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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CITY OF AUGUSTA- ALLEGED)	
FAILURE TO COMPLY WITH KRS)	CASE NO.
278.495 AND 49 C.F.R. PARTS 191 AND 192)	2019-00188

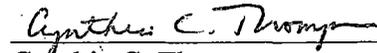
RESPONSE TO COMMISSION'S REQUEST FOR INFORMATION

Comes now the City of Augusta, and hereby responds to the Commission's request for information:

1. Request: Provide copies of Augusta's audited financial statements, prepared pursuant to KRS 91A.040, for fiscal years 2016, 2017 and 2018.
Response: Copies attached.
2. Request: If available, provide a copy of Augusta's financial statement for fiscal year 2019.
Response: Such document is not available to produce.
3. Request: Provide copies of Augusta's annual Uniform Financial Report, prepared pursuant to KRS 65.905, for fiscal years 2016, 2017, and 2018.
Response: Copies attached.
4. Request: Provide a copy of Augusta's current manual of written procedures for conducting operations and maintenance activities on its gas distribution system. Provide a copy of Augusta's current manual of written procedures to minimize the hazard from a gas pipeline emergency.
Response: Copies attached.

Wherefore, the City of Augusta respectfully submits this Written Response and attached documentation as directed by the Commission's July 23rd, 2019 Order.

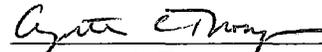
Respectfully Submitted,



Cynthia C. Thompson
Legal Counsel, City of Augusta
202 E. Riverside Drive
Augusta, Kentucky 41002
ccthompsonatty@yahoo.com
Tel.: (606) 756-2663

CERTIFICATE OF SERVICE

This is to certify that on this the 13th of August, 2019, an original and six copies were mailed to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602-0615.



Cynthia C. Thompson
Legal Counsel, City of Augusta

AFFIDAVIT

The undersigned, Gretchen Usleaman, being duly sworn, deposes and says that she is the City Clerk of the City of Augusta, and that the response is true and accurate to the best of my knowledge, information, and belief, formed after a reasonable inquiry.

Gretchen Usleaman
Gretchen Usleaman, Affiant

NOTARY CERTIFICATE

COMMONWEALTH OF KENTUCKY

COUNTY OF BRACKEN

Subscribed, acknowledged and sworn to before me, by Gretchen Usleaman, this 13th day of August, 2019.

My Commission Expires: 3-10-23
Angie K. Schreiber
NOTARY PUBLIC

CITY OF AUGUSTA, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

DONNA J. HENDRIX, CPA, PSC
Certified Public Accountant
550 West First Street
PO Box 449
Morehead, Kentucky 40351
(606) 784-4451

CITY OF AUGUSTA, KENTUCKY

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CITY OF AUGUSTA, KENTUCKY

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DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

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FLEMINGSBURG, KY 41041
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550 W. FIRST ST., PO BOX 449
MOREHEAD, KY 40351
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(606) 784-8224 (FAX)

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters*Required Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of the City of Augusta, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Augusta, Kentucky's internal control over financial reporting and compliance.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

February 15, 2017

**CITY OF AUGUSTA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2016**

As management of the City of Augusta, Kentucky "the City", we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

- The City ended the 2016-year with net assets (both City and Utilities) of \$2,905,000. The principal part of net assets is comprised of the City's investment in fixed assets.
- The City received a Rural Development Grant for \$17,000 to assist with the purchase of a new Police Cruiser.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the City include general administration, police, sanitation, streets and recreation services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The only proprietary funds are our utility operations, all other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,904,000 as of June 30, 2016.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, utility line systems, vehicles, furniture and computer equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2016

Comparative data for 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Current Assets	\$1,174,000	\$1,284,000
Noncurrent Assets	<u>3,980,000</u>	<u>4,193,000</u>
Total Assets	5,154,000	5,477,000
Current Liabilities	1,081,000	915,000
Noncurrent Liabilities	<u>1,168,000</u>	<u>1,205,000</u>
Total Liabilities	2,249,000	2,120,000
Net Assets		
Investment in capital assets (net of debt)	3,402,000	3,448,000
Restricted	45,000	43,000
Unreserved Fund Balance	<u>(542,000)</u>	<u>(134,000)</u>
Total Net Assets	\$2,905,000	\$ 3,357,000

Comments on Budget Comparisons

- The City's total revenues for the fiscal year ended June 30, 2016, net of interfund transfers were \$2,516,000.
- General fund budget compared to actual revenue varied from line to line with the ending actual revenues being \$99,000 less than budget. The main contributing factor for the variance was the sanitation fee revenue actual was less than budgeted.
- General fund budget expenditures to actual varied \$11,000 less than budget.

The following table presents a summary of governmental fund revenues and expense for the fiscal year ended June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Revenues:		
Local revenue sources	\$1,000,000	\$ 1,163,000
Federal and State revenue sources	17,000	0
Other Sources	<u>0</u>	<u>0</u>
Total revenues	\$1,017,000	\$1,163,000
Expenses:		
General government	268,000	350,000
Police	210,000	167,000
Fire	36,000	21,000
Streets	24,000	61,000
Sanitation	369,000	353,000
Recreation, pool and park	107,000	104,000
Tourism	54,000	76,000
Debt Service	10,000	10,000
Capital Outlay	<u>27,000</u>	<u>20,000</u>
Total expenses	\$ 1,105,000	\$1,163,000
Revenue in Excess of Expense	\$ (88,000)	\$ 749

General Fund Revenue

The majority of revenue was derived from local sources. Revenues from sanitation services were \$391,000.

General Fund Expenses

Salaries comprise of \$ 346,000 of total expenses, or 31% of total expense.

Utility Operations

The net results for divisions of Utility operations (net of grants for construction) were:

Water	\$(106,000)
Gas	\$ (32,000)
Sewer	\$(49,000)
Water Treatment	\$ (132,000)

Budgetary Implications

The City adopted a budget for 2017 in which anticipated revenue equaled expenditures. The City has a cash balance of \$10,000 for the beginning of the next fiscal year. The utility had a cash balance of \$99,000 for the beginning of the 2017 fiscal year. The City does not anticipate any significant action, which would impact the budget.

Questions regarding this report should be directed to the Mayor Mary Zeigler or to her **REPRESENTATIVE**, City Clerk Gretchen Usleaman, or by mail at:

City of Augusta
219 Main Street
Augusta, Kentucky 41002

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	10,188	98,930	109,118
Accounts Receivable:			
Accounts	41,389	91,756	133,145
Loans	-		-
Deposits	-		-
Due from other funds	23,000	886,839	909,839
Restricted Cash	21,517		21,517
Total Current Assets	96,095	1,077,524	1,173,619
Noncurrent Assets			
Bond Issue Costs		-	-
Nondepreciated capital assets:			
Land	2,000		2,000
Depreciated capital assets:			
Buildings and improvements	2,669,830		2,669,830
Equipment	512,739		512,739
Utility Systems		6,178,244	6,178,244
Less: Accumulated depreciation	(1,789,584)	(3,593,026)	(5,382,610)
Net Capital Assets	1,394,985	2,585,218	3,980,203
Total Noncurrent Assets	1,394,985	2,585,218	3,980,203
TOTAL ASSETS	1,491,080	3,662,742	5,153,822
LIABILITIES			
Current Liabilities			
Accounts payable	68,215	16,729	84,943
Accrued Liabilities	16,405	9,122	25,526
Accrued interest payable		328	328
Customer Deposits		19,780	19,780
Due to Other Funds	461,842	447,997	909,839
Current portion of Bonds and Notes Payable	1,580	39,067	40,647
Total Current Liabilities	548,041	533,022	1,081,063
Noncurrent Liabilities			
Bonds payable		1,167,769	1,167,769
Notes Payable	-	-	-
Total Noncurrent Liabilities	-	1,167,769	1,167,769
TOTAL LIABILITIES	548,041	1,700,792	2,248,833
NET POSITION			
Invested in capital assets, net of related debt	1,393,405	2,008,797	3,402,202
Restricted for:			
Capital projects		-	-
Other purposes	44,742		44,742
Unrestricted	(495,108)	(46,846)	(541,954)
TOTAL NET ASSETS	943,038	1,961,949	2,904,985
TOTAL LIABILITIES AND NET ASSETS	1,491,080	3,662,742	5,153,820

See independent auditor's report and accompanying notes to financial statements.

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

FUNCTIONS/PROGRAMS	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General Government	230,679	112,892		16,948	(100,839)	-	\$ (100,839)
Police	210,478	56			(210,422)		\$ (210,422)
Fire	35,791				(35,791)		(35,791)
Streets	23,513				(23,513)		(23,513)
Sanitation	366,945	409,883			40,937		40,937
Recreation, Pool and Parks	107,321				(107,321)		(107,321)
Tourism	54,111				(54,111)		(54,111)
Depreciation	119,602				(119,602)		(119,602)
TOTAL GOVERNMENTAL ACTIVITIES	1,150,440	522,831	-	16,948	(610,661)	-	(610,661)
BUSINESS-TYPE ACTIVITIES:							
Utilities	1,406,429	1,087,493	-		-	(318,935)	(318,935)
TOTAL BUSINESS-TYPE ACTIVITIES	1,406,429	1,087,493	-			(318,935)	(318,935)
TOTAL CITY	2,556,869	1,610,324	-	16,948	(610,661)	(318,935)	(929,596)
General Revenues							
Taxes					369,294		369,294
Federal and State Grants					29,476		29,476
Local and Other Revenues					78,756		78,756
Investment Earnings							-
Total General Revenues					477,527	-	477,527
Change in Net Assets							
Net Assets July 1, 2015					(133,134)	(318,935)	(452,069)
					1,076,174	2,280,883	3,357,057
Net Assets June 30, 2016					943,038	\$ 1,961,949	\$ 2,904,985

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	9,963	225	10,188
Accounts Receivable:			-
Customers, Net	41,389		41,389
Other		-	-
Loans		-	-
Due From Other Funds		23,000	23,000
Deposits	-		-
Restricted Assets			-
Cash	21,517		21,517
Fixed Assets			-
Construction in Progress			-
Accumulated Depreciation			-
TOTAL ASSETS	<u>72,870</u>	<u>23,225</u>	<u>96,096</u>
LIABILITIES AND NET ASSETS			
Accounts Payable	68,215	-	68,215
Accrued Liabilities	16,405		16,405
Accrued Interest Payable			-
Due to Other Funds	461,842		461,842
Notes Payable			-
TOTAL LIABILITIES	<u>546,461</u>	<u>-</u>	<u>546,461</u>
Fund Balance:			
Restricted	21,517	23,225	44,742
Unassigned	(495,109)		(495,108)
TOTAL FUND BALANCES	<u>(473,590)</u>	<u>23,225</u>	<u>(450,367)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>72,870</u>	<u>23,225</u>	<u>96,095</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS

June 30, 2016

Total fund balance per fund financial statements	\$ (450,367)
Changes required for presentation of Net Assets in conformity with GASB34:	
Capital assets are not reported in the fund financial statements because they are not current financial resources; however they are reported in the Statement of Net Assets.	
Total Cost	3,184,570
Accumulated Depreciation	<u>(1,789,584)</u>
	1,394,985
Certain liabilities (such as bond payable, capital leases, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statements because they are not currently due and payable, but they are presented in the Statement of Net Assets.	
	<u>(1,580)</u>
Net assets for government activities	<u>\$ 943,038</u>

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

	<u>General Fund</u>	<u>Special Revenue (CDBG) Funds</u>	<u>TOTALS (Memorandum Only)</u>
REVENUES:			
Taxes	369,294		369,294
Licenses and Permits	112,892		112,892
Fines and Forfeits	56		56
Intergovernmental Revenue	43,694		43,694
Charges for Services	409,883		409,883
Kentucky Grant	16,948		16,948
Miscellaneous	64,539	-	64,539
	<hr/>		<hr/>
TOTAL REVENUES	1,017,306	-	1,017,306
EXPENDITURES:			
Current:			
General Government	267,842	-	267,842
Police	210,478		210,478
Fire	35,791		35,791
Streets	23,513		23,513
Sanitation	368,945		368,945
Recreation, Pool and Parks	107,321		107,321
Tourism	54,111		54,111
Capital Outlay	27,192	-	27,192
Debt Service	9,813		9,813
	<hr/>		<hr/>
TOTAL EXPENDITURES	1,105,005	-	1,105,005
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(87,699)	-	(87,699)
OTHER FINANCING SOURCES (USES):			
Federal Grant	-		-
CDBG Fund	-		-
Memorial Gift - Library	-		-
Transfer to Library	-		-
Transfers - Net (Utility Funds)	-		-
	<hr/>		<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(87,699)	-	(87,699)
FUND BALANCE JULY 1, 2015	(385,891)	23,226	(362,665)
	<hr/>		<hr/>
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2016	<u>\$ (473,590)</u>	<u>\$ 23,226</u>	<u>\$ (450,366)</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

June 30, 2016

Net change in total fund balances per fund financial statements \$ (87,699)

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

Capital outlays are reported as expenditures in the fund financial statements
because they use current financial resources, but they are presented as
assets in the Statement of Net Assets and depreciated over their
estimated economic lives. The difference is the amount by which
capital outlays exceeds depreciation expense for the year.

