/01		36,247	116,747	
<i>Passed Through Cynthiaana Housing Authority:</i>						
Police - Housing Authority	14.854	N/A	826	23,531	22,705	
			82,407	195,149	193,242	80,500
C. U.S. Department of HUD:						
<i>Passed Through Commonwealth of KY:</i>						
Community Development Block Grant	14.228	99-099		98,892	190,810	91,918
D. Federal Emergency Management Agency:						
<i>Passed Through Commonwealth of KY:</i>						
Disaster Assistance	83.516	1388-DR		15,077	15,077	
			\$	\$ 82,407	\$ 679,573	\$ 305,051

CITY OF MAYSVILLE, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2002

- A. **Oversight Agency.** In accordance with the Single Audit Act of 1984, revised in June 1997 (*Circular A-133*), the United States Department of Transportation is the Oversight Agency for the City of Maysville, Kentucky. The Single Audit Act provides that the Oversight Agency shall have the following responsibilities:
1. Provide technical audit advice to auditees and auditors.
 2. Consider auditee requests for extensions to the report submission due date.
 3. Obtain or conduct quality control reviews of selected audits made by nonfederal auditors and provide the results, when appropriate, to other interested organizations.
 4. Promptly inform other affected Federal agencies and appropriate Federal law enforcement officials of any direct reporting by the auditee or its auditor of irregularities or illegal acts as required by GAGAS or laws and regulations.
 5. Advise the auditor and, where appropriate, the auditee of any deficiencies found in the audits when the deficiencies require corrective action by the auditor. When advised of deficiencies, the auditee shall work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency for audit shall notify the auditor, the auditee, and applicable Federal awarding agencies and pass-through entities of the facts and make recommendations for follow-up action. Major inadequacies or repetitive substandard performance by auditors shall be referred to appropriate State licensing agencies and professional bodies for disciplinary action.
 6. Coordinate, to the extent practicable, audits or reviews made by or for Federal agencies that are in addition to the audits made pursuant to Circular A-133; so that the additional audits or reviews build upon such audits.
 7. Coordinate a management decision for audit findings that affect the Federal programs of more than one agency.
 8. Coordinate the audit work and reporting responsibilities among auditors to achieve the most cost-effective audit.
- B. **Indirect Cost.** The City does not have an indirect cost pool or cost allocation plan, and there have been no indirect charges to the grant programs.
- C. **Subrecipients.** The City did not have any subrecipients for the year ended June 30, 2002.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable David Cartmell, Mayor
City Commissioners and City Manager
City of Maysville, Kentucky

We have audited the basic financial statements of the City of Maysville, Kentucky as of and for the year ended June 30, 2002, and have issued our report thereon dated December 3, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Maysville, Kentucky's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-1. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Maysville, Kentucky, in a separate letter dated December 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Maysville, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Maysville, Kentucky in a separate letter dated December 3, 2002.

This report is intended solely for the information and use of the Mayor, City Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky

December 3, 2002

MILLER, MAYER, SULLIVAN & STEVENS LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable David Cartmell, Mayor
City Commissioners and City Manager
City of Maysville, Kentucky

Compliance

We have audited the compliance of the City of Maysville, Kentucky with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The City of Maysville, Kentucky's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Maysville, Kentucky's management. Our responsibility is to express an opinion on the City of Maysville, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Maysville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Maysville, Kentucky's compliance with those requirements.

In our opinion, the City of Maysville, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City of Maysville, Kentucky is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Maysville, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky

December 3, 2002

CITY OF MAYSVILLE, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2002

There were no findings or questioned costs in the June 30, 2001 audit.

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2002

I. SUMMARY OF AUDITORS' RESULTS

- A. Type of report issued on the financial statements: **Unqualified.**
- B. There were material noncompliance with laws, regulations, contracts, and grants, which were reported.
- C. Type of report issued on compliance for major programs: **Unqualified.**
- D. There were no audit findings, which were required to be reported under section 510(a) of the OMB Circular A-133.
- E. The City of Maysville, Kentucky operated one major program during the year ended June 30, 2002. It was the Regional Narcotics Task Force Program (CFDA 16.579).
- F. Type A programs were all programs with expenditures exceeding \$300,000.
- G. The City of Maysville, Kentucky qualified as a low-risk auditee under section 530 of the OMB Circular A-133.

I. FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Finding 2002-1 The City has not adopted a budget ordinance for the Maysville Utility Commission.

Criteria. KRS 91A.030 requires that each City operate under an annual budget for any governmental or proprietary fund, which it maintains.

Cause. Management was unaware of this budget requirement.

Effect. The City is in violation of State law regarding passing a budget for the Maysville Utility Commission.

Recommendation. Annually, a budget ordinance should be adopted regarding the expenditures of the Maysville Utility Commission.

II. FINDINGS AND QUESTIONED COST RELATED TO FEDERAL AWARDS

None

CITY OF MAYSVILLE, KENTUCKY

**Report on Audited Financial Statements
and Supplementary Information for the
Year Ended June 30, 2003**

MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

"INNOVATORS OF SOLUTION TECHNOLOGY" SM

EXHIBIT M

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INDEPENDENT AUDITORS' REPORT

The Honorable David Cartmell, Mayor
City Commissioners and City Manager
City of Maysville, Kentucky

We have audited the accompanying financial statements of the governmental activities and the business-type activities of each major fund, and the aggregate remaining fund information of the City of Maysville, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Maysville, Kentucky's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of each major fund, and the aggregate remaining fund information of the City of Maysville, Kentucky as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedule of funding progress-defined benefit retirement plan, and budgetary comparison schedules are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2003, on our consideration of the City of Maysville, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Maysville, 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. In addition, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of

additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and is also not a required part of the financial statements of the City of Maysville, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky
November 7, 2003



CITY OF MAYSVILLE
216 BRIDGE STREET
MAYSVILLE, KY 41056
606-564-9419 • Fax 606-564-9416

Romie Griffey
Interim City Manager

Management Discussion and Analysis

OVERVIEW

The report on Audited Financial Statements and Supplementary information for the year ending June 30, 2003 for the City of Maysville, Kentucky contains various financial statements and disclosures required by GASB (Government Accounting Standards Board) and other reporting required by Federal and State Governments.

This annual report consists of a series of financial statements and may be confusing to the average reader. We will identify specific information to aid in the understanding of this report. However, the report is intended to be read in detail for a complete understanding of the financial operations of the City of Maysville.

BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 1-4), and they provide information about the activities of the city as a whole and present a longer-term view of the City's finances. The fund financial statements (beginning on page 5) focus on governmental activities and how various services were financed in the short-term as well as the balance remaining for future spending. Fund Financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities report information on the City as a whole. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. The City's net assets are the difference between assets and liabilities, and is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial position is improving or deteriorating. Other factors, however, such as changes in the City's property tax base and the condition of the City's roads need to be considered to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including general administration, public works, public safety, parks and recreation, and community development. Taxes, licenses and permits, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and rental operations are reported here.

Our analysis below focuses on the net asset (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

TABLE 1**NET ASSETS
June 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 14,371,307	\$ 6,464,821	\$ 20,836,128
Capital assets, net	<u>5,416,433</u>	<u>21,103,273</u>	<u>26,519,706</u>
Total assets	<u>\$ 19,787,740</u>	<u>\$ 27,568,094</u>	<u>\$ 47,355,834</u>
Long-term debt outstanding	\$ 49,559	\$ 14,774,509	\$ 14,824,068
Other liabilities	<u>1,752,844</u>	<u>1,129,785</u>	<u>2,882,629</u>
Total liabilities	<u>\$ 1,802,403</u>	<u>\$ 15,904,294</u>	<u>\$ 17,706,697</u>
Investment in capital assets, net of related debt	\$ 5,320,011	\$ 5,371,461	\$ 10,691,472
Restricted		1,513,931	1,513,931
Unrestricted	<u>12,665,326</u>	<u>4,778,408</u>	<u>17,443,734</u>
Total net assets	<u>\$ 17,985,337</u>	<u>\$ 11,663,800</u>	<u>\$ 29,649,137</u>

**NET ASSETS
June 30, 2002**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 14,090,340	\$ 6,005,164	\$ 20,095,504
Capital assets, net	<u>3,038,173</u>	<u>21,699,124</u>	<u>24,737,297</u>
Total assets	<u>\$ 17,128,513</u>	<u>\$ 27,704,288</u>	<u>\$ 44,832,801</u>
Long-term debt outstanding	\$ 96,421	\$ 15,629,357	\$ 15,725,778
Other liabilities	<u>1,541,751</u>	<u>986,999</u>	<u>2,528,750</u>
Total liabilities	<u>\$ 1,638,172</u>	<u>\$ 16,616,356</u>	<u>\$ 18,254,528</u>
Investment in capital assets, net of related debt	\$ 2,883,646	\$ 5,273,681	\$ 8,157,327
Restricted		888,924	888,924
Unrestricted	<u>12,606,695</u>	<u>4,925,327</u>	<u>17,532,022</u>
Total net assets	<u>\$ 15,490,341</u>	<u>\$ 11,087,932</u>	<u>\$ 26,578,273</u>

TABLE 2**CHANGE IN NET ASSETS
June 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 693,990	\$ 3,512,474	\$ 4,206,464
Operating grants and contributions	1,020,985		1,020,985
Capital grants and contributions	1,091,330		1,091,330
General revenues:			
Taxes	1,322,537		1,322,537
Licenses and permits	5,650,822		5,650,822
Franchise fees	188,635		188,635
Fines and forfeitures	17,073		17,073
Other	42,357		42,357
Investment income	162,513	90,241	252,754
Total revenues	<u>10,190,242</u>	<u>3,602,715</u>	<u>13,792,957</u>
Program expenses			
General government	2,062,338		2,062,338
Public works	2,474,799		2,474,799
Public safety	2,696,270		2,696,270
Parks and recreation	238,188		238,188
Community development	348,667		348,667
Water		1,592,456	1,592,456
Sewer		1,239,674	1,239,674
Rental		194,717	194,717
Total expenses	<u>7,820,262</u>	<u>3,026,847</u>	<u>10,847,109</u>
Change in net assets	2,369,980	575,868	2,945,848
Net assets, beginning of year	15,490,341	11,087,932	26,578,273
Residual equity transfer from I.N. Foster Fund	<u>125,016</u>		<u>125,016</u>
Net assets, end of year	<u>\$ 17,985,337</u>	<u>\$ 11,663,800</u>	<u>\$ 29,649,137</u>

CHANGE IN NET ASSETS
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 571,283	\$ 3,392,184	\$ 3,963,467
Operating grants and contributions	821,460		821,460
Capital grants and contributions	965,431	175,000	1,140,431
General revenues:			
Taxes	1,573,716		1,573,716
Licenses and permits	5,118,075		5,118,075
Franchise fees	165,796		165,796
Intergovernmental	51,344		51,344
Fines and forfeitures	16,612		16,612
Other	40,795		40,795
Investment income	295,321	188,117	483,438
Special items		(2,563,522)	(2,563,522)
Transfers	(143,907)	143,907	
Total revenues	<u>9,475,926</u>	<u>1,335,686</u>	<u>10,811,612</u>
Program expenses			
General government	1,819,182		1,819,182
Public works	2,182,739		2,182,739
Public safety	2,611,970		2,611,970
Parks and recreation	219,582		219,582
Community development	526,119		526,119
Water		1,485,367	1,485,367
Sewer		1,359,921	1,359,921
Rental		233,793	233,793
Total expenses	<u>7,359,592</u>	<u>3,079,081</u>	<u>10,438,673</u>
Change in net assets	2,116,334	(1,743,395)	372,939
Net assets, beginning of year	<u>13,374,007</u>	<u>12,831,327</u>	<u>26,205,334</u>
Net assets, end of year	<u>\$ 15,490,341</u>	<u>\$ 11,087,932</u>	<u>\$ 26,578,273</u>

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's two types of funds, governmental and proprietary, use different accounting approaches.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- **Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

The City also is the trustee or fiduciary for certain activities. We exclude these activities from the City's government-wide financial statements because the City cannot use those assets to finance its operations. All of the City's fiduciary activities are reported in the Statement of Net Assets – Fiduciary Funds on page 13 and the Statement of Changes in Net Assets – Fiduciary Funds on page 14. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The following are general comments regarding overall financial position and results of operations for the year.

GOVERNMENTAL ACTIVITIES

The change in the City's Net Assets is one way to measure the City's Financial Health or Financial position. As listed on page 4, the City's Net Assets increased by \$2,369,980 or 15% for the year, indicating a strong financial position. During the year the City completed a number of major capital projects which will support City services for many future years.