Total current capital outlays	55,983
Depreciation for the year	<u>(119,602)</u>
	(63,620)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the Statement of Net Assets.	<u>18,185</u>
--	---------------

Change in net assets of governmental activities per Statement of Activities \$ (133,134)

**CITY OF AUGUSTA, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	333,003	369,294	36,292
Licenses and Permits	162,169	112,892	(49,277)
Fines and Forfeits	400	56	(344)
Intergovernmental Revenue	41,800	43,694	1,894
Charges for Services	489,448	409,883	(79,565)
Kentucky Grant-Clopay	-	16,948	16,948
Miscellaneous	89,108	64,539	(24,570)
TOTAL REVENUES	1,115,928	1,017,306	(98,622)
EXPENDITURES:			
Current:			
General Government	352,427	267,842	84,585
Police	183,588	210,478	(26,890)
Fire	28,401	35,791	(7,390)
Recreation and Park	87,477	107,321	(19,844)
Streets	25,230	23,513	1,718
Sanitation	331,000	368,945	(37,945)
Tourism	55,307	54,111	1,197
Capital Outlay	43,000	27,192	15,808
Debt Service	9,497	9,813	(316)
TOTAL EXPENDITURES	1,115,928	1,105,005	10,923
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	(87,699)	(87,699)
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(87,699)	(87,699)
FUND BALANCE JULY 1, 2015	21,277	(385,891)	407,168
Prior Period Adjustment		-	-
FUND BALANCE JUNE 30, 2016	21,277	(473,590)	494,867

**CITY OF AUGUSTA, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 SPECIAL REVENUE (CDBG) FUND**

FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes			-
Licenses and Permits			-
Fines and Forfeits			-
Intergovernmental Revenue			
Charges for Service			-
Miscellaneous	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Current			-
General Government	-	-	-
Police			-
Fire			-
Recreation			-
Streets			-
Sanitation			-
Tourism			-
Capital Outlay			-
Debt Service			-
TOTAL EXPENDITURES	-	-	-
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	-	-
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-
FUND BALANCE JULY 1, 2015	37,292	23,226	(14,066)
FUND BALANCE JUNE 30, 2016	\$ 37,292	\$ 23,226	\$ (14,066)

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016**

	<u>Business- type Activities</u>
ASSETS AND RESOURCES	
Current assets:	
Cash and cash equivalents	\$ 98,930
Accounts Receivable	91,756
Restricted cash and Investment	
Due from other funds	<u>886,839</u>
Total Current assets	<u>1,077,524</u>
Noncurrent assets:	
Bond Issue Costs	-
Nondepreciated capital assets:	
Land	
Depreciated capital assets:	
Building and improvements	6,178,244
Equipment	
Less accumulated depreciation	<u>(3,593,026)</u>
Net Capital Assets	<u>2,585,218</u>
Total noncurrent assets	<u>2,585,218</u>
TOTAL ASSETS	<u>\$ 3,662,742</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 16,729
Accrued Liabilities	9,122
Accrued Interest Payable	328
Customer Deposits	19,780
Due to Other Funds	447,997
Current Portion of Bonds and Notes Payable	<u>39,067</u>
Total Current Liabilities	<u>533,022</u>
NONCURRENT LIABILITIES	
Bonds Payable	1,167,769
Notes Payable	-
Total Noncurrent Liabilities	<u>1,167,769</u>
TOTAL LIABILITIES	1,700,792
NET ASSETS:	
Contributed Capital	2,008,797
Restricted for:	
Capital Projects	-
Unassigned	<u>(46,846)</u>
TOTAL NET ASSETS	<u>1,961,949</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,662,742</u>

**CITY OF AUGUSTA, KENTUCKY
 COMBINES STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES	
Charges for Services	\$ 705,703
Charges for Sales to Water District	<u>355,542</u>
TOTAL OPERATING REVENUES	1,061,246
OPERATING EXPENSES	
Salaries and wages	410,375
Gas Purchases	126,449
Water Treatment Expense in Excess of Revenue	390
Chemicals and Testing	65,135
Utilities and Telephone	151,063
Professional Fees	84,694
Insurance	149,856
Repair and Supplies	166,253
Transportation	15,781
Office Expense and Other	19,362
Amortization	-
Depreciation	<u>166,768</u>
TOTAL OPERATING EXPENSES	<u>1,356,124</u>
OPERATING INCOME (LOSS)	(294,879)
NON-OPERATING REVENUES (Expenses)	
Other Income	26,248
Interest Income	-
Interest Expense	<u>(50,305)</u>
Net Loss Before Capital Contributions and Transfers	(318,936)
Capital Contributions	-
Transfers - Charges to General Fund	<u>-</u>
NET INCOME (LOSS)	(318,935)
TOTAL NET ASSETS - JULY 1, 2015	<u>2,280,884</u>
Prior Period Adjustments	-
KIA Sinking Fund Reserve	<u>-</u>
TOTAL NET ASSETS - JUNE 30, 2016	<u><u>\$ 1,961,949</u></u>

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

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Services	1,061,246
Other Income	26,248
Cash payments to employees for services	(410,375)
Cash payments for contract services	-
Cash payments to suppliers for goods and services	(725,752)
Cash payments for other operating expenses	-
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(48,634)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to General Fund	34,434
	<hr/>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Loan Proceeds	12,200
Principal Paid	(41,336)
Interest Paid	(50,305)
Fixed Assets Acquired	(17,514)
	<hr/>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(96,955)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	-
	<hr/>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS \$ (111,155)

CASH AND CASH EQUIVALENTS JULY 1, 2015 210,082

CASH AND CASH EQUIVALENTS JUNE 30, 2016 \$ 98,931

Reconciliation of operating income to net cash used for

operating activities	
Operating income	(294,879)
other income	26,248
Transfers	-
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	166,768
State Grants	-
Changes in assets and liabilities:	
Receivables	37,138
Inventories	
Accrued liabilities	16,091
	<hr/>

Net Cash used for operating activities (48,634)

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Of Augusta, Kentucky (“City”), conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting Entity

The City of Augusta, Kentucky’s financial statements include the operations of all entities for which the City Council exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities included in the financial statements are the general operations of the City of Augusta with no component units.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Augusta. The financial statements presented herein do not include funds of groups and organizations, which although associated with the City, have not originated within the City Council itself such as Knoedler Memorial Library or Sternwheel Regatta, etc.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City Council or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

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

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Council. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue (Grant) Funds account for the Community Development Block Grant received in 1984 and proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs.

II. Proprietary Fund Types

- A. Water Fund – A proprietary fund used to account for the water and sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges
- B. Gas Fund – A proprietary fund used to account for the gas services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- C. Sewer Fund – A proprietary fund used to account for the sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- D. Water Treatment Plant Fund – A proprietary fund used to account for the water treatment plant operations, sale of water to Bracken County Water, and receipt of water by the City of Augusta.

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

II. (Continued)

Basis of Accounting

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2016, to finance the General Fund operations were \$.305 per \$100 valuation for real property, \$.4503 per \$100 valuation for business personal property and \$.185 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2014 fiscal year was based, was \$33,070,970

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars (\$1000) with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

Basis of Accounting – Continued

Capital Assets – Continued

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Utility System	40 years
Vehicles	5-10 years
Furniture and fixtures	7 years
Other	10 years

Interfund Balances

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

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the City Council at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the City, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

Fund Balance Reserves

Fund Financial Statements:

Fund Balance Designation

Beginning with fiscal year 2011, the District implemented GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The classifications are the following listed from the highest level of strength : Nonspendable, Restricted, Committed, Assigned, and Unassigned.

1. For *committed fund* balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
2. For *assigned* fund balance: (1) the body of official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given.
3. For the classification of fund balances:
 - (a) Whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and
 - (b) Whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Positions

Net position represents the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily charges for utility usage.

Contributions of Capital

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

Interfund Activity

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City's total cash and cash equivalents was \$244,558. Of the total cash balance, federal depository insurance and pledged assets covered the balance throughout the year. All cash and equivalents were covered at 6/30/16.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

Cash and cash equivalents at June 30, 2016 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$ 232,266	\$ 118,342
Certificates of Deposit	<u>12,292</u>	<u>12,292</u>
	<u>\$ 244,558</u>	<u>\$ 130,634</u>

Breakdown per financial statements:

Governmental funds	\$ 31,704
Proprietary funds	<u>98,931</u>
	<u>\$130,634</u>

CITY OF AUGUSTA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2016

NOTE D - CAPITAL ASSETS

Capital asset for the fiscal year ended June 30, 2016 was as follows:

Governmental Activities	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Land	2,000			2,000
Park, pool and shelter	375,602	-		375,602
Buildings and improvements	1,021,223	24,026		1,045,249
Streets	457,939	-		457,939
Lighting and dock	805,381			805,381
Vehicles	152,873	24,465		177,338
Other equipment	313,570	7,491		321,061
Total at historical cost	3,128,588	55,983	-	3,184,570
Less accumulated depreciation:				
Park, pool and shelter	244,519	7,094		251,613
Building and improvements	254,018	30,807		284,825
Streets	276,579	30,243		306,822
Lighting and dock	458,042	39,153		497,195
Vehicles	130,626	9,358		139,984
Other Equipment	306,199	2,948		309,147
Total accumulated depreciation	1,669,982	119,602	-	1,789,584
Governmental Activities Capital Assets-Net	1,458,605	(63,620)	-	1,394,985
<u>Business - Type Activities</u>				
Land	9,714			9,714
Water Utility	4,183,726	2,064		4,185,790
Gas Utility	808,236	3,250		811,486
Sewer Utility	1,168,128	12,200		1,180,328
Totals at historical cost	6,169,804	17,514	-	6,187,319
Less accumulated depreciation:				
Water Utility	2,008,798	113,696		2,122,494
Gas Utility	679,232	18,669		697,901
Sewer Utility	738,225	34,403		772,628
Total accumulated depreciation	3,426,257	166,768	-	3,593,025
Business - Type Activities Capital Assets - Net	2,743,547	(149,254)	-	2,594,294

Depreciation expense is not allocated to governmental functions in the fund financial statements. Depreciation is recorded in the statement of activities as "unallocated" expense.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE E – RESERVES

The City of Augusta is required to comply with the bond agreements of all bond issues as follows:

A. Sinking Fund

On or before the 20th day of each month the City is required to set aside an amount into a special account known as the “City of Augusta Water System Bond and Interest Sinking Fund”. The amount to be so set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

1. A sum of one-sixth of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
2. A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding December 1.

The required balance of the reserve at June 30, 2016 was \$25,115. The City has set aside \$68 into the restricted account. There was \$88,553 in deposits that was made to the sinking fund for the year. As required in (1) or (2) above, the monthly funding should be \$25,115. The account is underfunded by \$25,047.

B. Depreciation Fund

The City is required to deposit \$785 each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project.

When the balance in the Depreciation Fund reaches \$88,200 the monthly payments may be reduced to \$50 until the fully funded level of \$91,800. When the balance reaches \$91,800, the monthly payments may be discontinued or by the order of the City Council, may be diverted into the Sinking Fund Account to be held as part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance up to \$91,800. The Depreciation Reserve requirement at June 30, 2016 was \$40,035. The City had set aside \$7,831 at June 30, 2016 into a restricted account. The account is underfunded by \$32,004.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE F. LONG-TERM DEBT

Long-Term Debt of the City consists of Revenue Bonds payable from the Proprietary Funds and Notes Payable by the Governmental and Proprietary Funds. A detail of Long-Term Debt at June 30, 2016 is as follows.

A. Revenue Bonds – Proprietary Funds

Sewer Utility Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water Utility Fund:			
1995 Series A, due to USDA Rural Development at interest rate of 4.5% Per annum with final payment Due in 2036	857,000	447,197	1,304,197
1995 Series B, due to USDA Rural Development at interest rate of 4.875% Per annum with final payment due in 2036	254,200	144,554	398,754
2004 Series, due USDA Rural Development at interest rate of 4.50% per annum with final payment due in 2044	<u>87,400</u>	<u>68,242</u>	<u>155,642</u>
	<u>\$1,198,600</u>	<u>\$ 659,993</u>	<u>\$1,858,593</u>

The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2015, are as follows:

<u>YEAR ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<u>JUNE 30</u>			
2017	35,100	54,123	89,223
2018	36,600	52,483	89,083
2019	38,500	50,762	89,262
2020	40,500	48,955	89,455
2021	42,600	47,055	89,655
2022-2026	247,800	203,150	450,950
2027-2031	316,600	138,904	455,504
2032-2036	408,000	58,393	466,393
2037-2041	22,500	5,466	27,966
2042-2044	<u>10,400</u>	<u>702</u>	<u>11,102</u>
TOTAL	<u>\$1,198,600</u>	<u>\$ 659,993</u>	<u>\$1,858,593</u>

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

B. Notes Payable

Governmental Fund

Police Cruiser

The City entered into a capital lease agreement for a Police Cruiser with payments of \$791.35 monthly for 36 months, plus a final payment equal to all unpaid principal and accrued interest on August 1, 2016.

The maturities of Notes Payable at June 30, 2016 were as follows:

2017	<u>1,580</u>	<u>3</u>
	<u>\$ 1,580</u>	<u>\$ 3</u>

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2016

NOTE G. CDBG GRANT AND LOANS RECEIVABLE

The City received a Community Development Block Grant in 1984 for \$217,500. The amount was loaned to local businesses, to be repaid at 5% over 7-12 years. All repayments are to be recirculated through loans to the community for economic development. There are no outstanding loans as of June 30, 2016.

NOTE H. INSURANCE AND RELATED ACTIVITIES

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

NOTE I. PENDING LITIGATION

The City is not aware of any pending or threatened litigation as of the date of the audit report.

SUPPLEMENTARY INFORMATION

**CITY OF AUGUSTA, KENTUCKY
COMBINING BALANCE SHEET
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2016**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
ASSETS					
Cash and cash equivalents	\$ 36,929	\$ 21,062	\$ (5,472)	\$ 46,410	\$ 98,930
Account Receivable					-
Customers - Net	34,460		8,701	16,353	59,513
Other		32,243			32,243
Due from other funds	-		886,839	-	886,839
Restricted Assets					-
Cash					-
Investments					-
Fixed Assets	362,339	3,823,451	812,124	1,180,329	6,178,244
Accumulated Depreciation	(334,702)	(1,787,793)	(697,902)	(772,629)	(3,593,026)
Construction In Progress	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
TOTAL ASSETS	\$ 99,026	\$ 2,088,964	\$ 1,004,290	\$ 470,462	\$ 3,662,742
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 2,737	\$ 6,382	\$ 2,381	\$ 5,229	\$ 16,729
Accrued Liabilities	2,095	2,139	3,491	1,397	9,122
Accrued Interest Payable		328			328
Customer Deposits	10,180		9,600	-	19,780
Due to Other Funds	253,341	69,228		125,428	447,997
Notes Payable			-	8,236	8,236
Payable from Restricted Assets					-
Revenue Bonds Payable		1,198,600			1,198,600
Total Liabilities	268,353	1,276,677	15,472	140,290	1,700,792
NET ASSETS					
Reserves				-	-
Contributed Capital	70,000	1,440,428		498,369	2,008,797
Unassigned	(239,327)	(628,141)	988,818	(168,196)	(46,846)
Total Net Assets	(169,327)	812,287	988,818	330,174	1,961,949
TOTAL LIABILITIES AND NET ASSETS	\$ 99,026	\$ 2,088,964	\$ 1,004,290	\$ 470,462	\$ 3,662,742

**CITY OF AUGUSTA, KENTUCKY
COMBINES STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
OPERATING REVENUES					
Charges for services	\$ 208,170		\$ 359,660	\$ 137,873	\$ 705,703
Charges to Bracken Water District		355,542			355,542
Charges to Augusta Water Fund		145,616			145,616
Total Revenues	<u>208,170</u>	<u>501,158</u>	<u>359,660</u>	<u>137,873</u>	<u>1,206,861</u>
OPERATING EXPENSES					
Salaries and Wages	61,784	190,529	116,554	41,509	410,375
Gas Purchases			126,449		126,449
Water Treatment	146,005				146,005
Chemicals, Testing and Study		58,404	6,730		65,135
Utilities and Telephone	20,906	71,743	2,354	56,060	151,063
Professional Fees	6,257	54,228	7,131	17,078	84,694
Insurance	26,782	37,848	63,499	21,726	149,856
Repair and Supplies	35,946	59,644	31,745	38,917	166,253
Transportation	3,541	1,692	5,494	5,053	15,781
Office Expense and Other	6,384	638	7,676	4,664	19,362
Amorization				-	-
Depreciation	4,992	108,704	18,669	34,403	166,768
Total Operating Expenses	<u>312,597</u>	<u>583,430</u>	<u>386,301</u>	<u>219,411</u>	<u>1,501,740</u>
OPERATING INCOME (LOSS)	<u>(104,427)</u>	<u>(82,272)</u>	<u>(26,641)</u>	<u>(81,538)</u>	<u>(294,879)</u>
NON-OPERATING REVENUES (EXPENSES)					
Other Income	(1,354)	-	(5,569)	33,171	26,248
Franchise Charges to General Fund	-	-	-	-	-
Interest Income	-	-	-	1	-
Interest Expense	-	(49,990)	-	(315)	(50,305)
Net Income (Loss) Before Capital Contributions	<u>(105,781)</u>	<u>(132,263)</u>	<u>(32,211)</u>	<u>(48,681)</u>	<u>(318,935)</u>
Capital Contributions				-	-
NET INCOME (LOSS)	<u>(105,781)</u>	<u>(132,263)</u>	<u>(32,211)</u>	<u>(48,681)</u>	<u>(318,935)</u>
Net Assets (Deficit), July 1, 2015	<u>(63,546)</u>	<u>944,548</u>	<u>1,021,029</u>	<u>378,854</u>	<u>2,280,884</u>
Prior Period Adjustments					-
NET ASSETS (DEFICIT), JUNE 30, 2016	<u>\$ (169,327)</u>	<u>\$ 812,284</u>	<u>\$ 988,818</u>	<u>\$ 330,173</u>	<u>\$ 1,961,949</u>

**CITY OF AUGUSTA, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$(104,427)	\$ (82,272)	\$(26,641)	\$ (81,538)	\$ (294,879)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	4,992	108,704	18,669	34,403	166,768
Other Income	(1,354)	-	(5,569)	33,171	26,248
Transfers	-	-	-	-	-
Grants	-	-	-	-	-
(Increase) Decrease in Assets					
Accounts Receivable	(621)	28,745	(1,635)	10,650	37,138
Restricted Funds	-	-	-	-	-
Increase (Decrease) in Liabilities					
Account Payable	2,734	(1,021)	4,037	8,782	14,531
Other Liabilities	456	-	697	289	1,442
Due to Other Funds	118,741	(16,235)	(107,072)	39,000	34,434
Customer Deposits	(480)	-	600	-	120
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,041	37,921	(116,915)	44,757	(14,198)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest Income	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loan Proceeds	-	-	-	12,200	12,200
Principal Paid	-	(33,100)	-	(8,236)	(41,336)
Interest Paid	-	(49,990)	-	(315)	(50,305)
Fixed Assets Acquired	(2,064)	-	(3,250)	(12,200)	(17,514)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,064)	(83,090)	(3,250)	(8,551)	(96,955)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,977	(45,170)	(120,165)	36,207	(111,153)
CASH AND CASH EQUIVALENTS JULY 1, 2015	18,953	66,232	114,693	10,204	210,082
CASH AND CASH EQUIVALENTS JUNE 30, 2016	\$ 36,929	\$ 21,062	\$ (5,472)	\$ 46,410	\$ 98,931

**CITY OF AUGUSTA, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Positive (Negative)
TAXES			
Property Taxes	\$ 125,000	\$ 147,488	\$ 22,488
Bank Shares Taxes	5,232	5,211	(22)
Motor Vehicle Taxes	20,000	15,101	(4,899)
Recreational Property Taxes	17,770	18,117	346
Payroll Taxes	165,000	183,378	18,378
	<u>333,003</u>	<u>369,294</u>	<u>36,292</u>
LICENSES AND PERMITS			
Occupational Licenses	11,000	9,921	(1,079)
Franchise Fees	56,094	29,057	(27,037)
Insurance Premium License Fees	93,175	72,614	(20,561)
Liquor Licenses	1,900	1,300	(600)
	<u>162,169</u>	<u>112,892</u>	<u>(49,277)</u>
FINES AND FORFEITS			
Arrest Fees	400	56	(344)
	<u>400</u>	<u>56</u>	<u>(344)</u>
INTERGOVERNMENTAL REVENUES			
Base Court Revenue	6,000	4,918	(1,082)
Police Incentive Pay	9,300	9,300	-
Municipal Road Aid	26,500	29,476	2,976
	<u>41,800</u>	<u>43,694</u>	<u>1,894</u>
CHARGES FOR SERVICES			
Sanitation Fees	460,928	391,063	(69,865)
Accident Reports	20	6	(14)
Pool and Marina Income	28,500	18,814	(9,686)
	<u>489,448</u>	<u>409,883</u>	<u>(79,565)</u>
MISCELLANEOUS			
Interest	38	15	(23)
Library Tax	17,770	18,117	346
Tourism	15,600	1,656	(13,944)
Ghostwalk	3,800	-	(3,800)
Riverfest Regatta	7,000	-	(7,000)
Turning Leaves Festival	600	575	(25)
Swingtime	4,600	2,075	(2,525)
Sternwheel Days	-	6,160	6,160
Blueberry Festival	-	-	-
Battle of Augusta	-	-	-
Telecommunications	5,700	5,138	(562)
Community Center	4,000	5,233	1,233
Contribution - Clopay Foundation	10,000	-	(10,000)
Grants - Local, State & Federal	-	16,948	16,948
Ball Park Revenue	10,000	4,104	(5,896)
Borrowed Money	-	-	-
Corridor Management	-	-	-
Restrooms Main Street	-	-	-
Transfer from Gas-Clopay	-	-	-
Miscellaneous	10,000	21,466	11,466
	<u>89,108</u>	<u>81,487</u>	<u>(7,622)</u>
TOTAL REVENUE	<u>\$ 1,115,928</u>	<u>\$ 1,017,306</u>	<u>\$ (98,622)</u>

CITY OF AUGUSTA, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT			
Salaries & Fringe Benefits	\$ 69,713	\$ 74,557	\$ (4,844)
Professional Services	18,152	15,570	2,583
Other Legal Costs	2,500	9,000	(6,500)
Telephone and Utilities	19,600	25,315	(5,715)
Office Supplies	10,900	12,712	(1,812)
Cemeteries	12,460	10,476	1,984
Library	18,509	21,552	(3,043)
Insurance	23,859	20,646	3,213
Training & Travel	2,000	417	1,583
Advertisement and Dues	3,200	2,705	496
Community Center	19,751	13,384	6,366
Reimburse for ?	26,783	-	26,783
Investigation	-	-	-
Credit Card Reimb	90,000	-	90,000
Economic Assistance Clopay	-	-	-
Comprehensive Training	-	-	-
Miscellaneous	35,000	61,510	(26,510)
	<u>352,427</u>	<u>267,842</u>	<u>84,585</u>
POLICE			
Salaries and Fringe Benefits	154,312	176,211	(21,899)
Vehicle Expense	7,500	14,733	(7,233)
Repairs and Maintenance	14,600	14,814	(214)
Telephone	750	2,688	(1,938)
Training and Travel	2,500	1,386	1,114
Insurance	3,926	646	3,280
	<u>183,588</u>	<u>210,478</u>	<u>(26,890)</u>
FIRE DEPARTMENT			
Operations	28,401	35,791	(7,390)
	<u>28,401</u>	<u>35,791</u>	<u>(7,390)</u>
STREETS			
Salaries - Litter Abatement	14,986	9,648	5,338
Electric	-	-	-
Repairs and Maintenance	10,244	13,865	(3,621)
	<u>25,230</u>	<u>23,513</u>	<u>1,718</u>
SANITATION			
Refuse Contract	331,000	368,945	(37,945)
RECREATION AND PARK DEPARTMENTS			
Salaries	25,500	31,046	(5,546)
Utilities	11,757	12,304	(547)
Sternwheel/Ghostwalk/Swingtime/Turning Leaves	15,820	11,081	4,739
Clopay	10,000	4,879	5,021
Operation and Maintenance	24,400	47,911	(23,511)
	<u>87,477</u>	<u>107,321</u>	<u>(19,844)</u>
TOURISM			
Salaries and Fringe Benefits	55,307	54,111	1,197
Corridor Management -ESRI Software	-	-	-
	<u>55,307</u>	<u>54,111</u>	<u>1,197</u>
CAPITAL OUTLAY	43,000	27,192	15,808
DEBT SERVICE	9,497	9,813	(316)
	<u>43,000</u>	<u>27,192</u>	<u>15,808</u>
TOTAL EXPENDITURES	<u>\$ 1,115,928</u>	<u>\$ 1,105,005</u>	<u>\$ 10,923</u>

CITY OF AUGUSTA, KENTUCKY

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CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBIT SERVICE REQUIREMENTS
SERIES A WATER SYSTEM REVENUE BONDS
June 30, 2016

Payable to: Rural Development
 Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2016-2017	4.50%	19,283	18,698	26,000	63,981
2017-2018	4.50%	18,698	18,090	27,000	63,788
2018-2019	4.50%	18,090	17,449	28,500	64,039
2019-2020	4.50%	17,449	16,774	30,000	64,223
2020-2021	4.50%	16,774	16,065	31,500	64,339
2021-2022	4.50%	16,065	15,323	33,000	64,388
2022-2023	4.50%	15,323	14,535	35,000	64,858
2023-2024	4.50%	14,535	13,714	36,500	64,749
2024-2025	4.50%	13,714	12,848	38,500	65,062
2025-2026	4.50%	12,848	11,948	40,000	64,796
2026-2027	4.50%	11,948	10,991	42,500	65,439
2027-2028	4.50%	10,991	10,001	44,000	64,992
2028-2029	4.50%	10,001	8,955	46,500	65,456
2029-2030	4.50%	8,955	7,853	49,000	65,808
2030-2031	4.50%	7,853	6,694	51,500	66,047
2031-2032	4.50%	6,694	5,479	54,000	66,173
2032-2033	4.50%	5,479	4,208	56,500	66,187
2033-2034	4.50%	4,208	2,869	59,500	66,577
2034-2035	4.50%	2,869	1,463	62,500	66,832
2035-2036	4.50%	1,463		65,000	66,463
Totals		<u>233,240</u>	<u>213,957</u>	<u>857,000</u>	<u>1,304,197</u>

CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBIT SERVICE REQUIREMENTS
SERIES B WATER SYSTEM REVENUE BONDS
June 30, 2016

Payable to: Rural Development
 Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2016-2017	4.50%	6,196	6,013	7,500	19,709
2017-2018	4.50%	6,013	5,821	7,900	19,734
2018-2019	4.50%	5,821	5,618	8,300	19,739
2019-2020	4.50%	5,618	5,406	8,700	19,724
2020-2021	4.50%	5,406	5,182	9,200	19,788
2021-2022	4.50%	5,182	4,946	9,700	19,828
2022-2023	4.50%	4,946	4,697	10,200	19,843
2023-2024	4.50%	4,697	4,436	10,700	19,833
2024-2025	4.50%	4,436	4,161	11,300	19,897
2025-2026	4.50%	4,161	3,871	11,900	19,932
2026-2027	4.50%	3,871	3,566	12,500	19,937
2027-2028	4.50%	3,566	3,247	13,100	19,913
2028-2029	4.50%	3,247	2,908	13,900	20,055
2029-2030	4.50%	2,908	2,555	14,500	19,963
2030-2031	4.50%	2,555	2,179	15,400	20,134
2031-2032	4.50%	2,179	1,787	16,100	20,066
2032-2033	4.50%	1,787	1,372	17,000	20,159
2033-2034	4.50%	1,372	936	17,900	20,208
2034-2035	4.50%	936	478	18,800	20,214
2035-2036	4.50%	478		19,600	20,078
Totals		<u>75,375</u>	<u>69,179</u>	<u>254,200</u>	<u>398,754</u>

CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
SERIES 2004 WATER SYSTEM REVENUE BONDS
June 30, 2016

Payable to: Rural Development
 Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2016-2017	4.50%	1,967	1,966	1,600	5,533
2017-2018	4.50%	1,931	1,930	1,700	5,561
2018-2019	4.50%	1,892	1,892	1,700	5,484
2019-2020	4.50%	1,854	1,854	1,800	5,508
2020-2021	4.50%	1,814	1,814	1,900	5,528
2021-2022	4.50%	1,771	1,771	2,000	5,542
2022-2023	4.50%	1,726	1,726	2,100	5,552
2023-2024	4.50%	1,679	1,679	2,200	5,558
2024-2025	4.50%	1,629	1,629	2,300	5,558
2025-2026	4.50%	1,577	1,577	2,400	5,554
2026-2027	4.50%	1,523	1,523	2,500	5,546
2027-2028	4.50%	1,467	1,467	2,600	5,534
2028-2029	4.50%	1,409	1,409	2,700	5,518
2029-2030	4.50%	1,348	1,348	2,900	5,596
2030-2031	4.50%	1,283	1,283	3,000	5,566
2031-2032	4.50%	1,215	1,215	3,100	5,530
2032-2033	4.50%	1,145	1,145	3,300	5,590
2033-2034	4.50%	1,071	1,071	3,400	5,542
2034-2035	4.50%	995	995	3,600	5,590
2035-2036	4.50%	914	914	3,800	5,628
2036-2037	4.50%	828	828	3,900	5,556
2037-2038	4.50%	740	740	4,100	5,580
2038-2039	4.50%	648	648	4,300	5,596
2039-2040	4.50%	551	551	4,500	5,602
2040-2041	4.50%	450	450	4,700	5,600
2041-2042	4.50%	344	344	4,900	5,588
2042-2043	4.50%	234	234	5,200	5,668
2043-2044	4.50%	117	117	5,200	5,434
Totals		<u>34,122</u>	<u>34,120</u>	<u>87,400</u>	<u>155,642</u>

DONNA J. HENDRIX

CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

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

To the Board of Directors
City of Augusta District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards, applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Augusta District, Kentucky's basic financial statements and have issued our report thereon dated February 15, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

February 15, 2017

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

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ACCOUNTANT'S REPORT ON
MANAGEMENT POINTS

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

In planning and performing my audit of the basic financial statements of City of Augusta for the year ended June 30, 2016, I considered the City's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated February 15, 2017, on the financial statements of the City of Augusta.