The economy and its effect on local employment levels continue to be a major concern for collection of Occupational License Revenues. As indicated on page 7 the City maintained a General Fund balance of \$11,639,620 sufficient to provide adequate public service for the next fiscal year

BUSINESS-TYPE ACTIVITIES

The Maysville Utility Commission operations remained relatively constant with the prior year, revenue increasing 2%, expenses increasing 6% and operating income before depreciation decreasing 3%. Water and Sewer rates were sufficient to provide adequate revenue for operations and maintaining Bond reserve requirements. As mentioned in last year's report the Commission has been notified that a major water user (approximately 17% of Gross Water Revenue) will reduce purchases over the next few years. This may require a rate adjustment if future growth does not offset this loss of Revenue.

As indicated on page 36, the Public Building Corporation paid in full in July 2003 notes with outstanding balance at June 30, 2003 of \$1,849,419. This was accomplished by transfer of funds from the General Fund which will be repaid to the General Fund from future rental receipts.

BUDGET

Supplementary information starting on page 38 details the original budget and amended budget adopted by the City for the year. No amendment to the budget was required for the year. Actual expenditures were \$5,866,163 below budget estimates. This resulted primarily from projected capital projects, which were not funded.

The Maysville Utility Commission did not formally adopt a budget for the current fiscal year. For a number of years proprietary funds were exempt from adopting a budget due to the nature of this operation. It was brought to our attention during the course of last year's audit that this requirement has been changed. The Maysville Utility Commission adopted a formal budget for this fiscal year starting July 1, 2003.



Romie Griffey,
City Comptroller

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 4,272,611	\$ 1,332,523	\$ 5,605,134
Certificates of deposit	7,493,013	2,691,263	10,184,276
Investments	140,880		140,880
Receivables:			
User fees	63,358	275,376	338,734
Taxes & license	1,333,843		1,333,843
Property taxes	6,697		6,697
Intergovernmental	515,534		515,534
Other	50,246	994	51,240
Internal balances	(257,375)	257,375	
I.N. Foster fiduciary fund	125,016		125,016
Inventory, at cost		66,236	66,236
Note receivable		46,863	46,863
	<u>13,743,823</u>	<u>4,670,630</u>	<u>18,414,453</u>
Total current assets		<u>1,513,931</u>	<u>1,513,931</u>
Restricted investments			
Noncurrent Assets:			
Intergovernmental receivable	627,484		627,484
Note receivable		149,559	149,559
Capital assets, net	5,416,433	21,103,273	26,519,706
Bond issuance costs		130,701	130,701
	<u>6,043,917</u>	<u>21,383,533</u>	<u>27,427,450</u>
Total noncurrent assets			
Total assets	<u>\$ 19,787,740</u>	<u>\$ 27,568,094</u>	<u>\$ 47,355,834</u>

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 545,397	\$ 101,882	\$ 647,279
Payable to police & firemen's pension fund	46,000		46,000
Other liabilities	155,240	70,600	225,840
Intergovernmental payables	2,743		2,743
Deferred revenue	956,601		956,601
Bonds and notes payable	46,863	66,221	113,084
 Total liabilities payable from unrestricted assets	 1,752,844	 238,703	 1,991,547
Payable from restricted assets:			
Accrued interest payable		102,186	102,186
Bonds and notes payable		788,896	788,896
 Total liabilities payable from restricted assets		 891,082	 891,082
 Total current liabilities	 1,752,844	 1,129,785	 2,882,629
Noncurrent liabilities:			
Bonds and notes payable	49,559	14,774,509	14,824,068
 Total liabilities	 \$ 1,802,403	 \$ 15,904,294	 \$ 17,706,697
NET ASSETS			
Investment in capital assets, net of related debt	\$ 5,320,011	\$ 5,371,461	\$ 10,691,472
Restricted		1,513,931	1,513,931
Unrestricted	12,665,326	4,778,408	17,443,734
 Total net assets	 \$ 17,985,337	 \$ 11,663,800	 \$ 29,649,137

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government:					
Legislative	\$ 76,491	\$ 965	\$ 3,391	\$	\$ (76,491)
Planning and Zoning	120,906	965	3,391		(116,550)
Administrative	1,828,572	34,726	161,990	249,094	(1,382,762)
Legal	31,219				(31,219)
Loss on disposal of assets	5,150				(5,150)
Total General Government	<u>2,062,338</u>	<u>35,691</u>	<u>165,381</u>	<u>249,094</u>	<u>(1,612,172)</u>
Public Works:					
Streets	1,789,427		167,275	13,485	(1,608,667)
Maintenance	261,789			445,902	(261,789)
Engineering	180,470				265,432
Floodwall	13,212				(13,212)
Parking lots		11,374			11,374
Transit	229,901	9,852	88,779	150,028	18,758
Total Public Works	<u>2,474,799</u>	<u>21,226</u>	<u>256,054</u>	<u>609,415</u>	<u>(1,588,104)</u>
Public Safety:					
Police	1,390,233		206,886		(1,183,347)
Fire and ambulance	1,064,662	342,723	84,622	75,000	(562,317)
Regional Narcotics Task Force	241,375	20,568	213,307		(7,500)
Total Public Safety	<u>2,696,270</u>	<u>363,291</u>	<u>504,815</u>	<u>75,000</u>	<u>(1,753,164)</u>
Parks & Recreation	238,188	19,756	89,648		(128,784)
Community Development:					
Renaissance/Main Street	219,769	139,183		134,357	53,771
Russell Theatre	23,464			23,464	
Tourism	105,434	114,843	5,087		14,496
Total Renaissance	<u>348,667</u>	<u>254,026</u>	<u>5,087</u>	<u>157,821</u>	<u>68,267</u>
Total Governmental Activities	<u>7,820,262</u>	<u>693,990</u>	<u>1,020,985</u>	<u>1,091,330</u>	<u>(5,013,957)</u>
Business-Type Activities:					
Water	1,592,456	1,615,035			22,579
Sewer	1,239,674	1,662,605			422,931
Rental	194,717	234,834			40,117
Total Business-Type Activities	<u>3,026,847</u>	<u>3,512,474</u>			<u>485,627</u>
Total	<u>\$ 10,847,109</u>	<u>\$ 4,206,464</u>	<u>\$ 1,020,985</u>	<u>\$ 1,091,330</u>	<u>\$ (4,528,330)</u>

(Continued)

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Changes in Net Assets:			
Net (expense)/revenue	<u>\$ (5,013,957)</u>	<u>\$ 485,627</u>	<u>\$ (4,528,330)</u>
General revenues:			
Taxes:			
Real and personal property	698,235		698,235
Franchise	97,811		97,811
Bank shares	59,659		59,659
Tangible property	94,137		94,137
Payment in lieu of taxes	368,407		368,407
Other	4,288		4,288
Licenses and permits:			
Payroll licenses	4,583,628		4,583,628
Insurance licenses	709,359		709,359
Occupational licenses	325,030		325,030
Building permits	20,430		20,430
Liquor licenses	12,375		12,375
Franchise fees:			
Kentucky Utilities	138,741		138,741
Cablevision	49,894		49,894
Fines & forfeitures	17,073		17,073
Other	42,357		42,357
Investment income	<u>162,513</u>	<u>90,241</u>	<u>252,754</u>
 Total general revenues and transfers	 <u>7,383,937</u>	 <u>90,241</u>	 <u>7,474,178</u>
 Change in net assets	 2,369,980	 575,868	 2,945,848
Net assets, beginning of year	15,311,427	11,087,932	26,399,359
Prior period adjustments	178,914		178,914
Residual equity transfer from I.N. Foster Fund	<u>125,016</u>		<u>125,016</u>
Net assets, end of year	<u><u>\$ 17,985,337</u></u>	<u><u>\$ 11,663,800</u></u>	<u><u>\$ 29,649,137</u></u>

CITY OF MAYSVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 4,086,884	\$ 185,727	\$ 4,272,611
Certificates of deposit	7,493,013		7,493,013
Investments	140,880		140,880
Receivables:			
Taxes & license	1,333,843		1,333,843
Property taxes	6,697		6,697
Other	50,146	63,458	113,604
Grants	294,168		294,168
Intergovernmental	4,750	216,616	221,366
Due from other funds	208,976	285,697	494,673
I.N. Foster fund	125,016		125,016
	<u>\$ 13,744,373</u>	<u>\$ 751,498</u>	<u>\$ 14,495,871</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 520,152	\$ 25,245	\$ 545,397
Payroll liabilities	155,240		155,240
Deferred revenue	837,546	119,055	956,601
Intergovernmental payable	2,743		2,743
Due to other funds	543,072	208,976	752,048
Payable to police & firemen's pension fund	46,000		46,000
	<u>2,104,753</u>	<u>353,276</u>	<u>\$ 2,458,029</u>
Total liabilities			
FUND BALANCE			
Fund balance, unreserved	<u>11,639,620</u>	<u>398,222</u>	<u>12,037,842</u>
Total liabilities and fund balance	<u>\$ 13,744,373</u>	<u>\$ 751,498</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,846,138	5,416,433
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	627,484
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes payable	(96,422)
Net assets of governmental activities	<u>\$ 17,985,337</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Licenses and permits	\$ 5,650,822	\$	\$ 5,650,822
Intergovernmental revenue	1,544,325	386,433	1,930,758
Taxes	1,224,726	102,864	1,327,590
Franchise fees	376,936		376,936
Fines and permits	22,163		22,163
Other	288,744	52,397	341,141
Charges for services	34,726	343,594	378,320
Interest	161,523	990	162,513
	<u>9,303,965</u>	<u>886,278</u>	<u>10,190,243</u>
Total revenues			
Expenditures:			
General Government:			
Legislative	76,491		76,491
Planning and Zoning	108,637	12,269	120,906
Administrative	1,695,442		1,695,442
Legal	31,219		31,219
	<u>1,911,789</u>	<u>12,269</u>	<u>1,924,058</u>
Total General Government			
Public Works:			
Streets	1,704,613		1,704,613
Maintenance	261,789		261,789
Engineering	181,781		181,781
Floodwall	13,212		13,212
Transit	187,417		187,417
	<u>2,348,812</u>		<u>2,348,812</u>
Total Public Works			
Public Safety:			
Police	1,325,504		1,325,504
Fire	857,093		857,093
Ambulance		112,148	112,148
Regional Narcotics Task Force		241,375	241,375
	<u>2,182,597</u>	<u>353,523</u>	<u>2,536,120</u>
Total Public Safety			

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Parks & Recreation	66,167	199,052	265,219
Community Development: Renaissance/Main Street Tourism	219,769	105,434	219,769 105,434
Total Community Development	219,769	105,434	325,203
Capital	2,623,098		2,623,098
Debt Service	63,105		63,105
Total expenditures	9,415,337	670,278	10,085,615
Excess (deficiency) of revenues over expenditures	(111,372)	216,000	104,628
Other financing sources (uses): Transfers (to) from other funds	149,514	(195,514)	(46,000)
Net change in fund balance	38,142	20,486	58,628
Fund balance, beginning of year	11,230,501	377,736	11,608,237
Prior period adjustment	370,977		370,977
Fund balance, end of year	<u>\$ 11,639,620</u>	<u>\$ 398,222</u>	<u>\$ 12,037,842</u>

CITY OF MAYSVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003

Net change in fund balances - total governmental funds:	\$	58,628
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p>		
Capital asset purchases capitalized		2,657,484
Depreciation expense		(399,087)
Net book value of capital assets disposed of during the year		(5,150)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:</p>		
Capital lease obligation principal payments		<u>58,105</u>
Change in Net Assets of Governmental Activities	\$	<u><u>2,369,980</u></u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2003

	<u>Maysville Utility Commission</u>	<u>Public Building Corporation</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 527,561	\$ 804,962	\$ 1,332,523
Certificates of deposit	2,691,263		2,691,263
Accounts receivable (net)	272,583	50,650	323,233
Due from other funds		257,375	257,375
Inventory, at cost	66,236		66,236
Total current assets	<u>3,557,643</u>	<u>1,112,987</u>	<u>4,670,630</u>
Restricted cash and certificates of deposit	<u>1,513,931</u>		<u>1,513,931</u>
Noncurrent assets:			
Capital assets, net	17,199,276	3,903,997	21,103,273
Bond issuance costs	130,701		130,701
Notes receivable		149,559	149,559
Total noncurrent assets	<u>17,329,977</u>	<u>4,053,556</u>	<u>21,383,533</u>
Total assets	<u>\$ 22,401,551</u>	<u>\$ 5,166,543</u>	<u>\$ 27,568,094</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 101,882	\$	\$ 101,882
Other liabilities	70,600		70,600
Notes payable		66,221	66,221
Total liabilities payable from unrestricted assets	<u>172,482</u>	<u>66,221</u>	<u>238,703</u>
Payable from restricted assets:			
Accrued interest payable	102,186		102,186
Bonds and notes payable	788,896		788,896
Total liabilities payable from restricted assets	<u>891,082</u>		<u>891,082</u>
Total current liabilities	1,063,564	66,221	1,129,785
Noncurrent liabilities:			
Bonds and notes payable	12,991,311	1,783,198	14,774,509
Total liabilities	<u>\$ 14,054,875</u>	<u>\$ 1,849,419</u>	<u>\$ 15,904,294</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,316,883	\$ 2,054,578	\$ 5,371,461
Restricted	1,513,931		1,513,931
Unrestricted	3,515,862	1,262,546	4,778,408
Total net assets	<u>\$ 8,346,676</u>	<u>\$ 3,317,124</u>	<u>\$ 11,663,800</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2003