I will review the status of these comments and suggestions with various City personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Donna J. Hendrix, CPA

DONNA J. HENDRIX, CPA, PSC
Morehead, Kentucky

February 15, 2017

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2016

Status of Prior Year Management Points

2015-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$29,829 and the Sinking fund balance was short by \$23,576.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2016.

Status: Reserve is still underfunded see 2016-1.

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2016

Current year Management Points

2016-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$32,004 and the Sinking fund balance was short by \$25,047.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2017.

2016-2 Credit Card Approvals

Condition: During the test of disbursements it was discovered that the credit card statements are not being approved by a signature on each credit card statement.

Recommendation: The Mayor or a member of the City Council should review and approve each monthly credit card statement with a signature on each statement.

Response: The City will investigate a new procedure concerning the monthly credit card statements.

Status: This is being investigated.

2016-3 Employee Expense Report Approvals

Condition: During the test of disbursements it was discovered that the employee expense reports are not being approved or being signed by the employee.

Recommendation: The employee expense reports should be signed by the employees requesting reimbursement and approved prior to being reimbursed.

Response: The City will investigate a new procedure concerning the employee expense reports.

Status: This is being investigated.

CITY OF AUGUSTA, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

DONNA J. HENDRIX, CPA, PSC
Certified Public Accountant
550 West First Street
PO Box 449
Morehead, Kentucky 40351
(606) 784-4451

CITY OF AUGUSTA, KENTUCKY

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CITY OF AUGUSTA, KENTUCKY

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DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta, Kentucky as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Augusta, Kentucky, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018, on our consideration of the City of Augusta, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Augusta, Kentucky's internal control over financial reporting and compliance.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

January 18, 2018

**CITY OF AUGUSTA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2017**

As management of the City of Augusta, Kentucky "the City", we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

- The City ended the 2017-year with net assets (both City and Utilities) of \$2,903,000. The principal part of net assets is comprised of the City's investment in fixed assets.
- The City refinanced bonds with Kentucky Rural Water Finance Corporation with a loan amount of \$1,150,000.
- The City financed Clopay Well Project in the amount of \$92,500 through BTADD.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the City include general administration, police, sanitation, streets and recreation services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The only proprietary funds are our utility operations, all other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,903,000 as of June 30, 2017.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, utility line systems, vehicles, furniture and computer equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2017

Comparative data for 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Current Assets	\$1,439,000	\$1,174,000
Noncurrent Assets	<u>3,855,000</u>	<u>3,980,000</u>
Total Assets	5,154,000	5,154,000
Current Liabilities	1,106,000	1,081,000
Noncurrent Liabilities	<u>1,285,000</u>	<u>1,168,000</u>
Total Liabilities	2,391,000	2,249,000
Net Assets		
Investment in capital assets (net of debt)	3,346,000	3,402,000
Restricted	64,000	45,000
Unreserved Fund Balance	<u>(508,000)</u>	<u>(542,000)</u>
Total Net Assets	\$2,903,000	\$ 2,905,000

Comments on Budget Comparisons

- The City's total revenues for the fiscal year ended June 30, 2016, net of interfund transfers were \$2,079,000.
- General fund budget compared to actual revenue varied from line to line with the ending actual revenues being \$154,000 less than budget. The main contributing factor for the variance was the sanitation fee revenue actual was less than budgeted.
- General fund budget expenditures to actual varied \$203,000 less than budget.

The following table presents a summary of governmental fund revenues and expense for the fiscal year ended June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Revenues:		
Local revenue sources	\$1,095,000	\$ 1,000,000
Federal and State revenue sources	0	17,000
Other Sources	<u>0</u>	<u>0</u>
Total revenues	\$1,095,000	\$ 1,017,000
Expenses:		
General government	256,000	268,000
Police	151,000	210,000
Fire	26,000	36,000
Streets	126,000	24,000
Sanitation	342,000	369,000
Recreation, pool and park	93,000	107,000
Tourism	47,000	54,000
Debt Service	2,000	10,000
Capital Outlay	<u>4,000</u>	<u>27,000</u>
Total expenses	<u>\$ 1,047,000</u>	<u>\$1,105,000</u>
Revenue in Excess of Expense	\$ 49,000	\$ (88,000)

General Fund Revenue

The majority of revenue was derived from local sources. Revenues from sanitation services were \$407,000.

General Fund Expenses

Salaries comprise of \$ 346,000 of total expenses, or 33% of total expense.

Utility Operations

The net results for divisions of Utility operations (net of grants for construction) were:

Water	\$(46,000)
Gas	\$ 16,000
Sewer	\$ 36,000
Water Treatment	\$ (2,000)

Budgetary Implications

The City adopted a budget for 2018 in which anticipated revenue equaled expenditures. The City has a cash balance of \$60,000 for the beginning of the next fiscal year. The utility had a cash balance of \$289,000 for the beginning of the 2018 fiscal year. The City does not anticipate any significant action, which would impact the budget.

Questions regarding this report should be directed to the Mayor Wendell High or to her **REPRESENTATIVE**, City Clerk Gretchen Usleman, or by mail at:

City of Augusta
219 Main Street
Augusta, Kentucky 41002

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	59,827	288,752	348,579
Accounts Receivable:			
Accounts	36,758	87,414	124,172
Loans	-		-
Deposits	-		-
Due from other funds	23,000	901,976	924,976
Restricted Cash	40,998		40,998
Total Current Assets	160,583	1,278,142	1,438,725
Noncurrent Assets			
Bond Issue Costs			-
Nondepreciated capital assets:			
Land	2,000		2,000
Depreciated capital assets:			
Buildings and improvements	2,716,178		2,716,178
Equipment	520,939		520,939
Utility Systems		6,273,191	6,273,191
Less: Accumulated depreciation	(1,901,706)	(3,755,366)	(5,657,072)
Net Capital Assets	1,337,412	2,517,825	3,855,237
Total Noncurrent Assets	1,337,412	2,517,825	3,855,237
TOTAL ASSETS	1,497,995	3,795,967	5,293,962
LIABILITIES			
Current Liabilities			
Accounts payable	84,907	14,805	99,712
Accrued Liabilities	11,746	9,793	21,539
Accrued interest payable		328	328
Customer Deposits		20,640	20,640
Due to Other Funds	465,314	459,662	924,976
Current portion of Bonds and Notes Payable	-	39,067	39,067
Total Current Liabilities	561,967	544,296	1,106,262
Noncurrent Liabilities			
Bonds payable		1,284,963	1,284,963
Notes Payable	-	-	-
Total Noncurrent Liabilities	-	1,284,963	1,284,963
TOTAL LIABILITIES	561,967	1,829,259	2,391,226
NET POSITION			
Invested in capital assets, net of related debt	1,337,412	2,008,797	3,346,209
Restricted for:			
Capital projects		-	-
Other purposes	64,198		64,198
Unrestricted	(465,581)	(42,088)	(507,669)
TOTAL NET ASSETS	936,028	1,966,707	2,902,733
TOTAL LIABILITIES AND NET ASSETS	1,497,995	3,795,967	5,293,962

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General Government	204,794	115,858	-	-	(88,935)	-	\$ (88,935)
Police	151,280	-	-	-	(151,280)	-	\$ (151,280)
Fire	26,429	-	-	-	(26,429)	-	(26,429)
Streets	125,991	-	-	-	(125,991)	-	(125,991)
Sanitation	342,288	423,161	-	-	80,873	-	80,873
Recreation, Pool and Parks	92,532	-	-	-	(92,532)	-	(92,532)
Tourism	47,212	-	-	-	(47,212)	-	(47,212)
Depreciation	112,121	-	-	-	(112,121)	-	(112,121)
TOTAL GOVERNMENTAL ACTIVITIES	1,102,646	539,019	-	-	(563,627)	-	(563,627)
BUSINESS-TYPE ACTIVITIES:							
Utilities	1,159,991	1,164,692	-	-	-	4,702	4,702
TOTAL BUSINESS-TYPE ACTIVITIES	1,159,991	1,164,692	-	-	-	4,702	4,702
TOTAL CITY	2,262,637	1,703,711	-	-	(563,627)	4,702	(558,925)
General Revenues							
Taxes	-	-	-	-	434,894	-	434,894
Federal and State Grants	-	-	-	-	28,807	-	28,807
Local and Other Revenues	-	-	-	-	92,918	-	92,918
Investment Earnings	-	-	-	-	-	-	-
Total General Revenues	-	-	-	-	556,619	-	556,619
Change in Net Assets	-	-	-	-	(7,008)	4,757	(2,251)
Net Assets July 1, 2016	-	-	-	-	943,038	1,961,949	2,904,987
Net Assets June 30, 2017	-	-	-	-	936,028	\$ 1,966,707	\$ 2,902,733

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	59,627	200	59,827
Accounts Receivable:			-
Customers, Net	36,758		36,758
Other		-	-
Loans		-	-
Due From Other Funds		23,000	23,000
Deposits			-
Restricted Assets			-
Cash	40,998		40,998
Fixed Assets			-
Construction in Progress			
Accumulated Depreciation			
TOTAL ASSETS	137,384	23,200	160,584
LIABILITIES AND NET ASSETS			
Accounts Payable	84,907	-	84,907
Accrued Liabilities	11,746		11,746
Accrued Interest Payable			-
Due to Other Funds	465,314		465,314
Notes Payable			-
TOTAL LIABILITIES	561,967	-	561,967
Fund Balance:			
Restricted	40,998	23,200	64,198
Unassigned	(465,582)		(465,581)
TOTAL FUND BALANCES	(424,581)	23,200	(401,384)
TOTAL LIABILITIES AND FUND BALANCES	137,384	23,200	160,584

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS

June 30, 2017

Total fund balance per fund financial statements \$ (401,384)

Changes required for presentation of
Net Assets in conformity with GASB34:

Capital assets are not reported in the fund financial statements because they are not current financial resources; however they are reported in the Statement of Net Assets.

Total Cost
Accumulated Depreciation

3,239,117
(1,901,706)
1,337,412

Certain liabilities (such as bond payable, capital leases, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statements because they are not currently due and payable, but they are presented in the Statement of Net Assets.

-

Net assets for government activities

\$ 936,028

CITY OF AUGUSTA, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue (CDBG) Funds	TOTALS (Memorandum Only)
REVENUES:			
Taxes	434,894		434,894
Licenses and Permits	115,858		115,858
Fines and Forfeits	-		-
Intergovernmental Revenue	41,780		41,780
Charges for Services	423,161		423,161
Kentucky Grant	-		-
Miscellaneous	79,946	-	79,946
	<hr/>		<hr/>
TOTAL REVENUES	1,095,638	-	1,095,638
EXPENDITURES:			
Current:			
General Government	255,490	25	255,515
Police	151,280		151,280
Fire	26,429		26,429
Streets	125,991		125,991
Sanitation	342,288		342,288
Recreation, Pool and Parks	92,532		92,532
Tourism	47,212		47,212
Capital Outlay	3,748	-	3,748
Debt Service	1,662		1,662
	<hr/>		<hr/>
TOTAL EXPENDITURES	1,046,631	25	1,046,656
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	49,008	(25)	48,983
OTHER FINANCING SOURCES (USES):			
Federal Grant	-		-
CDBG Fund	-		-
Memorial Gift - Library	-		-
Transfer to Library	-		-
Transfers - Net (Utility Funds)	-		-
	<hr/>		<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	49,008	(25)	48,983
FUND BALANCE JULY 1, 2016	(473,590)	23,226	(450,364)
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2017	<u>\$ (424,582)</u>	<u>\$ 23,201</u>	<u>\$ (401,383)</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

June 30, 2017

Net change in total fund balances per fund financial statements \$ 48,983

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

Capital outlays are reported as expenditures in the fund financial statements
because they use current financial resources, but they are presented as
assets in the Statement of Net Assets and depreciated over their
estimated economic lives. The difference is the amount by which
capital outlays exceeds depreciation expense for the year.

Total current capital outlays
Depreciation for the year

54,548
(112,121)
(57,574)

Bond and capital lease payments are recognized as expenditures of current
financial resources in the fund financial statements but are reductions of
liabilities in the Statement of Net Assets.