	<u>Maysville Utility Commission</u>	<u>Public Building Corporation</u>	<u>Total</u>
Revenues:			
Water sales	\$ 1,481,708	\$	\$ 1,481,708
Water surcharge	51,342		51,342
Sewer charges	1,580,620		1,580,620
Lease income		234,834	234,834
Other operating revenues	163,970		163,970
	<u>3,277,640</u>	<u>234,834</u>	<u>3,512,474</u>
Expenses:			
Water operations	1,182,293		1,182,293
Sewer operations	762,743		762,743
Leasing operations		346	346
	<u>1,945,036</u>	<u>346</u>	<u>1,945,382</u>
Operating income before depreciation	<u>1,332,604</u>	<u>234,488</u>	<u>1,567,092</u>
Depreciation expense:			
Water system	228,375		228,375
Sewer system	295,142		295,142
Public Building Corporation		94,444	94,444
	<u>523,517</u>	<u>94,444</u>	<u>617,961</u>
Operating income	<u>809,087</u>	<u>140,044</u>	<u>949,131</u>
Nonoperating revenues (expenses):			
Interest income	73,713	16,527	90,240
Interest expense	(352,127)	(99,928)	(452,055)
Amortization	(11,449)		(11,449)
Nonoperating revenues (expenses)	<u>(289,863)</u>	<u>(83,401)</u>	<u>(373,264)</u>
Net income (loss)	519,224	56,643	575,867
Net assets, beginning of year	<u>7,827,452</u>	<u>3,260,481</u>	<u>11,087,933</u>
Net assets, end of year	<u>\$ 8,346,676</u>	<u>\$ 3,317,124</u>	<u>\$ 11,663,800</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2003

	Maysville Utility Commission	Public Building Corporation	Total
Cash flows from operating activities:			
Receipts from customers	\$ 3,295,022	\$ 232,041	\$ 3,527,063
Payments to suppliers	(1,063,551)	(346)	(1,063,897)
Payments to employees	(817,417)		(817,417)
Net cash provided by (used in) operating activities	<u>1,414,054</u>	<u>231,695</u>	<u>1,645,749</u>
Cash flows from noncapital financing activities:			
Due from General Fund increase		(248,832)	(248,832)
Customer deposits (net)	2,719		2,719
Net cash provided (used) in noncapital financing activities	<u>2,719</u>	<u>(248,832)</u>	<u>(246,113)</u>
Cash flows from capital and related financing activities:			
Additions to capital assets	(22,111)		(22,111)
Principal paid on notes and bonds	(659,680)	(62,572)	(722,252)
Interest paid on notes and bonds	(377,274)	(99,928)	(477,202)
Grant proceeds		175,000	175,000
Net cash provided by (used in) capital and related financing activities	<u>(1,059,065)</u>	<u>12,500</u>	<u>(1,046,565)</u>
Cash flows from investing activities:			
Purchase of investments	(514,610)		(514,610)
Interest on investments	73,713	17,321	91,034
Payments on note receivable		44,316	44,316
Net cash provided by (used in) in investing activities	<u>(440,897)</u>	<u>61,637</u>	<u>(379,260)</u>
Net increase (decrease) in cash and cash equivalents	(83,189)	57,000	(26,189)
Cash and cash equivalents, beginning of year	938,517	747,962	1,686,479
Cash and cash equivalents, end of year	<u>\$ 855,328</u>	<u>\$ 804,962</u>	<u>\$ 1,660,290</u>
Classified as:			
Restricted	\$ 327,767	\$	\$ 327,767
Unrestricted	527,561	804,962	1,332,523
	<u>\$ 855,328</u>	<u>\$ 804,962</u>	<u>\$ 1,660,290</u>

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2003

	<u>Maysville Utility Commission</u>	<u>Public Building Corporation</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income	\$ 809,087	\$ 140,044	\$ 949,131
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	523,517	94,444	617,961
Change in assets and liabilities:			
Accounts receivable	17,382	(2,793)	14,589
Inventory	(3,082)		(3,082)
Prepaid expenses	34,532		34,532
Accounts payable	33,615		33,615
Accrued liabilities	(997)		(997)
Total adjustments	<u>604,967</u>	<u>91,651</u>	<u>696,618</u>
Net cash provided by operating activities	<u>\$ 1,414,054</u>	<u>\$ 231,695</u>	<u>\$ 1,645,749</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2003

	<u>Fiduciary Funds</u>		<u>Total</u>
	<u>Pension Trust</u>	<u>Private-purpose</u>	
	<u>Police & Firemen's Pension Fund</u>	<u>I.N. Foster Fund</u>	
ASSETS			
Cash and savings	\$	\$ 48,197	\$ 48,197
Certificate of deposit		130,379	130,379
Investments	1,423,762	785,568	2,209,330
Accrued interest receivable		230	230
Receivable from General Fund	46,000		46,000
	<u>\$ 1,469,762</u>	<u>\$ 964,374</u>	<u>\$ 2,434,136</u>
LIABILITIES			
Payable to General Fund	\$	\$ 125,016	\$ 125,016
	<u>\$</u>	<u>\$ 125,016</u>	<u>\$ 125,016</u>
NET ASSETS			
Net assets held in trust for pension benefits	\$ 1,469,762	\$	\$ 1,469,762
Fund balance		839,358	839,358
	<u>\$ 1,469,762</u>	<u>\$ 839,358</u>	<u>\$ 2,309,120</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2003

	<u>Fiduciary Funds</u>		<u>Total</u>
	<u>Pension Trust</u>	<u>Private Purpose</u>	
	<u>Police and Firemen's Pension Fund</u>	<u>I.N. Foster Fund</u>	
Revenues:			
Interest and dividends	\$ 46,407	\$ 27,295	\$ 73,702
Employee withholdings	150		150
Realized gain (loss) on investments	(117,755)		(117,755)
Unrealized gain (loss) on investments	125,391	42,645	168,036
Total revenues	<u>54,193</u>	<u>69,940</u>	<u>124,133</u>
Expenditures:			
Pension payments	250,987		250,987
Shelter and clothing for children		146,097	146,097
Trustee fee	9,653		9,653
Total expenditures	<u>260,640</u>	<u>146,097</u>	<u>406,737</u>
Excess (deficiency) of revenues over expenditures	(206,447)	(76,157)	(282,604)
Transfers (to) from other funds	46,000		46,000
Excess (deficiency) of revenues over expenditures and transfers	(160,447)	(76,157)	(236,604)
Fund balance, beginning of year	<u>1,630,209</u>	<u>915,515</u>	<u>2,545,724</u>
Fund balance, end of year	<u>\$ 1,469,762</u>	<u>\$ 839,358</u>	<u>\$ 2,309,120</u>

CITY OF MAYSVILLE, KENTUCKY
NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Maysville, Kentucky (City) operates under a City Commission form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture and recreation, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Reporting Entity. The City's financial reporting entity is comprised of the following:

Primary Government	City of Maysville, Kentucky
Blended Component Units:	Maysville Utility Commission Public Building Corporation Maysville-Mason County Recreation Park Maysville-Mason County Ambulance Service Maysville-Mason County Joint Planning Commission Maysville Tourism Commission Regional Narcotics Task Force

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity* and includes all component units of which the City appointed a voting majority or an equal number of the component units' governing Board, and the City has the ability to control the activities of the component unit or a financial benefit or burden relationship exists between the City and the component unit.

B. Basis of Presentation

Government-Wide Financial Statements. The statement of net assets and statement of activities display information about the City as a whole. These statements include all funds of the City, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by

CITY OF MAYSVILLE, KENTUCKY
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providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the City:

Governmental Funds

General Fund. The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The City has the following Special Revenue Funds:

1. The Parking Lot Operations and Maintenance Fund was established to account for transfers from the General Fund, which are used to operate and maintain the municipal parking facilities.
2. The Maysville-Mason County Recreation Park was established to operate a recreational facility for the citizens of the City and for Mason County. The Park is financed through user fees and subsidies from the City and Mason County Fiscal Court (County).
3. The Maysville-Mason County Ambulance Service was established by an agreement between the City and County. The service was established to provide emergency ambulance service to the residents of the City and County.
4. The Maysville-Mason County Joint Planning Commission was established by an agreement between the City and County. The Commission was established to enforce zoning laws and to make recommendations to the Mayor and the City Commission. The Commission is financed through a joint funding agreement between the City and County.
5. The Maysville Tourism Commission was established to promote tourism within the City. The Commission is funded through tourism revenues and contributions from the City.
6. The Regional Narcotics Task Force was established to fund the investigation of illegal narcotics sales in the region. The task force is funded by grant monies and contributions from the cities and counties located within the region.

CITY OF MAYSVILLE, KENTUCKY
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Proprietary Funds

Enterprise Funds. Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has the following Enterprise Funds:

1. The Maysville Utility Commission was established to account for the acquisition, operation, and maintenance of the City's water and sewer facilities, which are entirely or predominantly self-supported by user charges.
2. The Public Building Corporation was established to account for the construction and acquisition of public facilities, which is to be supported by lease income.

Internal Service Funds. Internal Service Funds are used to account for business-like activities provided by one governmental department or agency to another. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City does not have any Internal Service Funds.

Fiduciary Funds (Not Included in Government-Wide Statements)

Trust Funds. Trust funds were established to account for assets held by the City in a trustee capacity for individuals, private organizations, and other governmental units. The City has the following Trust Funds:

1. Police and Firemen's Pension Fund was established as a contributory retirement plan covering policemen and firemen hired prior to 1976, who elected not to have their retirement covered by the Commonwealth of Kentucky's County Employees' Retirement System.
2. I.N. Foster Fund was established by a citizen of the City for the purpose of providing clothing for poor children.

Major and Non Major Funds. The funds are further classified as major or non major as follows:

<u>Fund</u>	<u>Fund Type</u>	<u>Major/Non Major</u>
General Fund	Governmental	Major
Parking Lot Operations and Maintenance	Special Revenue	Non Major
Maysville-Mason County Recreation Park	Special Revenue	Non Major
Maysville-Mason County Ambulance Service	Special Revenue	Non Major
Maysville-Mason County Joint Planning Commission	Special Revenue	Non Major
Maysville Tourism Commission	Special Revenue	Non Major
Regional Narcotics Task Force	Special Revenue	Non Major
Maysville Utility Commission	Enterprise	Major
Public Building Corporation	Enterprise	Major

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

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Measurement Focus. In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 2 below.

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

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

Basis of Accounting. In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period (generally 60 days) or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. The proprietary fund has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989 as allowed by GASB No. 20.

Estimates and Assumptions. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 expense during the reporting period. Actual results could differ from those estimates.

CITY OF MAYSVILLE, KENTUCKY
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D. Assets, Liabilities, and Equity

Cash and Investments. For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand and savings accounts of the City. For the purposes of the proprietary fund, Statement of Cash Flows, “cash and cash equivalents” include all demand, savings accounts, and certificate of deposits with an original maturity of three months or less. Investments are carried at fair value, which is based on quoted market price.

Internal Balances. During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “internal balances.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Accounts Receivable. In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, interest earnings, ambulance fees, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible, but not available, are deferred in the fund financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable (\$10,938) are based upon historical trends and the periodic aging of accounts receivable.

Inventory. Inventory is included in the Maysville Utility Commission Fund and is valued using an average cost.

Capital Assets. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at the estimated fair value at the date of donation. Assets with an estimated life of greater than one year are capitalized.

Depreciation of all exhaustible capital assets are recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the asset’s estimated useful life, using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Vehicles and equipment	10 years

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

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The City has not reported its infrastructure assets in the basic financial statements as of June 30, 2002. In accordance with GASB 34, the estimated historical cost of infrastructure assets, including streets, roads, bridges, curbs, gutters, and flood walls is not required to be included until fiscal year 2007.

Some expenditures of the City may be paid with restricted and non-restricted resources. The City has determined that when both resources are available that they will use the restricted resources first.

Restricted Assets. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures. Some expenditures of the City may be paid with restricted and non-restricted resources. The City has determined that when both resources are available that they will use the restricted resources first.

Bond Issuance Costs. Issuance costs on the sale of the water and sewer revenue bonds are amortized on the straight-line method over the life of the bonds. These costs are reported in the proprietary fund and are accounted for the same in the government-wide and fund financial statements.