1,583

Change in net assets of governmental activities per Statement of Activities

\$ (7,008)

CITY OF AUGUSTA, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Taxes	428,003	434,894	6,891
Licenses and Permits	150,679	115,858	(34,821)
Fines and Forfeits	400	-	(400)
Intergovernmental Revenue	41,800	41,780	(20)
Charges for Services	538,448	423,161	(115,287)
Kentucky Grant-Clopay	-	-	-
Miscellaneous	90,108	79,946	(10,162)
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,249,438	1,095,638	(153,799)
EXPENDITURES:			
Current:			
General Government	368,915	255,490	113,426
Police	184,100	151,280	32,821
Fire	31,049	26,429	4,620
Recreation and Park	84,638	92,532	(7,894)
Streets	78,040	125,991	(47,951)
Sanitation	355,000	342,288	12,712
Tourism	50,033	47,212	2,821
Capital Outlay	96,000	3,748	92,252
Debt Service	1,662	1,662	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,249,438	1,046,631	202,807
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	49,008	49,008
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	49,008	49,008
 FUND BALANCE JULY 1, 2016	 <hr/>	 <hr/>	 <hr/>
Prior Period Adjustment			-
 FUND BALANCE JUNE 30, 2017	 <hr/> <hr/>	 <hr/> <hr/>	 <hr/> <hr/>

**CITY OF AUGUSTA, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 SPECIAL REVENUE (CDBG) FUND**

FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes			-
Licenses and Permits			-
Fines and Forfeits			-
Intergovernmental Revenue			-
Charges for Service			-
Miscellaneous	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Current			-
General Government	-	25	25
Police			-
Fire			-
Recreation			-
Streets			-
Sanitation			-
Tourism			-
Capital Outlay			-
Debt Service			-
TOTAL EXPENDITURES	-	25	25
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	(25)	(25)
OTHER FINANCING SOURCES (USES):			
Transfers in (out)- Proprietary Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(25)	(25)
 FUND BALANCE JULY 1, 2016	37,292	23,226	(14,066)
FUND BALANCE JUNE 30, 2017	\$ 37,292	\$ 23,201	\$ (14,091)

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017**

	<u>Business- type Activities</u>
ASSETS AND RESOURCES	
Current assets:	
Cash and cash equivalents	\$ 288,752
Accounts Receivable	87,414
Restricted cash and Investment	
Due from other funds	<u>901,976</u>
Total Current assets	1,278,142
Noncurrent assets:	
Bond Issue Costs	-
Nondepreciated capital assets:	
Land	
Depreciated capital assets:	
Building and improvements	6,273,191
Equipment	
Less accumulated depreciation	<u>(3,755,366)</u>
Net Capital Assets	2,517,825
Total noncurrent assets	2,517,825
TOTAL ASSETS	\$ <u>3,795,967</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 14,805
Accrued Liabilities	9,793
Accrued Interest Payable	328
Customer Deposits	20,640
Due to Other Funds	459,662
Current Portion of Bonds and Notes Payable	<u>39,067</u>
Total Current Liabilities	544,296
NONCURRENT LIABILITIES	
Bonds Payable	1,284,963
Notes Payable	-
Total Noncurrent Liabilities	1,284,963
TOTAL LIABILITIES	1,829,259
NET ASSETS:	
Contributed Capital	2,008,797
Restricted for:	
Capital Projects	
Unassigned	<u>(42,088)</u>
TOTAL NET ASSETS	1,966,708
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,795,967</u>

**CITY OF AUGUSTA, KENTUCKY
 COMBINES STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES	
Charges for Services	\$ 751,869
Charges for Sales to Water District	<u>343,527</u>
TOTAL OPERATING REVENUES	1,095,396
 OPERATING EXPENSES	
Salaries and wages	394,005
Gas Purchases	151,703
Water Treatment Expense in Excess of Revenue	486
Chemicals and Testing	33,543
Utilities and Telephone	155,630
Professional Fees	34,297
Insurance	45,334
Repair and Supplies	92,819
Transportation	19,592
Office Expense and Other	20,276
Amortization	-
Depreciation	162,370
TOTAL OPERATING EXPENSES	<u><u>1,110,055</u></u>
OPERATING INCOME (LOSS)	(14,659)
 NON-OPERATING REVENUES (Expenses)	
Other Income	69,296
Interest Income	-
Interest Expense	<u>(49,935)</u>
Net Loss Before Capital Contributions and Transfers	4,701
Capital Contributions	-
Transfers - Charges to General Fund	<u>-</u>
NET INCOME (LOSS)	4,702
TOTAL NET ASSETS - JULY 1, 2016	<u><u>1,961,949</u></u>
Prior Period Adjustments	-
KIA Sinking Fund Reserve	<u>-</u>
TOTAL NET ASSETS - JUNE 30, 2017	<u><u><u>\$ 1,966,708</u></u></u>

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Services	1,095,396
Other Income	69,296
Cash payments to employees for services	(394,005)
Cash payments for contract services	-
Cash payments to suppliers for goods and services	(528,875)
Cash payments for other operating expenses	-

NET CASH PROVIDED BY OPERATING ACTIVITIES 241,812

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to General Fund	<u>15,527</u>
---------------------------	---------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Loan Proceeds	1,242,500
Principal Paid	(1,163,362)
Interest Paid	(51,708)
Fixed Assets Acquired	(94,947)

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (67,518)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>-</u>
-------------------------	----------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS **\$ 189,821**

CASH AND CASH EQUIVALENTS JULY 1, 2016 98,931

CASH AND CASH EQUIVALENTS JUNE 30, 2017 **\$ 288,756**

Reconciliation of operating income to net cash used for operating activities

Operating income	(14,659)
other income	69,296
Transfers	-
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	162,370
State Grants	-
Changes in assets and liabilities:	
Receivables	4,083
Inventories	-
Accrued liabilities	20,722

Net Cash used for operating activities \$ 241,812

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Of Augusta, Kentucky (“City”), conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting Entity

The City of Augusta, Kentucky’s financial statements include the operations of all entities for which the City Council exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities included in the financial statements are the general operations of the City of Augusta with no component units.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Augusta. The financial statements presented herein do not include funds of groups and organizations, which although associated with the City, have not originated within the City Council itself such as Knoedler Memorial Library or Sternwheel Regatta, etc.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City Council or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

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

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Council. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue (Grant) Funds account for the Community Development Block Grant received in 1984 and proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs.

II. Proprietary Fund Types

- A. Water Fund – A proprietary fund used to account for the water and sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges
- B. Gas Fund – A proprietary fund used to account for the gas services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- C. Sewer Fund – A proprietary fund used to account for the sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- D. Water Treatment Plant Fund – A proprietary fund used to account for the water treatment plant operations, sale of water to Bracken County Water, and receipt of water by the City of Augusta.

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

II. (Continued)

Basis of Accounting

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2017, to finance the General Fund operations were \$.305 per \$100 valuation for real property, \$.4503 per \$100 valuation for business personal property and \$.185 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2016 fiscal year was based, was \$33,089,185

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars (\$1000) with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

Basis of Accounting – Continued

Capital Assets – Continued

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Utility System	40 years
Vehicles	5-10 years
Furniture and fixtures	7 years
Other	10 years

Interfund Balances

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

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the City Council at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the City, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

Fund Balance Reserves

Fund Financial Statements:

Fund Balance Designation

Beginning with fiscal year 2011, the District implemented GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The classifications are the following listed from the highest level of strength : Nonspendable, Restricted, Committed, Assigned, and Unassigned.

1. For *committed fund* balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
2. For *assigned* fund balance: (1) the body of official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given.
3. For the classification of fund balances:
 - (a) Whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and
 - (b) Whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Positions

Net position represents the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting – Continued

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily charges for utility usage.

Contributions of Capital

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

Interfund Activity

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City's total cash and cash equivalents was \$453,203. Of the total cash balance, federal depository insurance and pledged assets covered the balance throughout the year. All cash and equivalents were covered at 6/30/17.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

Cash and cash equivalents at June 30, 2017 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$ 440,911	\$ 377,285
Certificates of Deposit	<u>12,292</u>	<u>12,292</u>
	<u>\$ 453,203</u>	<u>\$ 389,577</u>

Breakdown per financial statements:

Governmental funds	\$ 100,824
Proprietary funds	<u>288,752</u>
	<u>\$ 389,577</u>

CITY OF AUGUSTA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2017

NOTE D - CAPITAL ASSETS

Capital asset for the fiscal year ended June 30, 2017 was as follows:

Governmental Activities	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Land	2,000			2,000
Park, pool and shelter	375,602	-		375,602
Buildings and improvements	1,045,249	-		1,045,249
Streets	457,939	46,348		504,287
Lighting and dock	805,381	8,200		813,581
Vehicles	177,338	-		177,338
Other equipment	321,061	-		321,061
Total at historical cost	<u>3,184,570</u>	<u>54,548</u>	<u>-</u>	<u>3,239,117</u>
Less accumulated depreciation:				
Park, pool and shelter	251,613	7,094		258,707
Building and improvements	284,825	30,435		315,260
Streets	306,822	24,375		331,197
Lighting and dock	497,195	39,563		536,758
Vehicles	139,984	7,823		147,807
Other Equipment	309,147	2,832		311,979
Total accumulated depreciation	<u>1,789,585</u>	<u>112,121</u>	<u>-</u>	<u>1,901,706</u>
Governmental Activities Capital Assets-Net	<u>1,394,984</u>	<u>(57,574)</u>	<u>-</u>	<u>1,337,412</u>
<u>Business - Type Activities</u>				
Land	9,714			9,714
Water Utility	4,185,790	84,479		4,270,269
Gas Utility	811,486	-		811,486
Sewer Utility	1,180,328	10,469		1,190,797
Totals at historical cost	<u>6,187,318</u>	<u>94,947</u>	<u>-</u>	<u>6,282,266</u>
Less accumulated depreciation:				
Water Utility	2,122,494	115,841		2,238,335
Gas Utility	697,901	14,819		712,720
Sewer Utility	772,628	31,680		804,308
Total accumulated depreciation	<u>3,593,025</u>	<u>162,340</u>	<u>-</u>	<u>3,755,365</u>
Business - Type Activities Capital Assets - Net	<u>2,594,294</u>	<u>(67,393)</u>	<u>-</u>	<u>2,526,901</u>

Depreciation expense is not allocated to governmental functions in the fund financial statements. Depreciation is recorded in the statement of activities as "unallocated" expense.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE E – RESERVES

The City of Augusta is required to comply with the bond agreements of all bond issues as follows:

A. Sinking Fund

On or before the 20th day of each month the City is required to set aside an amount into a special account known as the “City of Augusta Water System Bond and Interest Sinking Fund”. The amount to be so set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

1. A sum of one-sixth of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
2. A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding December 1.

The required balance of the reserve at June 30, 2017 was \$30,571. The City has set aside \$68 into the restricted account. There was \$79,706 in deposits that was made to the sinking fund for the year. As required in (1) or (2) above, the monthly funding should be \$30,503. The account is underfunded by \$30,503.

B. Depreciation Fund

The City is required to deposit \$785 each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project.

When the balance in the Depreciation Fund reaches \$88,200 the monthly payments may be reduced to \$50 until the fully funded level of \$91,800. When the balance reaches \$91,800, the monthly payments may be discontinued or by the order of the City Council, may be diverted into the Sinking Fund Account to be held as part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance up to \$91,800. The Depreciation Reserve requirement at June 30, 2017 was \$40,820. The City had set aside \$7,771 at June 30, 2017 into a restricted account. The account is underfunded by \$33,049.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE F. LONG-TERM DEBT

Long-Term Debt of the City consists of Revenue Bonds payable from the Proprietary Funds and Notes Payable by the Governmental and Proprietary Funds. A detail of Long-Term Debt at June 30, 2017 is as follows.

A. Revenue Bonds – Proprietary Funds

Sewer Utility Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water Utility Fund:			
2016 Series C, due to KRWFC at interest rate of 3.2% Per annum with final payment Due in 2035	1,150,000	381,082	1,531,082
2004 Series, due USDA Rural Development at interest rate of 4.50% per annum with final payment due in 2044	<u>85,800</u>	<u>61,937</u>	<u>147,737</u>
	<u>\$1,235,800</u>	<u>\$ 443,019</u>	<u>\$1,678,819</u>

The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2017, are as follows:

<u>YEAR ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<u>JUNE 30</u>			
2018	46,700	39,222	85,922
2019	51,700	37,625	89,325
2020	51,800	35,949	87,749
2021	51,900	34,519	86,419
2022	52,000	33,333	85,333
2023-2027	296,500	140,154	436,654
2028-2032	339,300	88,690	427,990
2033-2037	317,100	31,209	348,309
2038-2042	23,600	4,454	28,054
2043-2044	<u>5,200</u>	<u>234</u>	<u>5,434</u>
TOTAL	<u>\$1,235,800</u>	<u>\$ 443,391</u>	<u>\$1,681,189</u>

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

B. Notes Payable

Governmental Fund

Police Cruiser

The City entered into a capital lease agreement for a Police Cruiser with payments of \$791.35 monthly for 36 months, plus a final payment equal to all unpaid principal and accrued interest on August 1, 2016. This was paid in full in 6/30/17.

Water Fund

Clopay Well

The City entered into a loan agreement with BTADD on July 13, 2016 for Clopay Well project. The interest rate is 2% for 10 years with monthly payments of \$851.12 per month. The final payment will be on July 13, 2026.

The maturities of Notes Payable at June 30, 2017 were as follows:

	Principle	Interest
2018	\$8,597	\$1,617
2019	8,770	1,443
2020	8,947	1,266
2021	9,128	1,086
2022	9,312	901
2023-2027	<u>39,306</u>	<u>1,690</u>
	\$84,059	\$8,003

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2017

NOTE G. CDBG GRANT AND LOANS RECEIVABLE

The City received a Community Development Block Grant in 1984 for \$217,500. The amount was loaned to local businesses, to be repaid at 5% over 7-12 years. All repayments are to be recirculated through loans to the community for economic development. There are no outstanding loans as of June 30, 2017.

NOTE H. INSURANCE AND RELATED ACTIVITIES

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

NOTE I. PENDING LITIGATION

The City is not aware of any pending or threatened litigation as of the date of the audit report.

SUPPLEMENTARY INFORMATION

**CITY OF AUGUSTA, KENTUCKY
COMBINING BALANCE SHEET
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2017**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
ASSETS					
Cash and cash equivalents	\$ 49,075	\$ 87,608	\$ 14,061	\$ 138,008	\$ 288,752
Account Receivable					-
Customers - Net	22,405		11,598	22,654	56,657
Other		30,758			30,758
Due from other funds	-	5,637	896,339	-	901,976
Restricted Assets					-
Cash					-
Investments					-
Fixed Assets	446,818	3,823,451	812,124	1,190,797	6,273,191
Accumulated Depreciation	(342,556)	(1,895,779)	(712,721)	(804,310)	(3,755,366)
Construction In Progress					-
Bond Issue Costs					-
TOTAL ASSETS	\$ 175,741	\$ 2,051,675	\$ 1,021,402	\$ 547,149	\$ 3,795,967
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 7,138	\$ 964	\$ 3,440	\$ 3,264	\$ 14,805
Accrued Liabilities	1,699	4,130	2,832	1,133	9,793
Accrued Interest Payable		328			328
Customer Deposits	10,440		10,200	-	20,640
Due to Other Funds	287,234	-		172,428	459,662
Notes Payable	\$ 84,059		-	4,171	88,230
Payable from Restricted Assets					-
Revenue Bonds Payable		1,235,800			1,235,800
Total Liabilities	390,570	1,241,222	16,471	180,995	1,829,259
NET ASSETS					
Reserves				-	-
Contributed Capital	70,000	1,440,428		498,369	2,008,797
Unassigned	(284,829)	(629,974)	1,004,930	(132,215)	(42,088)
Total Net Assets	(214,829)	810,454	1,004,930	366,155	1,966,708
TOTAL LIABILITIES AND NET ASSETS	\$ 175,741	\$ 2,051,675	\$ 1,021,402	\$ 547,149	\$ 3,795,967