Long-Term Liabilities. 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 are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds, notes, and leases payable.

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

Compensated Absences. The personnel policies of the City require employees to take their unused vacation leave in the year following the year in which it was earned. As such, no provision for accrued vacation liability has been recorded in the accompanying financial statements.

Equity Classifications. Government-wide financial statements classify equity as net assets and is displayed in three components:

1. ***Invested in capital assets, net of related debt*** consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. ***Restricted net assets*** consists of net assets with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and

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- b. Law through constitutional provisions or enabling legislation.
- 3. **Unrestricted net assets** consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements report governmental fund equity as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in government-wide statements.

E. Revenues, Expenditures, and Expenses

Payroll License Fee. The City levies a payroll tax of 1.95% on all individuals, who work within the City limits. This tax is withheld by an employee's employer and remitted to the City monthly or quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City.

Insurance License Fee. The City levies an insurance license fee of 7% on all insurance sold within the City limits. Insurance companies are required to collect this fee from policy holders and to remit this fee quarterly. The insurance license fee is recorded in the General Fund and is used to pay the general operations of the City.

Occupational License Fee. The City levies an occupational license fee on gross sales of all companies. A flat fee on businesses with specialized sales is assessed depending on the type of business. Companies are required to report and remit this fee annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

Real and Personal Property Taxes. The City levies a tax on all real and personal property within the City in accordance with State laws. All real and personal property was taxed at \$0.163 per \$100 of assessed value for the year ended June 30, 2003. Motor vehicles were taxed at \$0.246 per \$100 of assessed value. These taxes are collected annually and are recorded in the General Fund and are used to pay the general operations of the City.

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

Non Operating Revenues and Expenses. Proprietary funds report all revenue and expenses as operating, except interest income, interest expense, amortization, and loss on disposal of capital assets.

Expenditures/Expenses. In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. All expenses other than insurance have been charged as a direct cost to the program in which it benefits.

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In the fund financial statements, expenditures in the Governmental Funds are reported by character and in the Proprietary Funds by operating and non operating.

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

Interfund Transfers. Permanent re-allocation of resources between funds of the City are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual Governmental Funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. **Insured Deposits.** Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. In addition, trust funds may invest in uninsured corporate securities. At June 30, 2003, the City had \$833,275 in financial institutions, which were not insured or collateralized.

B. **Property Tax Calendar.** Property taxes for fiscal year 2003 were levied on September 13, 2002 on the assessed valuation of property, located in the City as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

Due date for payment of taxes	Upon receipt
2% discount period	By November 30
Face value amount payment dates	December 1 to December 31
Delinquent date, 2% penalty	January 1
10% delinquent date	February 1

C. **Expenditures Exceeding Budget.** Expenditures exceeded budgeted amounts as follows:

Department/Classification	Budget	Actual	Difference
Debt service	\$ 60,000	\$ 63,105	\$ 3,105

The City did not budget expenditures in the Maysville Utility Commission as required by State law.

D. **Notes and Bonds Payable.** The loan agreements relating to the notes and bonds payable issues of the Maysville Utility Commission contain some restrictions or covenants that are financial related. These include covenants, such as debt service coverage requirement and

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required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the City's level of compliance thereon as of June 30, 2003:

2003 Revenue Bond Issue

1. ***Water and Sewer Revenue Fund.*** The gross incomes and revenues of the System are to be deposited into the Revenue Fund and apportioned as follows:
 - a. ***Water and Sewer Revenue Bond Fund.*** This reserve is to be made up of three accounts: (i) Interest Account, (ii) Principal Account (iii) Debt Service Reserve Account, which are irrevocably pledged and will be used and applied for the following purposes. Moneys in the Interest Account will be used solely for the payment of interest coming due on the 2003 bonds and any additional parity bonds. Funds in the Principal Account will be used solely for the purpose of paying the principal of the 2003 bonds and any additional parity bonds when due at maturity or pursuant to any call for redemption. The Debt Service Reserve Account will be held for the benefit of the holders of all of the 2003 bonds and any additional parity bonds and will be used solely for the purpose of paying principal of or interest on the 2003 bonds and any parity bonds as to which there would otherwise be a default.
 - (1) ***Interest Account.*** Monthly deposits of 1/6th of the interest coming due on the 2003 bonds and any parity bonds on the next succeeding interest payment date are to be deposited into the interest account. This fund was properly funded at June 30, 2003.
 - (2) ***Principal Account.*** Monthly deposits, which together with other funds available for such purpose, will be equal to 1/12th of the principal amount of the 2003 bonds and any parity bonds coming due the next payment date are to be deposited into the principal account. This fund was properly funded at June 30, 2003.
 - (3) ***Debt Service Reserve.*** There is established a reserve account which is the lesser of (i) the maximum annual principal and interest requirements for the bonds and any parity bonds, (ii) an amount equal to 10% of the proceeds of the bonds and any parity bonds within the meaning of Section 148(d) of the Internal Revenue Code and (iii) an amount equal to 125% of the average annual debt service on the bonds and any parity bonds. Based on this criteria, the Reserve Account required balance at June 30, 2003 is \$371,000. This fund was properly funded at June 30, 2003.
 - b. ***Water and Sewer Operation and Maintenance Fund.*** Each month there is to be set aside an amount as may be determined, pursuant to an annual budget for the System which shall be adopted annually by the City's Utility Commission, an amount sufficient to pay the reasonable and current expenses of operating, maintaining and insuring the System for the current month and the next ensuing month. This fund was properly funded at June 30, 2003, based on fiscal year 2003 operating expenditures.
 - c. ***Water and Sewer Depreciation Fund.*** After the required monthly deposits into the Bond Fund and the Operation and Maintenance Fund, any balance remaining in the Revenue Fund shall be deposited into the Depreciation Fund. The Depreciation Fund shall be used to provide reasonable reserves for renewals, replacements,

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improvements, extensions, extraordinary major repairs, and contingencies in the operation of the System, provided also that withdrawals may be made from the Depreciation Fund to fund any deficiency in the Bond Fund, including the Debt Service Reserve Account, and any deficiency in the Operation and Maintenance Fund. At June 30, 2003 this fund had a balance of \$99,716.

2. **Kentucky Infrastructure Authority Note Payable.** Under terms of the loan agreement with Kentucky Infrastructure Authority, the City is required to set aside \$100,000 per year into a Replacement Reserve until \$1,000,000 has been reserved. At June 30, 2003 this reserve was properly funded with a balance of \$415,038.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

- A. **Cash and Investments.** The City's policies regarding deposits of cash are discussed in Note II A above. The table presented below is designed to disclose the level of custody credit risk assumed by the City, based upon how its deposits were insured or secured with collateral at June 30, 2003. The categories of credit risk are defined as follows:

- Category 1.** Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2.** Uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3.** Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name, or collateralized with no written or approved collateral agreement.

Type of Deposit	Category			Total Bank Balance	Total Carrying Amount
	1	2	3		
Demand deposits	\$ 365,138	\$ 5,081,758	\$	\$ 5,446,896	\$ 5,351,099
Savings and time deposits	400,000	10,897,544	833,275	12,130,819	12,130,819
	<u>\$ 765,138</u>	<u>\$15,979,302</u>	<u>\$ 833,275</u>	<u>\$17,577,715</u>	<u>\$17,481,918</u>

Reconciliation to Government-Wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$ 15,789,410
Restricted cash, including time deposits	1,513,931
Cash, including time deposits - I.N. Foster Fiduciary Fund	<u>178,577</u>
	<u>\$17,481,918</u>

The City's policies and applicable laws regarding investments are discussed in Note II A above. The table presented below is designed to disclose the level of market risk and custody credit risk

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assumed by the City, based upon whether the investments are insured or registered and upon who holds the security at June 30, 2003. The categories of credit risk are defined as follows:

- Category 1.** Insured or registered, with securities held by the entity or its agent in the entity's name.
- Category 2.** Uninsured and unregistered, with securities held by counter party's trust department or agent in the entity's name.
- Category 3.** Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the City's name.

Type of Investment	Custody Credit Risk Category			Total Market Value	Total Carrying Amount
	1	2	3		
Kentucky League of Cities - Investment Pool	\$	\$	\$ 140,880	\$ 140,880	\$ 140,880
I.N. Foster Fund - stock	785,568			785,568	785,568
Police and Firemen's Pension Fund - various stocks and debt instruments		1,423,762		1,423,762	1,423,762
	<u>\$ 785,568</u>	<u>\$ 1,423,762</u>	<u>\$ 140,880</u>	<u>\$ 2,350,210</u>	<u>\$ 2,350,210</u>

- B. **Restricted Assets.** The amounts reported as restricted assets are comprised of cash and certificates of deposit held by the City, related to their required reserve account. The restricted assets as of June 30, 2003 are as follows:

Type of Restricted Assets	Cash	Certificates of Deposit	Total
Bond and interest reserve	\$ 176,499	\$	\$ 176,499
Operating and maintenance reserve		400,000	400,000
Depreciation reserve	99,716		99,716
Debt service reserve	51,552	371,126	422,678
Replacement reserve		415,038	415,038
	<u>\$ 327,767</u>	<u>\$ 1,186,164</u>	<u>\$ 1,513,931</u>

- C. **Accounts Receivable.** Accounts receivable on the statement of net assets, as of June 30, 2003, consists of the following:

	Governmental Activities	Business-Type Activities	Total
Current			
Accounts:			
User fees	\$ 122,148	\$ 286,314	\$ 408,462
Less allowance for doubtful accounts	(58,790)	(10,938)	(69,728)
	<u>63,358</u>	<u>275,376</u>	<u>338,734</u>

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Taxes and Licenses:			
Payroll license	1,147,473		1,147,473
Insurance license	165,561		165,561
Occupation license	15,952		15,952
Bank shares	4,857		4,857
	<u>1,333,843</u>		<u>1,333,843</u>
Property taxes due from other governments	<u>6,697</u>		<u>6,697</u>
Intergovernmental:			
Mass Transit Grants	11,869		11,869
Renaissance Grants	200,211		200,211
Trails Grant	33,584		33,584
Police Grant	2,888		2,888
FEMA Grant	32,131		32,131
Transportation Grant	18,235		18,235
Mason County Fiscal Court	93,039		93,039
Regional Narcotics Grant	123,577		123,577
	<u>515,534</u>		<u>515,534</u>
Other:			
Chamber of Commerce	32,302		32,302
Miscellaneous	17,944	994	18,938
	<u>50,246</u>	<u>994</u>	<u>51,240</u>
Due from other funds	<u>(257,375)</u>	<u>257,375</u>	
Due from fiduciary funds	<u>125,016</u>		<u>125,016</u>
Total accounts receivable	<u>\$ 1,837,319</u>	<u>\$ 533,745</u>	<u>\$ 2,371,064</u>

D. **Internal Balances.** The following interfund payables and receivables occurred as of June 30, 2003:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Funds:		
General Fund	\$ 208,976	\$ 543,072
Public Building Corporation	257,375	
	<u>466,351</u>	<u>543,072</u>
Non Major Funds:		
Maysville-Mason County Recreation Fund		62,932
Maysville-Mason County Ambulance Fund	116,035	
Maysville-Mason County Joint Planning Commission		11,860
Maysville Tourism Commission	169,662	
Regional Narcotics Task Force		134,184
	<u>285,697</u>	<u>208,976</u>
	<u>\$ 752,048</u>	<u>\$ 752,048</u>

E. **Notes Receivable.** The Maysville-Mason County Industrial Development Authority entered into an agreement with the City of Maysville Public Building Corporation to purchase land on the AA highway. The agreement is for \$541,495 to be paid to the Public Building Corporation over a 15-

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year term, which began in the fiscal year ending June 30, 1990. The payments are to be at variable interest rates equal to the amounts payable by the City under its Kentucky Municipal League Pool Financing Lease Program. The balance of the receivable due from the Maysville-Mason County Industrial Development Authority is \$96,422 at June 30, 2003.

The Maysville-Mason County Industrial Development Authority has also borrowed \$627,484 from the City for park improvements. These funds are to be repaid when the land is resold.

During the year ended June 30, 2002, the Maysville Public Building Corporation loaned the Downtown Maysville Revolving Loan Fund \$100,000. There is no written repayment terms; however, the Maysville Public Building Corporation expects repayment of the loan at no interest prior to June 30, 2004.