CITY OF AUGUSTA, KENTUCKY
COMBINES STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
OPERATING REVENUES					
Charges for services	\$ 229,658		\$ 367,144	\$ 155,068	\$ 751,869
Charges to Bracken Water District		343,527			343,527
Charges to Augusta Water Fund		134,893			134,893
Total Revenues	<u>229,658</u>	<u>478,420</u>	<u>367,144</u>	<u>155,068</u>	<u>1,230,289</u>
OPERATING EXPENSES					
Salaries and Wages	55,194	164,912	136,824	37,074	394,005
Gas Purchases			151,703		151,703
Water Treatment	135,378				135,378
Chemicals, Testing and Study		30,166	2,434	943	33,543
Utilities and Telephone	21,172	73,311	3,478	57,668	155,630
Professional Fees	6,380	3,278	7,378	17,261	34,297
Insurance	8,019	25,720	5,658	5,937	45,334
Repair and Supplies	18,616	20,895	15,209	38,099	92,819
Transportation	5,831	1,993	6,335	5,432	19,592
Office Expense and Other	6,082	4,192	7,004	2,998	20,276
Amorization				-	-
Depreciation	7,854	108,017	14,819	31,680	162,370
Total Operating Expenses	<u>264,528</u>	<u>432,484</u>	<u>350,843</u>	<u>197,093</u>	<u>1,244,948</u>
OPERATING INCOME (LOSS)	(34,870)	45,936	16,300	(42,026)	(14,659)
NON-OPERATING REVENUES (EXPENSES)					
Other Income	(10,633)	1,860	(188)	78,256	69,296
Franchise Charges to General Fund	-	-	-	-	-
Interest Income	-	51	-	6	-
Interest Expense	-	(49,680)	-	(255)	(49,935)
Net Income (Loss) Before Capital Contributions	(45,502)	(1,833)	16,112	35,981	4,702
Capital Contributions				-	-
NET INCOME (LOSS)	(45,502)	(1,833)	16,112	35,981	4,702
Net Assets (Deficit), July 1, 2016	<u>(169,327)</u>	<u>812,284</u>	<u>988,818</u>	<u>330,173</u>	<u>1,961,949</u>
Prior Period Adjustments					-
NET ASSETS (DEFICIT), JUNE 30, 2017	\$ (214,829)	\$ 810,454	\$ 1,004,930	\$ 366,155	\$ 1,966,708

**CITY OF AUGUSTA, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (34,870)	\$ 45,936	\$ 16,300	\$ (42,026)	\$ (14,659)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	7,854	108,017	14,819	31,680	162,370
Other Income	(10,633)	1,860	(188)	78,256	69,296
Transfers	-	-	-	-	-
Grants	-	-	-	-	-
(Increase) Decrease in Assets					
Accounts Receivable	13,199	1,486	(4,299)	(6,301)	4,083
Restricted Funds	-	-	-	-	-
Increase (Decrease) in Liabilities					
Account Payable	6,804	30,630	(16,539)	(1,702)	19,192
Other Liabilities	(396)	1,991	(659)	(264)	672
Due to Other Funds	33,893	(74,865)	9,500	47,000	15,527
Customer Deposits	260	-	600	-	860
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,112	115,055	19,533	106,644	257,341
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest Income	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loan Proceeds	92,500	1,150,000	-	-	1,242,500
Principal Paid	(10,213)	(1,148,828)	-	(4,321)	(1,163,362)
Interest Paid	(1,773)	(49,680)	-	(255)	(51,708)
Fixed Assets Acquired	(84,479)	-	-	(10,469)	(94,947)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,965)	(48,508)	-	(15,045)	(67,518)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,147	66,547	19,533	91,599	189,823
CASH AND CASH EQUIVALENTS JULY 1, 2016	36,929	21,062	(5,472)	46,410	98,931
CASH AND CASH EQUIVALENTS JUNE 30, 2017	\$ 49,075	\$ 87,609	\$ 14,061	\$ 138,008	\$ 288,756

**CITY OF AUGUSTA, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
TAXES			
Property Taxes	\$ 145,000	\$ 124,964	\$ (20,036)
Bank Shares Taxes	5,232	5,252	20
Motor Vehicle Taxes	20,000	19,275	(725)
Recreational Property Taxes	17,770	17,438	(332)
Payroll Taxes	240,000	267,964	27,964
	<u>428,003</u>	<u>434,894</u>	<u>6,891</u>
LICENSES AND PERMITS			
Occupational Licenses	11,000	11,478	478
Franchise Fees	44,604	30,091	(14,513)
Insurance Premium License Fees	93,175	72,290	(20,885)
Liquor Licenses	1,900	2,000	100
	<u>150,679</u>	<u>115,858</u>	<u>(34,821)</u>
FINES AND FORFEITS			
Arrest Fees	400	-	(400)
	<u>400</u>	<u>-</u>	<u>(400)</u>
INTERGOVERNMENTAL REVENUES			
Base Court Revenue	6,000	7,166	1,166
Police Incentive Pay	9,300	5,807	(3,493)
Municipal Road Aid	26,500	28,807	2,307
	<u>41,800</u>	<u>41,780</u>	<u>(20)</u>
CHARGES FOR SERVICES			
Sanitation Fees	512,928	407,034	(105,894)
Accident Reports	20	14	(6)
Pool and Marina Income	25,500	16,113	(9,387)
	<u>538,448</u>	<u>423,161</u>	<u>(115,287)</u>
MISCELLANEOUS			
Interest	38	20	(18)
Library Tax	17,770	17,438	(332)
Tourism	15,600	21,597	5,997
Ghostwalk	3,800	3,004	(796)
Riverfest Regatta	7,000	-	(7,000)
Turning Leaves Festival	600	400	(200)
Swingtime	4,600	1,432	(3,168)
Sternwheel Days	-	6,280	6,280
Blueberry Festival	-	-	-
Recreation	-	8,048	8,048
Telecommunications	5,700	5,605	(95)
Community Center	5,000	2,051	(2,950)
Contribution - Clopay Foundation	10,000	-	(10,000)
Grants - Local, State & Federal	-	-	-
Ball Park Revenue	10,000	10,966	966
Borrowed Money	-	-	-
Corridor Management	-	-	-
Restrooms Main Street	-	-	-
Transfer from Gas-Clopay	-	-	-
Miscellaneous	10,000	3,105	(6,895)
	<u>90,108</u>	<u>79,946</u>	<u>(10,162)</u>
TOTAL REVENUE	<u>\$ 1,249,438</u>	<u>\$ 1,095,638</u>	<u>\$ (153,799)</u>

**CITY OF AUGUSTA, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT			
Salaries & Fringe Benefits	\$ 82,833	\$ 77,923	\$ 4,910
Professional Services	18,100	15,855	2,245
Other Legal Costs	2,500	2,964	(464)
Telephone and Utilities	24,300	26,114	(1,814)
Office Supplies	11,150	12,425	(1,275)
Cemeteries	10,000	4,508	5,492
Library	18,302	17,076	1,226
Insurance	17,354	33,303	(15,949)
Training & Travel	500	146	354
Advertisement and Dues	2,800	2,736	65
Community Center	17,751	16,539	1,212
Reimburse for ?	1,325	-	1,325
Investigation	-	-	-
Credit Card Reimb	127,000	-	127,000
Economic Assistance Clipay	-	-	-
Industrial Authority	6,386	12,178	(5,792)
Miscellaneous	28,614	33,723	(5,109)
	<u>368,915</u>	<u>255,490</u>	<u>113,426</u>
POLICE			
Salaries and Fringe Benefits	154,373	132,790	21,583
Vehicle Expense	7,500	6,133	1,367
Repairs and Maintenance	14,600	5,792	8,808
Telephone	2,300	2,334	(34)
Training and Travel	2,500	3,035	(535)
Insurance	2,827	1,196	1,631
	<u>184,100</u>	<u>151,280</u>	<u>32,821</u>
FIRE DEPARTMENT			
Operations	31,049	26,429	4,620
	<u>31,049</u>	<u>26,429</u>	<u>4,620</u>
STREETS			
Maintenance Salaries & Benefits	68,040	66,241	1,799
Electric	-	-	-
Repairs and Maintenance	10,000	59,750	(49,750)
	<u>78,040</u>	<u>125,991</u>	<u>(47,951)</u>
SANITATION			
Refuse Contract	355,000	342,288	12,712
RECREATION AND PARK DEPARTMENTS			
Salaries	25,500	21,873	3,627
Utilities	11,738	11,651	87
Sternwheel/Ghostwalk/Swingtime/Turning Leaves	16,000	12,712	3,288
Clipay	10,000	130	9,870
Operation and Maintenance	21,400	46,166	(24,766)
	<u>84,638</u>	<u>92,532</u>	<u>(7,894)</u>
TOURISM			
Salaries and Fringe Benefits	50,033	47,212	2,821
Corridor Management - ESRI Software	-	-	-
	<u>50,033</u>	<u>47,212</u>	<u>2,821</u>
CAPITAL OUTLAY	96,000	3,748	92,252
DEBT SERVICE	1,662	1,662	-
TOTAL EXPENDITURES	<u>\$ 1,249,438</u>	<u>\$ 1,046,631</u>	<u>\$ 202,807</u>

CITY OF AUGUSTA, KENTUCKY

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CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBIT SERVICE REQUIREMENTS
SERIES B WATER SYSTEM REVENUE BONDS
June 30, 2017

Payable to: Rural Development
Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2017-2018	3.20%	18,041	17,321	45,000	80,361
2018-2019	3.20%	17,321	16,521	50,000	83,841
2019-2020	3.20%	16,521	15,721	50,000	82,241
2020-2021	3.20%	15,721	15,171	50,000	80,891
2021-2022	3.20%	15,171	14,621	50,000	79,791
2022-2023	3.20%	14,621	13,741	55,000	83,361
2023-2024	3.20%	13,741	12,861	55,000	81,601
2024-2025	3.20%	12,861	11,981	55,000	79,841
2025-2026	3.20%	11,981	11,021	60,000	83,001
2026-2027	3.20%	11,021	10,061	60,000	81,081
2027-2028	3.20%	10,061	9,101	60,000	79,161
2028-2029	3.20%	9,101	8,061	65,000	82,161
2029-2030	3.20%	8,061	7,021	65,000	80,081
2030-2031	3.20%	7,021	5,981	65,000	78,001
2031-2032	3.20%	5,981	4,861	70,000	80,841
2032-2033	3.20%	4,861	3,741	70,000	78,601
2033-2034	3.20%	3,741	2,494	75,000	81,234
2034-2035	3.20%	2,494	1,247	75,000	78,741
2035-2036	3.20%	1,247	-	75,000	76,247
Totals		<u>199,561</u>	<u>181,521</u>	<u>1,150,000</u>	<u>1,531,082</u>

CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
SERIES 2004 WATER SYSTEM REVENUE BONDS
June 30, 2017

Payable to: Rural Development
Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2017-2018	4.50%	1,931	1,930	1,700	5,561
2018-2019	4.50%	1,892	1,892	1,700	5,484
2019-2020	4.50%	1,854	1,854	1,800	5,508
2020-2021	4.50%	1,814	1,814	1,900	5,528
2021-2022	4.50%	1,771	1,771	2,000	5,542
2022-2023	4.50%	1,726	1,726	2,100	5,552
2023-2024	4.50%	1,679	1,679	2,200	5,558
2024-2025	4.50%	1,629	1,629	2,300	5,558
2025-2026	4.50%	1,577	1,577	2,400	5,554
2026-2027	4.50%	1,523	1,523	2,500	5,546
2027-2028	4.50%	1,467	1,467	2,600	5,534
2028-2029	4.50%	1,409	1,409	2,700	5,518
2029-2030	4.50%	1,348	1,348	2,900	5,596
2030-2031	4.50%	1,283	1,283	3,000	5,566
2031-2032	4.50%	1,215	1,215	3,100	5,530
2032-2033	4.50%	1,145	1,145	3,300	5,590
2033-2034	4.50%	1,071	1,071	3,400	5,542
2034-2035	4.50%	995	995	3,600	5,590
2035-2036	4.50%	914	914	3,800	5,628
2036-2037	4.50%	828	828	3,900	5,556
2037-2038	4.50%	740	740	4,100	5,580
2038-2039	4.50%	648	648	4,300	5,596
2039-2040	4.50%	551	551	4,500	5,602
2040-2041	4.50%	450	450	4,700	5,600
2041-2042	4.50%	344	344	4,900	5,588
2042-2043	4.50%	234	234	5,200	5,668
2043-2044	4.50%	117	117	5,200	5,434
Totals		<u>32,155</u>	<u>32,154</u>	<u>85,800</u>	<u>150,109</u>

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

To the Board of Directors
City of Augusta District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards, applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Augusta District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Augusta District, Kentucky's basic financial statements and have issued our report thereon dated January 18, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

January 18, 2018

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

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ACCOUNTANT'S REPORT ON
MANAGEMENT POINTS

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

In planning and performing my audit of the basic financial statements of City of Augusta for the year ended June 30, 2017, I considered the City's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated January 18, 2018, on the financial statements of the City of Augusta.

I will review the status of these comments and suggestions with various City personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Donna J. Hendrix, CPA

DONNA J. HENDRIX, CPA, PSC
Morehead, Kentucky

January 18, 2018

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2017

Status of Prior Year Management Points

2016-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$32,004 and the Sinking fund balance was short by \$25,047.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2018.

Status: Reserve is still underfunded see 2017-1.

2016-2 Credit Card Approvals

Condition: During the test of disbursements it was discovered that the credit card statements are not being approved by a signature on each credit card statement.

Recommendation: The Mayor or a member of the City Council should review and approve each monthly credit card statement with a signature on each statement.

Response: The City will investigate a new procedure concerning the monthly credit card statements.

Status: This has been resolved.

2016-3 Employee Expense Report Approvals

Condition: During the test of disbursements it was discovered that the employee expense reports are not being approved or being signed by the employee.

Recommendation: The employee expense reports should be signed by the employees requesting reimbursement and approved prior to being reimbursed.

Response: The City will investigate a new procedure concerning the employee expense reports.

Status: This has been resolved.

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2017

Current year Management Points

2017-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$33,049 and the Sinking fund balance was short by \$30,503.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2018.

CITY OF AUGUSTA, KENTUCKY
AUDITED BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

DONNA J. HENDRIX, CPA, PSC
Certified Public Accountant
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CITY OF AUGUSTA, KENTUCKY

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CITY OF AUGUSTA, KENTUCKY

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DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
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550 W. FIRST ST., P.O. BOX 449
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of the City of Augusta, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Augusta, Kentucky's internal control over financial reporting and compliance.