- F. **Capital Assets.** The activity related to capital assets for the fiscal year ended June 30, 2003 was as follows:

	Balance July 1, 2002 Restated	Additions	Deletions	Balance June 30, 2003
Governmental Activities:				
Land	\$ 390,830	\$ 12,500	\$	\$ 403,330
Land improvements	201,107			201,107
Buildings	3,253,362	1,009,755		4,263,117
Vehicles and equipment	3,263,338	559,232	26,034	3,796,536
Infrastructure	397,471	1,201,010		1,598,481
Total estimated cost	<u>7,506,108</u>	<u>2,782,497</u>	<u>26,034</u>	<u>10,262,571</u>
Accumulated depreciation:				
Land improvements	201,107			201,107
Buildings	2,174,033	81,322		2,255,355
Vehicles and equipment	2,082,859	277,802	20,884	2,339,777
Infrastructure	9,936	39,963		49,899
Total accumulated depreciation	<u>4,467,935</u>	<u>399,087</u>	<u>20,884</u>	<u>4,846,138</u>
Governmental Activities				
Total capital assets, net	<u>\$ 3,038,173</u>	<u>\$ 2,383,410</u>	<u>\$ 5,150</u>	<u>\$ 5,416,433</u>

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Business-Type Activities:				
Land	\$ 306,292	\$	\$	\$ 306,292
Building	3,777,754	36,865		3,814,619
Water utility plant	9,116,550	34,788		9,151,338
Sewer utility plant	12,106,500		9,998	12,096,502
Construction in progress	43,775		43,775	
Total estimated cost	<u>25,350,871</u>	<u>71,653</u>	<u>53,773</u>	<u>25,368,751</u>
Accumulated depreciation:				
Building	85,605	94,444		180,049
Water utility plant	2,834,953	228,375		3,063,328
Sewer utility plant	731,188	295,142	4,229	1,022,101
Total accumulated depreciation	<u>3,651,746</u>	<u>617,961</u>	<u>4,229</u>	<u>4,265,478</u>
Business-Type Activities				
Total capital assets, net	<u>\$ 21,699,125</u>	<u>\$ (546,308)</u>	<u>\$ 49,544</u>	<u>\$ 21,103,273</u>

Depreciation expense was charged to governmental activities as follows:

General Government:			
Administrative			\$ 134,887
Public Works:			
Streets		\$ 78,136	
Engineering		3,840	
Transit		<u>42,484</u>	124,460
Public Safety:			
Police		36,909	
Fire		55,422	
Ambulance		<u>38,581</u>	130,912
Parks and Recreation			
			<u>8,828</u>
Total Depreciation Expense			<u>\$ 399,087</u>

- G. **Lease Obligation.** The City has entered into agreements to construct buildings and purchase equipment through capital leases. Title to the assets is held by the lessor until such time as the lease has been paid in full. At that time, title is transferred to the City. The lease agreements may be cancelled by the City at the end of any fiscal year upon written notice to the lessor. The following is a schedule of capital assets and outstanding liabilities relating to capital lease agreements at June 30, 2003:

	<u>Fire</u> <u>Station</u>
Asset cost	\$ 437,000
Accumulated depreciation	<u>163,875</u>
Book Value	<u>\$ 273,125</u>
Current portion of lease	\$ 46,863
Long-term portion of lease	<u>49,559</u>
Lease payable	<u>\$ 96,422</u>

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

H. **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, 2003, the governmental long-term debt consisted of the following:

Capital lease payable:

15-year lease for the refinancing and construction of a fire substation and utility extensions along the AA Highway. Interest is based on a variable rate. The lease expires January 15, 2005, at which time the title to the fire substation is transferred to the City. \$ 96,422

Business-Type Activities. As of June 30, 2003, the proprietary fund long-term debt consisted of the following:

Note Payable - The Maysville Utility Commission has obtained financing for the new sewer plant through the Kentucky Infrastructure Authority. The total note was to be \$12,500,000, of which, the City drew down \$11,722,252. The terms of the note require interest to be paid at 1.8%, and the loan is to be amortized over 20 years. Interest payments began in November 1998, and principal payments began on December 1, 2000, one year after the sewer plant began operations. The note is subordinate to the bonds payable of the Maysville Utility Commission. In addition, the City has agreed to raise the user fee rates anytime the fees collected are not sufficient to meet the debt service and required deposit to the replacement reserve account. \$ 10,220,207

Note Payable- The Public Building Corporation obtained financing for the One-Stop Government Center by obtaining two notes from local banks. The notes have an original balance of \$2,000,000 and are payable in monthly installments of \$13,477 through December 1, 2020. The notes bear interest at 5.25%. The banks have obtained a mortgage on property at 209 Government Street, 132 and 134 East Second Street and 208 Casto Street as collateral for the note balances. 1,849,419

Bonds Payable - The Maysville-Utility Commission issued refunding bonds in April 2002 to defease the Series of 1994 bonds, Washington-Lewisburg Water District bonds and the City of Washington Bonds. The 2002 bonds bear interest from 3.0% to 4.65% and are payable through June 30, 2015. Interest is paid semi-annually. The bonds are secured by a pledge of a fixed portion of the gross income and revenues of the System to be set aside in the City's Water and Sewer Revenue Fund. 3,560,000

Total Business-Type Activity debt \$ 15,629,626

Current portion \$ 66,221

Current portion payable from restricted resources 788,896

Non-current portion 14,774,509

Total bonds and notes payable \$ 15,629,626

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

I. **Changes in Long-Term Debt.** The following is a summary of changes in long-term debt for the year ended June 30, 2003:

Type of Debt	Balance July 1, 2002	Proceeds	Payments	Balance June 30, 2003	Amounts Due Within One Year
Governmental Activities:					
Capital lease payable	\$ 154,527	\$	\$ 58,105	\$ 96,422	\$ 49,863
Business-Type Activities:					
Notes payable	\$12,641,878	\$	\$ 572,252	\$12,069,626	\$ 585,117
Bonds payable	3,710,000	\$	150,000	3,560,000	270,000
Total Business-Type Activities	<u>\$16,351,878</u>	<u>\$</u>	<u>\$ 722,252</u>	<u>\$15,629,626</u>	<u>\$ 855,117</u>

J. **Annual Debt Service Requirements.** The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2003 are as follows:

	Year Ending June 30	Principal	Interest	Total
Governmental Activities:				
	2004	\$ 46,863	\$ 2,073	\$ 48,936
	2005	49,559	531	50,090
		<u>\$ 96,422</u>	<u>\$ 2,604</u>	<u>\$ 99,026</u>
Proprietary Activities:				
	2004	\$ 855,117	\$ 432,313	\$ 1,287,430
	2005	868,060	410,227	1,278,287
	2006	861,365	387,749	1,249,114
	2007	895,044	364,201	1,259,245
	2008	914,112	338,780	1,252,892
	2009-2013	4,941,237	1,273,864	6,215,101
	2014-2018	4,545,470	534,762	5,080,232
	2019-2020	1,749,221	61,786	1,811,007
		<u>\$ 15,629,626</u>	<u>\$ 3,803,682</u>	<u>\$ 19,433,308</u>

K. **Conduit Debt.** Revenue Bonds and Industrial Revenue Bonds have been issued through the City to assist various private enterprises in construction of manufacturing plants and educational facilities. These bonds do not constitute an indebtedness or pledge of faith and credit by the City. The balance outstanding at June 30, 2003 for Revenue Bonds and for Industrial Revenue Bonds is not available.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

L. **Interest Expense.** Interest expense has been included in the Statement of Activities in the following functions/programs:

Governmental Activities:	
Administrative	<u>\$ 5,000</u>
Proprietary Activities:	
Water	176,064
Sewer	176,063
Rental	<u>99,928</u>
	<u>452,055</u>
Total interest expense	<u><u>\$ 457,055</u></u>

M. **Net Assets.** Net assets at June 30, 2003 are restricted as follows:

Proprietary Funds:	
Bond and interest fund	\$ 176,499
Operating and maintenance reserve	400,000
Depreciation reserve	99,716
Debt service reserve	422,678
Replacement reserve	<u>415,038</u>
Total net assets, restricted	<u><u>\$ 1,513,931</u></u>

N. **Transfers.** The following operating transfers were made during fiscal year 2003:

	Transfers In	Transfers Out
Major Funds:		
General Fund	<u>\$ 305,575</u>	<u>\$ 110,061</u>
Non Major Funds:		
Maysville-Mason County Recreation Fund	89,648	
Maysville-Mason County Ambulance Service		305,575
Maysville-Mason County Joint Planning Commission	7,913	
Maysville Tourism Commission	5,000	
Regional Narcotics Task Force	<u>7,500</u>	
	<u>110,061</u>	<u>305,575</u>
	<u><u>\$ 415,636</u></u>	<u><u>\$ 415,636</u></u>

The transfers to/from the general fund were made for the following purposes:

1. The Maysville-Mason County Recreation Fund transfer represents the City's share of operating this fund. Under an interlocal agreement with Mason County Fiscal Court (County), the City and County are responsible equally for the net cost of operating this entity.
2. The Ambulance Fund transferred funds to the City because under an agreement with the County, the City is responsible for all costs of operating this entity in excess of the County contribution of \$6,250 per month. Based on this agreement, management determined that the excess funds in this entity could be transferred to the general fund.

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

3. The Maysville-Mason County Joint Planning Commission transfer was made to match the net cost of operating this department.
4. Transfers to the Maysville Tourism Commission and Regional Narcotics Task Force were made to provide operating funds to these organizations.

IV. PRIOR PERIOD ADJUSTMENTS

Fund Balances. Adjustments were made to the beginning of the year fund balances as follows:

General Fund:	
Fund balance as reported June 30, 2002	\$ 15,311,427
Adjustment to record capital asset not previously recorded	110,000
Adjustment to record accumulated depreciation not previously recorded	(302,063)
Adjustment to record payroll licenses earned in FY2002 in accordance with GASB Statement No. 33 on non exchange transactions	<u>370,977</u>
Fund balance as restated, June 30, 2002	<u>\$ 15,490,341</u>

These adjustments resulted from oversights in the fiscal year 2002 conversion to comply with the reporting standards of GASB No. 33 and 34.

V. PENSION PLANS

- A. **County Employees Retirement System.** Full-time employees of the City participate in the Kentucky Retirement System, Statewide County Employees' Retirement System ("System"), a cost sharing multiple-employer public employee retirement system. The payroll for City employees covered by the System for the year ended June 30, 2003 was \$3,585,921. The City's total payroll was \$4,034,009.

Retirement dates and benefits are established by state statute as follows:

1. **Normal Retirement Date.** A member may elect to retire upon: (1) attaining age 65 for non-hazardous positions or attaining age 55 for hazardous positions and (2) having contributed to the System. Upon completion of 27 years of service credit, 15 of which are current service for non-hazardous positions, or completion of 20 years service credit for hazardous positions, a member may elect to retire with an unreduced benefit.
2. **Early Retirement Date.** A member may elect to retire before the normal retirement date at any time after: (1) for non-hazardous positions, attainment of age 55 and completion of 60 months of service credit at least 12 of which are current, or at any age after 25 years of service, or (2) for hazardous positions, attainment of age 50 and completion of 15 years of service credit.
3. **Normal Retirement Benefits.** For non-hazardous positions, upon attainment of age 65 and completion of 48 months of service, of which 12 months are current service, a monthly benefit equal to 2.20% of the member's final monthly compensation multiplied by his service

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

period will be payable. For hazardous positions, a monthly benefit equal to 2.50% of the member's final monthly compensation multiplied by his service period will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months are current service. A member, with less than 48 months for non-hazardous positions or 60 months for hazardous positions, who retires on or after the normal retirement date is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

4. **Early Retirement Benefits.** A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for the full benefit. If a non-hazardous position employee has 27 or more years of service credit, there is no reduction of the benefit.
5. **Other Benefits.** In addition to the normal and early retirement benefits provided by the system, disability, death, and medical insurance benefits are available.

Under the Kentucky Revised Statute Section 61.563(3) covered non-hazardous compensated employees are required by state statute to contribute 5.0% of their creditable compensation to the plan. Members occupying hazardous positions, as defined by statute, contribute at the rate of 8.0% of creditable compensation. Employer contribution rates are required to provide 30 year amortization of the unfunded actuarial accrued liability under the level-percentage-of-payroll method, the employer share of the annual normal cost, medical insurance, and the administrative cost of the system. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. For non-hazardous compensated employees, the contribution rate is 6.34%. For hazardous compensated employees, the rate is 16.28%.

Schedule of Contributions

	<u>Required Employee Contribution</u>	<u>Required Employer Contribution</u>	<u>Required Total Contribution</u>	<u>Percentage of Required Contribution Actually Made</u>
2003	\$ 223,243	\$ 372,959	\$ 596,202	100%
2002	213,437	357,048	570,485	100%
2001	193,753	343,918	537,671	100%

A copy of the County Employees' Retirement System's stand alone financial statements can be obtained from the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or on the Internet at www.kyret.com

- B. **Police and Fire Retirement Fund.** The City contributes to a single employer defined benefit retirement fund, which covers the City's policemen and firemen hired prior to 1976 that elected not to be covered by the Kentucky County Employees Retirement System. In 1976, the City froze admission of new entrants into the plan, and all active members had the option to transfer to the Kentucky County Employees Retirement System. Members who had retired prior to 1976 remained in the Plan and continue to receive monthly benefits. The fund does not issue a stand alone financial report and is not included in another entity's financial report. At June 30, 2003,

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

the fund had twenty members or beneficiaries receiving monthly annuities. The City's payroll for employees covered by the Fund for the year ended June 30, 2003 was \$1,961.