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky

January 30, 2019

**CITY OF AUGUSTA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2018**

As management of the City of Augusta, Kentucky "the City", we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

- The City ended the 2018-year with net assets (both City and Utilities) of \$3,339,000. The principal part of net assets is comprised of the City's investment in fixed assets.
- The City had the FA Neider building donated to them along with a \$60,000 donation.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the City include general administration, police, sanitation, streets and recreation services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The only proprietary funds are our utility operations, all other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,339,000 as of June 30, 2018.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, utility line systems, vehicles, furniture and computer equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2018

Comparative data for 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current Assets	\$1,709,000	\$1,439,000
Noncurrent Assets	<u>4,038,000</u>	<u>3,855,000</u>
Total Assets	5,747,000	5,294,000
Current Liabilities	1,182,000	1,106,000
Noncurrent Liabilities	<u>1,226,000</u>	<u>1,285,000</u>
Total Liabilities	2,408,000	2,391,000
Net Assets		
Investment in capital assets (net of debt)	3,690,000	3,346,000
Restricted	138,000	64,000
Unreserved Fund Balance	<u>(489,000)</u>	<u>(508,000)</u>
Total Net Assets	\$3,339,000	\$ 2,903,000

Comments on Budget Comparisons

- The City's total revenues for the fiscal year ended June 30, 2018, net of interfund transfers were \$2,333,000.
- General fund budget compared to actual revenue varied from line to line with the ending actual revenues being \$56,000 less than budget. The main contributing factor for the variance was the sanitation fee revenue actual was less than budgeted.
- General fund budget expenditures to actual varied \$86,000 less than budget.

The following table presents a summary of governmental fund revenues and expense for the fiscal year ended June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Revenues:		
Local revenue sources	\$1,180,000	\$ 1,095,000
Federal and State revenue sources	0	0
Other Sources	<u>0</u>	<u>0</u>
Total revenues	\$1,180,000	\$ 1,095,000
Expenses:		
General government	236,000	256,000
Police	143,000	151,000
Fire	38,000	26,000
Streets	165,000	126,000
Sanitation	406,000	342,000
Recreation, pool and park	110,000	93,000
Tourism	47,000	47,000
Debt Service	0	2,000
Capital Outlay	<u>5,000</u>	<u>4,000</u>
Total expenses	\$ 1,150,000	\$1,047,000
Revenue in Excess of Expense	\$ 30,000	\$ 49,000

General Fund Revenue

The majority of revenue was derived from local sources. Revenues from sanitation services were \$372,000.

General Fund Expenses

Salaries comprise of \$ 350,000 of total expenses, or 30% of total expense.

Utility Operations

The net results for divisions of Utility operations (net of grants for construction) were:

Water	\$(57,000)
Gas	\$ 100,000
Sewer	\$ 29,000
Water Treatment	\$ (15,000)

Budgetary Implications

The City adopted a budget for 2019 in which anticipated revenue equaled expenditures. The City has a cash balance of \$46,000 for the beginning of the next fiscal year. The utility had a cash balance of \$462,000 for the beginning of the 2019 fiscal year. The City does not anticipate any significant action, which would impact the budget.

Questions regarding this report should be directed to Mayor Michael Taylor or to his **REPRESENTATIVE**, City Clerk Gretchen Usleaman, or by mail at:

City of Augusta
219 Main Street
Augusta, Kentucky 41002

BASIC FINANCIAL STATEMENTS

CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	46,260	461,959	508,219
Accounts Receivable:			
Accounts	33,398	76,658	110,056
Loans	-		-
Deposits	-		-
Due from other funds	23,000	957,818	980,818
Restricted Cash	109,457		109,457
Total Current Assets	212,115	1,496,435	1,708,551
Noncurrent Assets			
Bond Issue Costs		-	-
Nondepreciated capital assets:			
Land	22,000		22,000
Depreciated capital assets:			
Buildings and improvements	3,118,537		3,118,537
Equipment	554,994		554,994
Utility Systems		6,279,650	6,279,650
Less: Accumulated depreciation	(2,014,672)	(3,922,383)	(5,937,055)
Net Capital Assets	1,680,859	2,357,268	4,038,126
Total Noncurrent Assets	1,680,859	2,357,268	4,038,126
TOTAL ASSETS	1,892,974	3,853,703	5,746,677
LIABILITIES			
Current Liabilities			
Accounts payable	121,315	3,895	125,211
Accrued Liabilities	9,478	7,173	16,650
Accrued interest payable		328	328
Customer Deposits		19,840	19,840
Due to Other Funds	447,914	532,904	980,818
Current portion of Bonds and Notes Payable	-	39,067	39,067
Total Current Liabilities	578,707	603,208	1,181,915
Noncurrent Liabilities			
Bonds payable		1,226,206	1,226,206
Notes Payable		-	-
Total Noncurrent Liabilities	-	1,226,206	1,226,206
TOTAL LIABILITIES	578,707	1,829,413	2,408,120
NET POSITION			
Invested in capital assets, net of related debt	1,680,859	2,008,797	3,689,656
Restricted for:			
Capital projects		-	-
Other purposes	137,709		137,709
Unrestricted	(504,300)	15,493	(488,807)
TOTAL NET ASSETS	1,314,267	2,024,288	3,338,553
TOTAL LIABILITIES AND NET ASSETS	1,892,974	3,853,703	5,746,677

See independent auditor's report and accompanying notes to financial statements.

**CITY OF AUGUSTA, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General Government	230,248	140,175	-	-	(90,073)	-	\$ (90,073)
Police	142,964	60	-	-	(142,904)	-	\$ (142,904)
Fire	38,019	-	-	-	(38,019)	-	(38,019)
Streets	165,291	-	-	-	(165,291)	-	(165,291)
Sanitation	406,020	379,423	-	-	(26,598)	-	(26,598)
Recreation, Pool and Parks	109,536	-	-	-	(109,536)	-	(109,536)
Tourism	47,053	-	-	-	(47,053)	-	(47,053)
Depreciation	112,966	-	-	-	(112,966)	-	(112,966)
TOTAL GOVERNMENTAL ACTIVITIES	1,252,097	519,657	-	-	(732,440)	-	(732,440)
BUSINESS-TYPE ACTIVITIES:							
Utilities	1,166,532	1,224,057	-	-	-	57,525	57,525
TOTAL BUSINESS-TYPE ACTIVITIES	1,166,532	1,224,057	-	-	-	57,525	57,525
TOTAL CITY	2,418,629	1,743,714	-	-	(732,440)	57,525	(674,914)
General Revenues							
Taxes					452,649		452,649
Federal and State Grants					63,870		63,870
Local and Other Revenues					594,161		594,161
Investment Earnings					-		-
Total General Revenues					1,110,680	-	1,110,680
Change in Net Assets							
Change in Net Assets					378,241	57,580	435,821
Net Assets July 1, 2017					936,028	1,966,707	2,902,733
Net Assets June 30, 2018					1,314,267	\$ 2,024,288	\$ 3,338,553

See independent auditor's report and accompanying notes to financial statements.

**CITY OF AUGUSTA, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	General Fund	Special Revenue Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	41,008	5,252	46,260
Accounts Receivable:			-
Customers, Net	33,398		33,398
Other		-	-
Loans		-	-
Due From Other Funds		23,000	23,000
Deposits	-		-
Restricted Assets			-
Cash	109,457		109,457
Fixed Assets			-
Construction in Progress			-
Accumulated Depreciation			-
TOTAL ASSETS	183,863	28,252	212,116
LIABILITIES AND NET ASSETS			
Accounts Payable	121,315	-	121,315
Accrued Liabilities	9,478		9,478
Accrued Interest Payable			-
Due to Other Funds	447,914		447,914
Notes Payable			-
TOTAL LIABILITIES	578,707	-	578,707
Fund Balance:			
Restricted	109,457	28,252	137,709
Unassigned	(504,301)		(504,300)
TOTAL FUND BALANCES	(394,842)	28,252	(366,592)
TOTAL LIABILITIES AND FUND BALANCES	183,863	28,252	212,116

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS

June 30, 2018

Total fund balance per fund financial statements \$ (366,592)

Changes required for presentation of
Net Assets in conformity with GASB34:

Capital assets are not reported in the fund financial statements because they are not current financial resources; however they are reported in the Statement of Net Assets.

Total Cost	3,695,531
Accumulated Depreciation	<u>(2,014,672)</u>
	1,680,859

Certain liabilities (such as bond payable, capital leases, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statements because they are not currently due and payable, but they are presented in the Statement of Net Assets.

-

Net assets for government activities \$ 1,314,267

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

	General Fund	Special Revenue (PARKS & RECREATION) Funds	TOTALS (Memorandum Only)
REVENUES:			
Taxes	452,649		452,649
Licenses and Permits	140,175		140,175
Fines and Forfeits	60		60
Intergovernmental Revenue	74,123		74,123
Charges for Services	379,423		379,423
Kentucky Grant	-		-
Miscellaneous	133,408	10,425	143,833
TOTAL REVENUES	1,179,838	10,425	1,190,263
EXPENDITURES:			
Current:			
General Government	236,092	-	236,092
Police	142,964		142,964
Fire	38,019		38,019
Streets	165,291		165,291
Sanitation	406,020		406,020
Recreation, Pool and Parks	109,536	5,373	114,909
Tourism	47,053		47,053
Capital Outlay	5,123	-	5,123
Debt Service	-		-
TOTAL EXPENDITURES	1,150,098	5,373	1,155,471
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	29,740	5,052	34,792
OTHER FINANCING SOURCES (USES):			
Federal Grant	-		-
CDBG Fund	-		-
Memorial Gift - Library	-		-
Transfer to Library	-		-
Transfers - Net (Utility Funds)	-		-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	29,740	5,052	34,792
FUND BALANCE JULY 1, 2017	(424,582)	23,201	(401,381)
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2018	<u>\$ (394,842)</u>	<u>\$ 28,252</u>	<u>\$ (366,592)</u>

See independent auditor's report and accompanying notes to financial statements.

CITY OF AUGUSTA, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

June 30, 2018

Net change in total fund balances per fund financial statements \$ 34,792

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

Capital outlays are reported as expenditures in the fund financial statements
because they use current financial resources, but they are presented as
assets in the Statement of Net Assets and depreciated over their
estimated economic lives. The difference is the amount by which
capital outlays exceeds depreciation expense for the year.

Total current capital outlays	467,063
Depreciation for the year	(112,966)
	<u>354,097</u>

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the Statement of Net Assets.	<u>(10,648)</u>
--	-----------------

Change in net assets of governmental activities per Statement of Activities \$ 378,241

**CITY OF AUGUSTA, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes	460,232	452,649	(7,583)
Licenses and Permits	137,000	140,175	3,175
Fines and Forfeits	-	60	60
Intergovernmental Revenue	40,500	74,123	33,623
Charges for Services	537,000	379,423	(157,577)
Kentucky Grant-Clopay	-	-	-
Miscellaneous	61,100	133,408	72,308
	1,235,832	1,179,838	(55,995)
EXPENDITURES:			
Current:			
General Government	382,805	236,092	146,714
Police	156,722	142,964	13,758
Fire	32,049	38,019	(5,970)
Recreation and Park	79,138	109,536	(30,398)
Streets	79,256	165,291	(86,035)
Sanitation	360,000	406,020	(46,020)
Tourism	46,862	47,053	(191)
Capital Outlay	99,000	5,123	93,877
Debt Service	-	-	-
	1,235,832	1,150,098	85,734
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	29,740	29,740
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(0)	29,740	29,740
FUND BALANCE JULY 1, 2017	21,277	(424,582)	445,859
Prior Period Adjustment	-	-	-
FUND BALANCE JUNE 30, 2018	21,277	(394,842)	416,119

**CITY OF AUGUSTA, KENTUCKY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 SPECIAL REVENUE (PARKS & RECREATION) FUND**

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes			-
Licenses and Permits			-
Fines and Forfeits			-
Intergovernmental Revenue			
Charges for Service			-
Miscellaneous	-	10,425	10,425
TOTAL REVENUES	-	10,425	10,425
EXPENDITURES:			
Current			-
General Government	-	-	-
Police			-
Fire			-
Recreation		5,373	(5,373)
Streets			-
Sanitation			-
Tourism			-
Capital Outlay			-
Debt Service			-
TOTAL EXPENDITURES	-	5,373	(5,373)
Excess of revenues over (under) expenditures Before Other Financing Sources (Uses)	-	5,052	5,052
OTHER FINANCING SOURCES (USES):			
Transfers in (out) - Proprietary Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	5,052	5,052
FUND BALANCE JULY 1, 2017	37,292	23,201	(14,091)
FUND BALANCE JUNE 30, 2018	\$ 37,292	\$ 28,253	\$ (9,039)

CITY OF AUGUSTA, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	<u>Business- type Activities</u>
ASSETS AND RESOURCES	
Current assets:	
Cash and cash equivalents	\$ 461,959
Accounts Receivable	76,658
Restricted cash and Investment	
Due from other funds	<u>957,818</u>
Total Current assets	1,496,435
Noncurrent assets:	
Bond Issue Costs	-
Nondepreciated capital assets:	
Land	
Depreciated capital assets:	
Building and improvements	6,279,650
Equipment	
Less accumulated depreciation	<u>(3,922,383)</u>
Net Capital Assets	2,357,268
Total noncurrent assets	2,357,268
TOTAL ASSETS	\$ <u>3,853,703</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 3,895
Accrued Liabilities	7,173
Accrued Interest Payable	328
Customer Deposits	19,840
Due to Other Funds	532,904
Current Portion of Bonds and Notes Payable	<u>39,067</u>
Total Current Liabilities	603,208
NONCURRENT LIABILITIES	
Bonds Payable	1,226,206
Notes Payable	<u>-</u>
Total Noncurrent Liabilities	1,226,206
TOTAL LIABILITIES	1,829,413
NET ASSETS:	
Contributed Capital	2,008,797
Restricted for:	
Capital Projects	-
Unassigned	<u>15,493</u>
TOTAL NET ASSETS	2,024,289
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,853,703</u>

**CITY OF AUGUSTA, KENTUCKY
 COMBINES STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING REVENUES	
Charges for Services	\$ 792,150
Charges for Sales to Water District	<u>351,494</u>
TOTAL OPERATING REVENUES	1,143,644
OPERATING EXPENSES	
Salaries and wages	337,304
Gas Purchases	194,697
Water Treatment Expense in Excess of Revenue	111
Chemicals and Testing	42,700
Utilities and Telephone	169,646
Professional Fees	39,767
Insurance	53,548
Repair and Supplies	63,197
Transportation	24,321
Office Expense and Other	16,188
Amortization	-
Depreciation	167,017
TOTAL OPERATING EXPENSES	<u>1,108,496</u>
OPERATING INCOME (LOSS)	35,148
NON-OPERATING REVENUES (Expenses)	
Other Income	80,413
Interest Income	367
Interest Expense	<u>(39,346)</u>
Net Loss Before Capital Contributions and Transfers	76,581
Capital Contributions	-
Transfers - Charges to General Fund	<u>(19,000)</u>
NET INCOME (LOSS)	57,581
TOTAL NET ASSETS - JULY 1, 2017	<u>1,966,708</u>
TOTAL NET ASSETS - JUNE 30, 2018	<u><u>\$ 2,024,289</u></u>

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

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from:	
Services	1,143,644
Other Income	80,413
Cash payments to employees for services	(337,304)
Cash payments for contract services	-
Cash payments to suppliers for goods and services	(611,681)
Cash payments for other operating expenses	-

NET CASH PROVIDED BY OPERATING ACTIVITIES 275,072

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to General Fund	<u>(1,600)</u>
---------------------------	----------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Loan Proceeds	-
Principal Paid	(52,970)
Interest Paid	(40,839)
Fixed Assets Acquired	(6,460)

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (100,269)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>367</u>
-------------------------	------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS **\$ 173,203**

CASH AND CASH EQUIVALENTS JULY 1, 2017 288,756

CASH AND CASH EQUIVALENTS JUNE 30, 2018 \$ 461,959

Reconciliation of operating income to net cash used for operating activities

Operating income	35,148
other income	80,413
Transfers	(19,000)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	167,017
State Grants	-
Changes in assets and liabilities:	
Receivables	10,757
Inventories	-
Accrued liabilities	738

Net Cash used for operating activities \$ 275,072

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Of Augusta, Kentucky (“City”), conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting Entity

The City of Augusta, Kentucky’s financial statements include the operations of all entities for which the City Council exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The entities included in the financial statements are the general operations of the City of Augusta with no component units.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Augusta. The financial statements presented herein do not include funds of groups and organizations, which although associated with the City, have not originated within the City Council itself such as Knoedler Memorial Library or Sternwheel Regatta, etc.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City Council or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

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

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Council. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the City.
- (B) The Special Revenue (Grant) Funds account for the Community Development Block Grant received in 1984 and proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs.