Benefits vest after twenty years of service. Employees can retire anytime after they have completed at least twenty years of service. Employees receive 50% of their final salary plus 2% of final salary per year of service between 20 and 25 years, plus 3% of final salary per year of service between 25 and 30 years. The fund also provides death and disability benefits.

In order to fund the Plan, the City transfers money, based on the results of the most recent actuarial study, from the General Fund to the Police and Fire Retirement Fund. Employees are required to contribute at the same rate as required by Social Security.

The contribution requirements for the current and two prior years ended June 30, were:

	Required Employee Contribution	Required Employer Contribution	Required Contribution Actually Made	Percentage of Required Total Contribution
2003	\$ 150	\$ 46,000	\$ 46,150	100%
2002	4,009	46,000	50,009	100%
2001	3,539	46,000	49,539	100%

The "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the economic status of the fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the method used to determine Fund contributions.

The pension benefit obligation, without future cost-of-living increases at June 30, 2003, the date of the latest actuarial valuation of the Plan was \$2,421,291. Significant actuarial assumptions used in determining the obligation include:

- a. A rate of return on the investment of present and future assets of 8.0% a year, compounded annually,
- b. 100% of active Plan participants are married, and males were assumed to be three years older than their spouse.
- c. Assumptions with regard to turnover, salary increases, retirement age, disability, and pre-retirement death are no longer applicable since the Plan has no active participants.

The market value of the net assets available for benefits at June 30, 2003 was \$1,423,762. The total unfunded pension benefit obligation applicable to the participants of the Fund at June 30, 2003 was approximately \$1,000,000.

The actuarial method of valuation used was the "entry age normal" cost method. Under this method, an annual service cost is established for each employee. This annual service cost is the

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2003

X. SUBSEQUENT EVENT

The notes payable, with an outstanding balance at June 30, 2003 of \$1,849,419, owed by the Public Building Corporation, were paid in full in July 2003.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress - Defined Benefit Retirement Plan
- Budgetary Comparison Schedules:
 - General Fund
 - Special Revenue Funds
- Notes to Required Supplementary Information on Budgetary Accounting and Control

CITY OF MAYSVILLE, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLAN
For the Year Ended June 30, 2003

I. SCHEDULE OF FUNDING PROGRESS

Police and Fire Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2003	\$ 1,423,762	\$ 2,421,291	\$ 997,529	59%	None	None
6/30/2000	2,493,125	2,980,044	486,919	84%	45,610	1050%
2/28/1997	1,547,619	3,062,731	1,515,112	51%	38,820	3900%
3/31/1993	863,998	3,440,519	2,576,251	25%	172,728	1500%

II. SCHEDULE OF EMPLOYER CONTRIBUTIONS

Police and Fire Retirement Fund

Fiscal Year	Annual Required Contributions	Percentage Contributed
2003	\$ 46,000	100%
2002	46,000	100%
2001	46,000	100%
2000	235,000	100%
1999	143,000	100%
1998	143,000	100%
1997	143,000	100%

III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSION PLAN FUNDING PROGRESS

	Police and Fire Retirement Fund
Valuation date	6/30/2003
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	20 years
Actuarial asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	None
Post retirement benefit increases	None

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Licenses and permits	\$ 4,745,000	\$ 4,745,000	\$ 5,650,822	\$ 905,822
Intergovernmental revenue	4,553,600	4,553,600	1,544,325	(3,009,275)
Taxes	1,338,000	1,338,000	1,224,726	(113,274)
Franchise fees	364,000	364,000	376,936	12,936
Fines and permits	22,000	22,000	22,163	163
Other	339,000	339,000	288,744	(50,256)
Charges for services	30,000	30,000	34,726	4,726
Interest	150,000	150,000	161,523	11,523
Total revenues	<u>11,541,600</u>	<u>11,541,600</u>	<u>9,303,965</u>	<u>(2,237,635)</u>
Expenditures:				
General government	2,456,000	2,456,000	1,911,789	544,211
Public works	3,069,200	3,069,200	2,348,812	720,388
Public safety	2,611,000	2,611,000	2,182,597	428,403
Parks and recreation	126,000	126,000	66,167	59,833
Renaissance/Main Street	413,000	413,000	219,769	193,231
Capital	6,546,300	6,546,300	2,623,098	3,923,202
Debt service	60,000	60,000	63,105	(3,105)
Total expenditures	<u>15,281,500</u>	<u>15,281,500</u>	<u>9,415,337</u>	<u>5,866,163</u>
Excess (deficiency) of revenues over expenditures	(3,739,900)	(3,739,900)	(111,372)	3,628,528
Other financing sources (uses):				
Transfers (to) from other funds	(538,100)	(538,100)	149,514	687,614
Excess (deficiency) of revenues over expenditures and transfers	(4,278,000)	(4,278,000)	38,142	4,316,142
Fund balance, beginning of year	11,230,501	11,230,501	11,230,501	
Prior period adjustment	370,977	370,977	370,977	
Fund balance, end of year	<u>\$ 7,323,478</u>	<u>\$ 7,323,478</u>	<u>\$ 11,639,620</u>	<u>\$ 4,316,142</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Licenses and permits:				
Payroll licenses	\$ 4,000,000	\$ 4,000,000	\$ 4,583,628	\$ 583,628
Insurance licenses	500,000	500,000	709,359	209,359
Occupational licenses	230,000	230,000	325,030	95,030
Building permits	15,000	15,000	20,430	5,430
Liquor licenses			12,375	12,375
	<u>4,745,000</u>	<u>4,745,000</u>	<u>5,650,822</u>	<u>905,822</u>
Intergovernmental revenue:				
Mass transportation grants	255,600	255,600	238,807	(16,793)
Municipal housing	28,000	28,000	15,617	(12,383)
Municipal aid program	100,000	100,000	127,913	27,913
Local Government Economic Assistance	75,000	75,000		(75,000)
Firefighters' incentive	72,000	72,000	68,422	(3,578)
Law enforcement incentive	78,000	78,000	100,778	22,778
Community Development Block Grant	200,000	200,000	18,390	(181,610)
Miscellaneous grants	2,860,000	2,860,000	840,041	(2,019,959)
Renaissance grant	885,000	885,000	134,357	(750,643)
	<u>4,553,600</u>	<u>4,553,600</u>	<u>1,544,325</u>	<u>(3,009,275)</u>
Taxes:				
Real and personal property	700,000	700,000	698,235	(1,765)
Payment in lieu of taxes	500,000	500,000	368,407	(131,593)
Bank shares	63,000	63,000	59,659	(3,341)
Tangible property	70,000	70,000	94,137	24,137
Delinquent property	5,000	5,000	3,846	(1,154)
Tobacco			442	442
	<u>1,338,000</u>	<u>1,338,000</u>	<u>1,224,726</u>	<u>(113,274)</u>
Franchise Fees:				
Kentucky Utilities	110,000	110,000	138,741	28,741
Cablevision	45,000	45,000	49,894	4,894
Verizon & Bell South (E-911)	84,000	84,000	90,490	6,490
Franchise	125,000	125,000	97,811	(27,189)
	<u>364,000</u>	<u>364,000</u>	<u>376,936</u>	<u>12,936</u>
Fines and forfeitures:				
Base court revenue	14,000	14,000	13,842	(158)
Parking fines	5,000	5,000	5,089	89
Penalties	3,000	3,000	3,232	232
	<u>22,000</u>	<u>22,000</u>	<u>22,163</u>	<u>163</u>

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF REVENUE - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other:				
Special events	138,000	138,000	139,183	1,183
Off-track betting	50,000	50,000	19,953	(30,047)
Chamber of Commerce	88,000	88,000	85,992	(2,008)
Transit service	20,000	20,000	9,852	(10,148)
Donation	20,000	20,000	5,074	(14,926)
Miscellaneous	16,000	16,000	22,405	6,405
Parking meters	7,000	7,000	6,285	(715)
	<u>339,000</u>	<u>339,000</u>	<u>288,744</u>	<u>(50,256)</u>
Charges for services	<u>30,000</u>	<u>30,000</u>	<u>34,726</u>	<u>4,726</u>
Interest	<u>150,000</u>	<u>150,000</u>	<u>161,523</u>	<u>11,523</u>
Total revenues	<u>\$ 11,541,600</u>	<u>\$ 11,541,600</u>	<u>\$ 9,303,965</u>	<u>\$ (2,237,635)</u>

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General government:				
Legislative services:				
Personnel	\$ 88,000	\$ 88,000	\$ 64,841	\$ 23,159
Contractual	11,000	11,000	11,650	(650)
	<u>99,000</u>	<u>99,000</u>	<u>76,491</u>	<u>22,509</u>
Planning and zoning:				
Personnel	110,000	110,000	95,809	14,191
Contractual	26,000	26,000		26,000
Materials & supplies	21,000	21,000	2,349	18,651
Other	25,000	25,000	10,479	14,521
	<u>182,000</u>	<u>182,000</u>	<u>108,637</u>	<u>73,363</u>
Administrative services:				
Personnel	527,000	527,000	523,338	3,662
Contractual	572,000	572,000	523,627	48,373
Materials & supplies	68,000	68,000	29,641	38,359
Other	926,000	926,000	618,836	307,164
	<u>2,093,000</u>	<u>2,093,000</u>	<u>1,695,442</u>	<u>397,558</u>
Legal services:				
Personnel	37,000	37,000	27,075	9,925
Contractual	45,000	45,000	4,144	40,856
	<u>82,000</u>	<u>82,000</u>	<u>31,219</u>	<u>50,781</u>
Total general government	<u>2,456,000</u>	<u>2,456,000</u>	<u>1,911,789</u>	<u>544,211</u>
Public works:				
Street department:				
Personnel	1,304,000	1,304,000	1,229,807	74,193
Contractual	6,000	6,000	17,614	(11,614)
Materials & supplies	652,000	652,000	431,775	220,225
Other	63,000	63,000	25,417	37,583
	<u>2,025,000</u>	<u>2,025,000</u>	<u>1,704,613</u>	<u>320,387</u>

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Maintenance public property:				
Personnel	30,000	30,000	10,750	19,250
Material & supplies	140,000	140,000	129,322	10,678
Other	160,000	160,000	121,717	38,283
	<u>330,000</u>	<u>330,000</u>	<u>261,789</u>	<u>68,211</u>
Engineering department:				
Personnel	205,000	205,000	158,220	46,780
Contractural	31,000	31,000	11,060	19,940
Materials & supplies	74,000	74,000	11,963	62,037
Other	5,000	5,000	538	4,462
	<u>315,000</u>	<u>315,000</u>	<u>181,781</u>	<u>133,219</u>
Floodwall maintenance:				
Materials & supplies	46,000	46,000	3,150	42,850
Other	25,000	25,000	10,062	14,938
	<u>71,000</u>	<u>71,000</u>	<u>13,212</u>	<u>57,788</u>
City transit:				
Personnel	138,400	138,400	137,581	819
Contractural	21,000	21,000	17,302	3,698
Materials & supplies	58,400	58,400	26,518	31,882
Other	10,400	10,400	6,016	4,384
	<u>228,200</u>	<u>228,200</u>	<u>187,417</u>	<u>40,783</u>
Surplus streets and sewers:				
Materials & supplies	100,000	100,000		100,000
	<u>3,069,200</u>	<u>3,069,200</u>	<u>2,348,812</u>	<u>720,388</u>
Public Safety:				
Fire department:				
Personnel	854,000	854,000	749,790	104,210
Contractural	4,000	4,000	1,791	2,209
Materials & supplies	128,000	128,000	65,773	62,227
Other	71,000	71,000	39,739	31,261
	<u>1,057,000</u>	<u>1,057,000</u>	<u>857,093</u>	<u>199,907</u>

Continued

CITY OF MAYSVILLE, KENTUCKY
STATEMENT OF EXPENDITURES - BUDGETED AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Police department:				
Personnel	1,337,000	1,337,000	1,194,625	142,375
Contractual	7,000	7,000	5,680	1,320
Materials & supplies	135,000	135,000	84,479	50,521
Other	75,000	75,000	40,720	34,280
	<u>1,554,000</u>	<u>1,554,000</u>	<u>1,325,504</u>	<u>228,496</u>
Total public safety	<u>2,611,000</u>	<u>2,611,000</u>	<u>2,182,597</u>	<u>428,403</u>
Parks and Recreation:				
Materials & supplies	20,000	20,000	26,447	(6,447)
Other	106,000	106,000	39,720	66,280
	<u>126,000</u>	<u>126,000</u>	<u>66,167</u>	<u>59,833</u>
Renaissance/Main Street:				
Personnel	41,000	41,000	41,464	(464)
Materials & supplies	5,000	5,000	992	4,008
Other	367,000	367,000	177,313	189,687
	<u>413,000</u>	<u>413,000</u>	<u>219,769</u>	<u>193,231</u>
Capital:				
Administrative Services	2,698,300	2,698,300	588,750	2,109,550
Street Department	168,000	168,000	152,878	15,122
Engineering Department	3,190,000	3,190,000	1,670,363	1,519,637
Fire Department	140,000	140,000	136,584	3,416
Police Department	100,000	100,000	51,059	48,941
Russell Theatre	250,000	250,000	23,464	226,536
	<u>6,546,300</u>	<u>6,546,300</u>	<u>2,623,098</u>	<u>3,923,202</u>
Debt Service:				
Principal & interest	60,000	60,000	63,105	(3,105)
Total expenditures	<u>\$ 15,281,500</u>	<u>\$ 15,281,500</u>	<u>\$ 9,415,337</u>	<u>\$ 5,866,163</u>

CITY OF MAYSVILLE, KENTUCKY
SPECIAL REVENUE FUND TOTALS
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 412,117	\$ 412,117	\$ 386,433	\$ (25,684)
Fees for services	154,000	154,000	343,594	189,594
Taxes	80,000	80,000	102,864	22,864
Golf course	20,000	20,000	15,009	(4,991)
Grants and other	80,483	80,483	37,388	(43,095)
Interest income	2,000	2,000	990	(1,010)
	<u>748,600</u>	<u>748,600</u>	<u>886,278</u>	<u>137,678</u>
Expenditures:				
Recreation park	239,000	239,000	199,052	39,948
Ambulance service	158,000	158,000	112,148	45,852
Joint planning commission	24,000	24,000	12,269	11,731
Tourism commission	127,100	127,100	105,434	21,666
Regional Narcotics Task Force	258,000	258,000	241,375	16,625
	<u>806,100</u>	<u>806,100</u>	<u>670,278</u>	<u>135,822</u>
Excess (deficiency) of revenues over expenditures	(57,500)	(57,500)	216,000	273,500
Transfers (to) from other funds	<u>136,500</u>	<u>136,500</u>	<u>(195,514)</u>	<u>(332,014)</u>
Excess (deficiency) of revenues over expenditures and transfers	79,000	79,000	20,486	(58,514)
Fund balance, beginning of year	<u>377,736</u>	<u>377,736</u>	<u>377,736</u>	
Fund balance, end of year	<u>\$ 456,736</u>	<u>\$ 456,736</u>	<u>\$ 398,222</u>	<u>\$ (58,514)</u>

CITY OF MAYSVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
For the Year Ended June 30, 2003

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with this Statute, the following process is used to adopt the annual budget:

- A. The budget proposal is the responsibility of the Mayor of the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
- B. The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
- C. No budget ordinance shall be adopted which provides for appropriations to exceed revenues in any one fiscal year in violation of Section 157 of the Kentucky Constitution.
- D. The City legislative body may amend the budget ordinance after the ordinances' adoption if the amended ordinance continues to satisfy the requirements of Section 91A.030 of the KRS.
- E. Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

Budgetary Accounting

The annual operating budgets of governmental funds are prepared and presented on the modified accrual basis of accounting.

The City has not adopted a budget ordinance for the Maysville Utility Commission as required by state law.

The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenses and Changes in Fund Balance, Budgetary and Actual are the same.

There were no budget amendments during the year.

Expenditures Exceeding Budget

Expenditures exceeded budgeted amounts as follows:

<u>Department/Classification</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Debt service	\$ 60,000	\$ 63,105	\$ 3,105

OTHER SUPPLEMENTARY INFORMATION

Other Supplementary Information includes financial statements and schedules that are not required by the GASB, and are not considered a part of the basic financial statements, but are presented for additional analysis.

Such statements and schedules include:

- Combining Statements - Non Major Governmental Funds
- Combining Statements - Enterprise Funds
- Federal Grant Disclosures

NON-MAJOR GOVERNMENTAL FUNDS

CITY OF MAYSVILLE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003

	Maysville- Mason Co. Recreation Park	Parking Lot Operations and Maintenance Fund	Maysville- Mason Co. Ambulance Service	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Regional Narcotics Task Force	Total
Cash	\$	\$ 56,992	\$	\$ 10,656	\$	\$ 118,079	\$ 185,727
Accounts receivable:							
Due from other funds			116,035		169,662		285,697
Intergovernmental	89,648			3,391		123,577	216,616
Other (net of ambulance service allowance for doubtful accounts of \$239,848)		100	63,358				63,458
Total Assets	\$ 89,648	\$ 57,092	\$ 179,393	\$ 14,047	\$ 169,662	\$ 241,656	\$ 751,498
LIABILITIES AND FUND BALANCE							
Accounts payable	\$ 25,245						\$ 25,245
Due to other funds	62,932		11,583	11,860		134,184	208,976
Deferred revenue						107,472	119,055
Total Liabilities	88,177		11,583	11,860		241,656	353,276
Fund Balance, unreserved	1,471	57,092	167,810	2,187	169,662		398,222
Total Fund Balance	1,471	57,092	167,810	2,187	169,662		398,222
Total Liabilities and Fund Balance	\$ 89,648	\$ 57,092	\$ 179,393	\$ 14,047	\$ 169,662	\$ 241,656	\$ 751,498

CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003

	Maysville- Mason Co. Recreation Park	Parking Lot Operations and Maintenance Fund	Maysville- Mason Co. Ambulance Service	Maysville- Mason Co. Joint Planning Commission	Maysville Tourism Commission	Regional Narcotics Task Force	Total
Revenues:							
Intergovernmental	\$ 89,648		\$ 75,000	\$ 3,391	\$ 5,087	\$ 213,307	\$ 386,433
Fees for services			342,629	965			343,594
Room tax					102,864		102,864
Golf course	15,009						15,009
Grants and other	4,747	990	94		11,979	20,568	37,388
Interest income							990
Total revenues	109,404	990	417,723	4,356	119,930	233,875	886,278
Expenditures:							
Recreation park	199,052						199,052
Ambulance operation			112,148				112,148
Joint Planning commission				12,269			12,269
Tourism commission					105,434		105,434
Regional Narcotics Task Force						241,375	241,375
Total expenditures	199,052		112,148	12,269	105,434	241,375	670,278
Excess (deficiency) of revenues over expenditures	(89,648)	990	305,575	(7,913)	14,496	(7,500)	216,000
Transfers (to) from other funds	89,648		(305,575)	7,913	5,000	7,500	(195,514)
Excess (deficiency) of revenues over expenditures and transfers		990			19,496		20,486
Fund balance, beginning of year	1,471	56,102	167,810	2,187	150,166		377,736
Fund balance, end of year	\$ 1,471	\$ 57,092	\$ 167,810	\$ 2,187	\$ 169,662	\$	\$ 398,222

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COUNTY RECREATION PARK
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$ 100,000	\$ 89,648	\$ (10,352)
Golf course	20,000	15,009	(4,991)
Miscellaneous	19,000	4,747	(14,253)
	<u>139,000</u>	<u>109,404</u>	<u>(29,596)</u>
Expenditures:			
Parks & Recreation:			
Personnel	114,000	91,622	22,378
Contractual	38,000	43,154	(5,154)
Material and supplies	77,000	56,119	20,881
Other	10,000	8,157	1,843
	<u>239,000</u>	<u>199,052</u>	<u>39,948</u>
Excess (deficiency) of revenues over expenditures	(100,000)	(89,648)	10,352
Transfers (to) from other funds	<u>100,000</u>	<u>89,648</u>	<u>(10,352)</u>
Excess (deficiency) of revenues over expenditures and transfers			
Fund balance, beginning of year	<u>1,471</u>	<u>1,471</u>	
Fund balance, end of year	<u>\$ 1,471</u>	<u>\$ 1,471</u>	<u>\$</u>

CITY OF MAYSVILLE, KENTUCKY
PARKING LOT OPERATIONS AND MAINTENANCE FUND
DETAIL SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Interest income	\$ 2,000	\$ 990	\$ (1,010)
Fund balance, beginning of year	56,102	56,102	
Fund balance, end of year	\$ 58,102	\$ 57,092	\$ (1,010)

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COUNTY AMBULANCE SERVICE
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Fees for service	\$ 150,000	\$ 342,629	\$ 192,629
Intergovernmental	75,000	75,000	
Miscellaneous		94	94
	225,000	417,723	192,723
Expenditures:			
Ambulance:			
Personnel	94,000	47,802	46,198
Contractual	25,000	30,253	(5,253)
Material and supplies	39,000	34,093	4,907
	158,000	112,148	45,852
Excess (deficiency) of revenues over expenditures	67,000	305,575	238,575
Transfers (to) from other funds	10,000	(305,575)	(315,575)
Excess (deficiency) of revenues over expenditures and transfers	77,000		(77,000)
Fund balance, beginning of year	167,810	167,810	
Fund balance, end of year	\$ 244,810	\$ 167,810	\$ (77,000)

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE-MASON COUNTY JOINT PLANNING COMMISSION
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$ 6,000	\$ 3,391	\$ (2,609)
Fees for service	<u>4,000</u>	<u>965</u>	<u>(3,035)</u>
	<u>10,000</u>	<u>4,356</u>	<u>(5,644)</u>
Expenditures:			
Planning Commission:			
Contractual	14,000	9,210	4,790
Material and supplies	<u>10,000</u>	<u>3,059</u>	<u>6,941</u>
	<u>24,000</u>	<u>12,269</u>	<u>11,731</u>
Excess (deficiency) of revenues over expenditures	(14,000)	(7,913)	6,087
Transfers (to) from other funds	<u>14,000</u>	<u>7,913</u>	<u>(6,087)</u>
Excess (deficiency) of revenues over expenditures and transfers			
Fund balance, beginning of year	<u>2,187</u>	<u>2,187</u>	
Fund balance, end of year	<u>\$ 2,187</u>	<u>\$ 2,187</u>	<u>\$</u>

CITY OF MAYSVILLE, KENTUCKY
MAYSVILLE TOURISM COMMISSION
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Room tax	\$ 80,000	\$ 102,864	\$ 22,864
Intergovernmental	5,000	5,087	87
Miscellaneous	37,100	11,979	(25,121)
	<u>122,100</u>	<u>119,930</u>	<u>(2,170)</u>
Expenditures:			
Tourism Commission:			
Personnel	40,300	41,694	(1,394)
Contractual	30,700	35,316	(4,616)
Material and supplies	2,100	2,741	(641)
Other	54,000	25,683	28,317
	<u>127,100</u>	<u>105,434</u>	<u>21,666</u>
Excess (deficiency) of revenues over expenditures	(5,000)	14,496	19,496
Transfers (to) from other funds	<u>5,000</u>	<u>5,000</u>	
Excess (deficiency) of revenues over expenditures and transfers		19,496	19,496
Fund balance, beginning of year	<u>150,166</u>	<u>150,166</u>	
Fund balance, end of year	<u>\$ 150,166</u>	<u>\$ 169,662</u>	<u>\$ 19,496</u>

CITY OF MAYSVILLE, KENTUCKY
REGIONAL NARCOTICS TASK FORCE
DETAIL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$ 226,117	\$ 213,307	\$ (12,810)
Other	24,383	20,568	(3,815)
	<u>250,500</u>	<u>233,875</u>	<u>(16,625)</u>
Expenditures:			
Regional Narcotics Task Force:			
Personnel	190,000	182,776	7,224
Contractual	12,000	11,272	728
Material and supplies	10,000	14,102	(4,102)
Other	46,000	33,225	12,775
	<u>258,000</u>	<u>241,375</u>	<u>16,625</u>
Excess (deficiency) of revenues over expenditures	(7,500)	(7,500)	
Transfers (to) from other funds	<u>7,500</u>	<u>7,500</u>	
Excess (deficiency) of revenues over expenditures and transfers			
Fund balance, beginning of year	<u> </u>	<u> </u>	<u> </u>
Fund balance, end of year	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

ENTERPRISE FUNDS

CITY OF MAYSVILLE, KENTUCKY
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
 June 30, 2003

	Maysville Utility Commission	Public Building Corporation	Total		Maysville Utility Commission	Public Building Corporation	Total
ASSETS				LIABILITIES AND FUND EQUITY			
Current assets:				Current liabilities:			
Cash	\$ 527,561	\$ 804,962	\$ 1,332,523	Accounts payable	\$ 101,882	\$	\$ 101,882
Certificates of deposit	2,691,263		2,691,263	Customer deposits	47,941		47,941
Accounts receivable (net of allowance for doubtful accounts of \$10,938)	272,583	2,793	275,376	Accrued liabilities	22,659	66,221	66,221
Accrued interest receivable		994	994	Notes payable		66,221	66,221
Notes receivable		46,863	46,863				
Due from other funds		257,375	257,375	Liabilities payable from restricted assets:			
Materials and supplies inventory	66,236		66,236	Accrued interest payable	28,621		28,621
	3,557,643	1,112,987	4,670,630	Unredeemed bonds and interest	73,565		73,565
Restricted assets:				Current portion of bonds and notes payable	788,896		788,896
Cash	327,767		327,767				
Certificates of deposit	1,186,164		1,186,164	Noncurrent liabilities:			
	1,513,931		1,513,931	Bonds payable	3,290,000		3,290,000
Capital assets:				Notes payable	9,701,311	1,783,198	11,484,509
Land		306,292	306,292		12,991,311	1,783,198	14,774,509
Buildings		3,777,754	3,777,754	Total liabilities	14,054,875	1,849,419	15,904,294
Water utility plant in service	9,153,415		9,153,415	Fund equity:			
Sewer utility plant in service	12,131,290		12,131,290	Retained earnings:			
	21,284,705	4,084,046	25,368,751	Restricted:			
Less accumulated depreciation	4,085,429	180,049	4,265,478	Bond and interest reserve	176,499		176,499
Capital assets, net	17,199,276	3,903,997	21,103,273	Operating and maintenance reserve	400,000		400,000
Other long term assets:				Depreciation reserve	99,716		99,716
Bond issuance costs	130,701		130,701	Debt service reserve	422,678		422,678
Notes receivable		149,559	149,559	Replacement reserve	415,038		415,038
	130,701	149,559	280,260	Unrestricted	6,832,745	3,317,124	10,149,869
	\$ 22,401,551	\$ 5,166,543	\$ 27,568,094	Total fund equity	8,346,676	3,317,124	11,663,800
					\$ 22,401,551	\$ 5,166,543	\$ 27,568,094

CITY OF MAYSVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES AND EXPENSES
ENTERPRISE FUNDS
For the Year Ended June 30, 2003

	<u>Maysville Utility Commission</u>	<u>Public Building Corporation</u>	<u>Total</u>
Revenues:			
Water sales	\$ 1,481,708	\$	\$ 1,481,708
Water surcharge	51,342		51,342
Sewer charges	1,580,620		1,580,620
Lease income		234,834	234,834
Other operating revenues	163,970		163,970
	<u>3,277,640</u>	<u>234,834</u>	<u>3,512,474</u>
Expenses:			
Water operations	1,182,293		1,182,293
Sewer operations	762,743		762,743
Leasing operations		346	346
	<u>1,945,036</u>	<u>346</u>	<u>1,945,382</u>
Operating income before depreciation	<u>1,332,604</u>	<u>234,488</u>	<u>1,567,092</u>
Depreciation expense:			
Water system	228,375		228,375
Sewer system	295,142		295,142
Public Building Corporation		94,444	94,444
	<u>523,517</u>	<u>94,444</u>	<u>617,961</u>
Operating income	<u>809,087</u>	<u>140,044</u>	<u>949,131</u>
Nonoperating revenues (expenses):			
Interest income	73,713	16,527	90,240
Interest expense	(352,127)	(99,928)	(452,055)
Amortization	(11,449)		(11,449)
Nonoperating revenues (expenses)	<u>(289,863)</u>	<u>(83,401)</u>	<u>(373,264)</u>
Net income (loss)	519,224	56,643	575,867
Net assets, beginning of year	<u>7,827,452</u>	<u>3,260,481</u>	<u>11,087,933</u>
Net assets, end of year	<u>\$ 8,346,676</u>	<u>\$ 3,317,124</u>	<u>\$ 11,663,800</u>

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF UTILITY OPERATING EXPENSES
MAYSVILLE UTILITY COMMISSION
For the Year Ended June 30, 2003

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pumping Expense:			
Personnel	\$	\$ 9,344	\$ 9,344
Power	142,165	130,864	273,029
Maintenance	27,635	64,532	92,167
	<u>169,800</u>	<u>204,740</u>	<u>374,540</u>
Treatment Expense:			
Personnel	121,494	79,954	201,448
Chemicals and Supplies	96,523	25,792	122,315
Maintenance	40,294	28,211	68,505
	<u>258,311</u>	<u>133,957</u>	<u>392,268</u>
Transmission Expense:			
Personnel	126,671	85,524	212,195
Supplies	2,632	2,284	4,916
Maintenance	271,343	31,707	303,050
	<u>400,646</u>	<u>119,515</u>	<u>520,161</u>
Customer Accounts Expense:			
Personnel	85,959	52,278	138,237
Supplies and Other	8,181	8,205	16,386
Uncollectible Accounts	5,708	5,012	10,720
	<u>99,848</u>	<u>65,495</u>	<u>165,343</u>
Administrative & General Expense:			
Personnel	26,510	26,510	53,020
Fringe Benefits	105,811	97,362	203,173
Insurance	28,037	28,037	56,074
Transportation	18,569	17,245	35,814
Other Expenses	74,761	69,882	144,643
	<u>253,688</u>	<u>239,036</u>	<u>492,724</u>
Total operating expenses	<u>\$ 1,182,293</u>	<u>\$ 762,743</u>	<u>\$ 1,945,036</u>

FEDERAL GRANT DISCLOSURES

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003

<u>Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Balance July 1, 2002</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2003</u>
A. U.S. Department of Transportation:						
Passed Through Commonwealth of KY:						
UMTA - capital	20.507	KY-03-0037	\$	\$ (129,998)	\$ 133,358	\$ 3,360
UMTA - operating	20.509	MASS 1819715	5,856	(85,966)	88,779	8,669
Recreational Trails Program	20.219	M-00287895			33,584	33,584
ISTEA	20.205	C-99123675	107,599	(107,599)		
ISTEA	20.205	C-01025258	19,178	(78,328)	87,336	28,186
ISTEA	20.205	C-02123240			7,200	7,200
			<u>132,633</u>	<u>(401,891)</u>	<u>350,257</u>	<u>80,999</u>
B. U. S. Department of Justice:						
Passed Through Commonwealth of KY:						
Regional Narcotics Task Force	16.579	6485-N2-14/02			123,577	123,577
Regional Narcotics Task Force	16.579	6345-N2-12/01	80,500	(131,088)	50,588	
Traffic Safety Program	16.710	IN3-03-14			2,888	2,888
Local Law Enforcement Block Grant	16.592	LLEB-437-02	(7,089)		7,089	
Local Law Enforcement Block Grant	16.592	LLEB-437-02		(5,500)	2,304	(3,196)
			<u>73,411</u>	<u>(136,588)</u>	<u>186,446</u>	<u>123,269</u>
C. U.S. Department of HUD:						
Passed Through Commonwealth of KY:						
Community Development Block Grant	14.228	99-099	91,918	(110,308)	18,390	
D. Federal Emergency Management Agency:						
Direct:						
Fire Operations and Safety	83.554	EMW-2002-FG		(16,200)	16,200	
Passed Through Commonwealth of KY:						
Disaster Assistance	83.516	1454-DR		(6,234)	33,933	27,699
				(22,434)	50,133	27,699
			<u>\$ 297,962</u>	<u>\$ (671,221)</u>	<u>\$ 605,226</u>	<u>\$ 231,967</u>

CITY OF MAYSVILLE, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003

- A. **Oversight Agency.** In accordance with the Single Audit Act of 1984, revised in June 1997 (*Circular A-133*), the United States Department of Transportation is the Oversight Agency for the City of Maysville, Kentucky. The Single Audit Act provides that the Oversight Agency shall have the following responsibilities:
1. Provide technical audit advice to auditees and auditors.
 2. Consider auditee requests for extensions to the report submission due date.
 3. Obtain or conduct quality control reviews of selected audits made by nonfederal auditors and provide the results, when appropriate, to other interested organizations.
 4. Promptly inform other affected Federal agencies and appropriate Federal law enforcement officials of any direct reporting by the auditee or its auditor of irregularities or illegal acts as required by GAGAS or laws and regulations.
 5. Advise the auditor and, where appropriate, the auditee of any deficiencies found in the audits when the deficiencies require corrective action by the auditor. When advised of deficiencies, the auditee shall work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency for audit shall notify the auditor, the auditee, and applicable Federal awarding agencies and pass-through entities of the facts and make recommendations for follow-up action. Major inadequacies or repetitive substandard performance by auditors shall be referred to appropriate State licensing agencies and professional bodies for disciplinary action.
 6. Coordinate, to the extent practicable, audits or reviews made by or for Federal agencies that are in addition to the audits made pursuant to Circular A-133; so that the additional audits or reviews build upon such audits.
 7. Coordinate a management decision for audit findings that affect the Federal programs of more than one agency.
 8. Coordinate the audit work and reporting responsibilities among auditors to achieve the most cost-effective audit.
- B. **Indirect Cost.** The City does not have an indirect cost pool or cost allocation plan, and there have been no indirect charges to the grant programs.
- C. **Subrecipients.** The City did not have any subrecipients for the year ended June 30, 2003.

MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY"SM

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable David Cartmell, Mayor
City Commissioners and City Manager
City of Maysville, Kentucky

We have audited the financial statements of the City of Maysville, Kentucky as of and for the year ended June 30, 2003, and have issued our report thereon dated November 7, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Maysville, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-1. We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Maysville, Kentucky, in a separate letter dated November 7, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Maysville, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Maysville, Kentucky in a separate letter dated November 7, 2003.

This report is intended solely for the information and use of the Mayor, City Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky

November 7, 2003

MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable David Cartmell, Mayor
City Commissioners and City Manager
City of Maysville, Kentucky

Compliance

We have audited the compliance of the City of Maysville, Kentucky with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The City of Maysville, Kentucky's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Maysville, Kentucky's management. Our responsibility is to express an opinion on the City of Maysville, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Maysville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Maysville, Kentucky's compliance with those requirements.

In our opinion, the City of Maysville, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City of Maysville, Kentucky is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Maysville, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky

November 7, 2003

CITY OF MAYSVILLE, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2003

Corrective action was not taken on the finding in the June 30, 2002 audit. Please see the Schedule of Findings and Questioned Costs for the year ended June 30, 2003.

CITY OF MAYSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2003

I. SUMMARY OF AUDITORS' RESULTS

- A. Type of report issued on the financial statements: **Unqualified.**
- B. There was material noncompliance with laws, regulations, contracts, and grants, which was reported.
- C. Type of report issued on compliance for major programs: **Unqualified.**
- D. There were no audit findings, which were required to be reported under section 510(a) of the OMB Circular A-133.
- E. The City of Maysville, Kentucky operated two major programs during the year ended June 30, 2003. They were the UMTA-Capital Program (CFDA 20.507) and the UMTA-Operating Program (CFDA 20.509).
- F. Type A programs were all programs with expenditures exceeding \$300,000.
- G. The City of Maysville, Kentucky qualified as a low-risk auditee under section 530 of the OMB Circular A-133.

I. FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Finding 2003-1 The City has not adopted a budget ordinance for the Maysville Utility Commission.

Criteria. KRS 91A.030 requires that each City operate under an annual budget for any governmental or proprietary fund, which it maintains.

Cause. Management did not become aware of this budget requirement until the latter part of fiscal year 2003.

Effect. The City is in violation of State law regarding passing a budget for the Maysville Utility Commission.

Recommendation. Annually, a budget ordinance should be adopted regarding the expenditures of the Maysville Utility Commission.

Status. The City has adopted a budget ordinance for the Maysville Utility Commission for fiscal year 2004.

II. FINDINGS AND QUESTIONED COST RELATED TO FEDERAL AWARDS

None

CITY OF MAYSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

VIII. LANDFILL

On June 3, 1996, Mason County Fiscal Court, on behalf of the Maysville-Mason County Landfill ("the Landfill"), entered into a lease finance agreement for a landfill site. The lease will amortize \$1,500,000 of principal plus interest at 5.67% through June of 2011. Management believes the anticipated revenue from the landfill will be sufficient to retire the debt. However, the City and County governments are co-guarantors of the debt, and therefore, have a contingent liability. No provision has been included in the basic financial statements for the contingent liability related to the Landfill project.

IX. ABANDONED SEWER PLANT

During fiscal year 2002, the Maysville Utility Commission commenced operations of a new sewer plant and abandoned the operations of the old sewer plant. The book value of the property and equipment for the old sewer plant, excluding the recorded value of the land totaling \$2,563,522 has been charged as a special item and included in non-operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets for fiscal year 2002.

X. ECONOMIC DEPENDENCY

General Government Revenue. The City collected \$2,206,949 (53%) of its payroll license fees and 26% of the total revenues of the General Fund from ten employers within the City limits.

Maysville Utility Commission Revenue. The billings to five customers totaled \$551,033, which represented 17% of the Commission's operating revenues.

EXHIBIT N