II. Proprietary Fund Types

- A. Water Fund – A proprietary fund used to account for the water and sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges
- B. Gas Fund – A proprietary fund used to account for the gas services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- C. Sewer Fund – A proprietary fund used to account for the sewer services provided to the residents and commercial accounts of the City of Augusta, the operations of which are financed by user charges.
- D. Water Treatment Plant Fund – A proprietary fund used to account for the water treatment plant operations, sale of water to Bracken County Water, and receipt of water by the City of Augusta.

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

II. (Continued)

Basis of Accounting

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

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

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2018, to finance the General Fund operations were \$.305 per \$100 valuation for real property, \$.4503 per \$100 valuation for business personal property and \$.185 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2018 fiscal year was based, was \$39,190,095

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of twenty-five hundred dollars (\$2,500) with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

Basis of Accounting – Continued

Capital Assets – Continued

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Utility System	40 years
Vehicles	5-10 years
Furniture and fixtures	7 years
Other	10 years

Interfund Balances

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

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the City Council at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the City, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

Fund Balance Reserves

Fund Financial Statements:

Fund Balance Designation

Beginning with fiscal year 2011, the District implemented GASB 54 “ Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The classifications are the following listed from the highest level of strength : Nonspendable, Restricted, Committed, Assigned, and Unassigned.

1. For *committed fund* balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
2. For *assigned* fund balance: (1) the body of official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given.
3. For the classification of fund balances:
 - (a) Whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and
 - (b) Whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Positions

Net position represents the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, those revenues are primarily charges for utility usage.

Contributions of Capital

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

Interfund Activity

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the City's total cash and cash equivalents was \$508,219. Of the total cash balance, federal depository insurance and pledged assets covered the balance throughout the year. All cash and equivalents were covered at 6/30/18.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

Cash and cash equivalents at June 30, 2018 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Checking	\$ 588,818	\$ 535,746
Certificates of Deposit	<u>12,292</u>	<u>12,292</u>
	<u>\$ 601,110</u>	<u>\$ 548,169</u>
Breakdown per financial statements:		
Governmental funds		\$ 155,716
Proprietary funds		<u>392,454</u>
		<u>\$548,169</u>

CITY OF AUGUSTA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2018

NOTE D - CAPITAL ASSETS

Capital asset for the fiscal year ended June 30, 2018 was as follows:

Governmental Activities	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Land	2,000	20,000		22,000
Park, pool and shelter	375,602	-		375,602
Buildings and improvements	1,045,249	370,000		1,415,249
Streets	504,287	43,008		547,295
Lighting and dock	813,581	34,055		847,636
Vehicles	177,338	-		177,338
Other equipment	321,061	-	10,649	310,412
Total at historical cost	3,239,118	467,063	10,649	3,695,532
Less accumulated depreciation:				
Park, pool and shelter	258,707	5,694		264,401
Building and improvements	315,260	34,896		350,156
Streets	331,197	18,946		350,143
Lighting and dock	536,758	39,968		576,726
Vehicles	147,807	10,322		158,129
Other Equipment	311,979	3,140	-	315,119
Total accumulated depreciation	1,901,708	112,966	-	2,014,672
Governmental Activities Capital Assets-Net	1,337,412	354,096	10,649	1,680,859
 <u>Business - Type Activities</u>				
Land	9,714			9,714
Water Utility	4,270,269			4,270,269
Gas Utility	811,486	-		811,486
Sewer Utility	1,190,797	6,459		1,197,256
Totals at historical cost	6,282,266	6,459	-	6,288,726
Less accumulated depreciation:				
Water Utility	2,238,335	121,295		2,359,630
Gas Utility	712,720	14,394		727,114
Sewer Utility	804,308	31,328		835,636
Total accumulated depreciation	3,755,365	167,017	-	3,922,382
Business - Type Activities Capital Assets - Net	2,526,901	(160,558)	-	2,366,344

Depreciation expense is not allocated to governmental functions in the fund financial statements. Depreciation is recorded in the statement of activities as "unallocated" expense.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE E – RESERVES

The City of Augusta is required to comply with the bond agreements of all bond issues as follows:

A. Sinking Fund

On or before the 20th day of each month the City is required to set aside an amount into a special account known as the “City of Augusta Water System Bond and Interest Sinking Fund”. The amount to be so set aside and paid into the Sinking Fund each month shall be sums equal to the following amounts:

1. A sum of one-sixth of the interest becoming due on the next succeeding interest due date, with respect to all outstanding Bond Issues.
2. A sum equal to one-twelfth (1/12) of the principal of all such bonds maturing on the next succeeding December 1.

The required balance of the reserve at June 30, 2018 was \$33,360. The City has set aside \$6,396 into the restricted account. There was \$97,115 in deposits that was made to the sinking fund for the year. As required in (1) or (2) above, the monthly funding should be \$26,694. The account is underfunded by \$26,694.

B. Depreciation Fund

The City is required to deposit \$785 each month into the Depreciation Fund account as well as the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of extensions, additions and/or improvements to the project, plus the proceeds of any property damage insurance not immediately used to replace damaged or destroyed property. Monies in the Depreciation Fund shall be available and shall be withdrawn and used, upon appropriate certification to Rural Development, for the purpose of paying the cost of constructing replacements, extensions, additions and/or improvements to the project.

When the balance in the Depreciation Fund reaches \$88,200 the monthly payments may be reduced to \$50 until the fully funded level of \$91,800. When the balance reaches \$91,800, the monthly payments may be discontinued or by the order of the City Council, may be diverted into the Sinking Fund Account to be held as part of the Sinking Fund Reserve and may then be used to redeem Bonds; however, the payments into the Depreciation Fund must be resumed whenever necessary to restore the balance up to \$91,800. The Depreciation Reserve requirement at June 30, 2018 was \$50,240. The City had set aside \$22,711 at June 30, 2018 into a restricted account. The account is underfunded by \$27,529.

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE F. LONG-TERM DEBT

Long-Term Debt of the City consists of Revenue Bonds payable from the Proprietary Funds and Notes Payable by the Governmental and Proprietary Funds. A detail of Long-Term Debt at June 30, 2018 is as follows.

A. Revenue Bonds – Proprietary Funds

Sewer Utility Fund:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water Utility Fund:			
2016 Series C, due to KRWFC at interest rate of 3.2% Per annum with final payment Due in 2035	1,105,000	345,719	1,450,719
2004 Series, due USDA Rural Development at interest rate of 4.50% per annum with final payment due in 2044	<u>84,100</u>	<u>60,448</u>	<u>144,548</u>
	<u>\$1,189,100</u>	<u>\$ 406,167</u>	<u>\$1,595,267</u>

The annual requirements to amortize all revenue bonds payable outstanding as of June 30, 2018, are as follows:

<u>YEAR ENDING</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<u>JUNE 30</u>			
2019	51,700	37,625	89,325
2020	51,800	35,949	87,749
2021	51,900	34,519	86,419
2022	52,000	33,333	85,333
2023	57,100	31,813	88,913
2024-2028	302,000	130,436	432,436
2029-2033	350,000	77,486	427,486
2034-2038	248,100	21,614	269,714
2039-2043	24,500	3,392	27,892
	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$1,189,100</u>	<u>\$ 406,167</u>	<u>\$1,595,267</u>

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

B. Notes Payable

Governmental Fund

Police Cruiser

The City entered into a capital lease agreement for a Police Cruiser with payments of \$791.35 monthly for 36 months, plus a final payment equal to all unpaid principal and accrued interest on August 1, 2016. This was paid in full in 6/30/17.

Water Fund

Clopay Well

The City entered into a loan agreement with BTADD on July 13, 2016 for Clopay Well project. The interest rate is 2% for 10 years with monthly payments of \$851.12 per month. The final payment will be on July 13, 2026.

The maturities of Notes Payable at June 30, 2018 were as follows:

	Principle	Interest
2019	\$9,480	\$1,443
2020	8,947	1,266
2021	9,128	1,086
2022	9,312	901
2023	9,500	714
2024-2027	<u>29,806</u>	<u>976</u>
	\$76,172	\$6,386

CITY OF AUGUSTA, KENTUCKY

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2018

NOTE G. CDBG GRANT AND LOANS RECEIVABLE

The City received a Community Development Block Grant in 1984 for \$217,500. The amount was loaned to local businesses, to be repaid at 5% over 7-12 years. All repayments are to be recirculated through loans to the community for economic development. There are no outstanding loans as of June 30, 2018.

NOTE H. INSURANCE AND RELATED ACTIVITIES

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

NOTE I. PENDING LITIGATION

The City is not aware of any pending or threatened litigation as of the date of the audit report.

SUPPLEMENTARY INFORMATION

**CITY OF AUGUSTA, KENTUCKY
COMBINING BALANCE SHEET
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2018**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
ASSETS					
Cash and cash equivalents	\$ 35,106	\$ 118,881	\$ 87,370	\$ 220,602	\$ 461,959
Account Receivable					-
Customers - Net	17,073		9,018	19,529	45,620
Other		31,037			31,037
Due from other funds	-	20,980	936,839	-	957,818
Restricted Assets					-
Cash					-
Investments					-
Fixed Assets	446,818	3,823,451	812,124	1,197,257	6,279,650
Accumulated Depreciation	(355,532)	(2,004,099)	(727,114)	(835,637)	(3,922,383)
Construction In Progress	-	-	-	-	-
Bond Issue Costs					-
TOTAL ASSETS	\$ 143,465	\$ 1,990,251	\$ 1,118,236	\$ 601,750	\$ 3,853,703
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 614	\$ 927	\$ 1,577	\$ 777	\$ 3,895
Accrued Liabilities	883	4,229	1,472	589	7,173
Accrued Interest Payable		328			328
Customer Deposits	9,340		10,500	-	19,840
Due to Other Funds	327,977	-		204,928	532,904
Notes Payable	\$ 76,173				76,173
Payable from Restricted Assets					-
Revenue Bonds Payable		1,189,100			1,189,100
Total Liabilities	414,986	1,194,584	13,549	206,294	1,829,413
NET ASSETS					
Reserves					-
Contributed Capital	70,000	1,440,428		498,369	2,008,797
Unassigned	(341,521)	(644,761)	1,104,687	(102,912)	15,493
Total Net Assets	(271,521)	795,667	1,104,687	395,458	2,024,289
TOTAL LIABILITIES AND NET ASSETS	\$ 143,465	\$ 1,990,251	\$ 1,118,236	\$ 601,750	\$ 3,853,703

**CITY OF AUGUSTA, KENTUCKY
COMBINES STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2018**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
OPERATING REVENUES					
Charges for services	\$ 199,539		\$ 451,621	\$ 140,990	\$ 792,150
Charges to Bracken Water District		351,494			351,494
Charges to Augusta Water Fund		119,963			119,963
Total Revenues	<u>199,539</u>	<u>471,458</u>	<u>451,621</u>	<u>140,990</u>	<u>1,263,607</u>
OPERATING EXPENSES					
Salaries and Wages	53,499	176,401	72,001	35,403	337,304
Gas Purchases			194,697		194,697
Water Treatment	120,074				120,074
Chemicals, Testing and Study		36,494	2,278	3,929	42,700
Utilities and Telephone	24,226	75,463	3,052	66,905	169,646
Professional Fees	7,368	5,770	7,809	18,820	39,767
Insurance	15,234	20,812	4,055	13,447	53,548
Repair and Supplies	7,464	22,955	17,512	15,267	63,197
Transportation	6,042	3,383	7,795	7,102	24,321
Office Expense and Other	6,120	1,459	4,780	3,829	16,188
Amorization					-
Depreciation	12,976	108,319	14,394	31,328	167,017
Total Operating Expenses	<u>253,003</u>	<u>451,055</u>	<u>328,374</u>	<u>196,028</u>	<u>1,228,460</u>
OPERATING INCOME (LOSS)	(53,464)	20,402	123,247	(55,038)	35,148
NON-OPERATING REVENUES (EXPENSES)					
Other Income	3,772	3,636	(11,490)	84,495	80,413
Franchise Charges to General Fund	(7,000)	-	(12,000)	-	(19,000)
Interest Income	-	353	-	14	367
Interest Expense	-	(39,178)	-	(168)	(39,346)
Net Income (Loss) Before Capital Contributions	<u>(56,692)</u>	<u>(14,787)</u>	<u>99,757</u>	<u>29,303</u>	<u>57,582</u>
Capital Contributions				-	-
NET INCOME (LOSS)	<u>(56,692)</u>	<u>(14,787)</u>	<u>99,757</u>	<u>29,303</u>	<u>57,582</u>
Net Assets (Deficit), July 1, 2017	(214,829)	810,454	1,004,930	366,155	1,966,708
NET ASSETS (DEFICIT), JUNE 30, 2018	<u>\$ (271,521)</u>	<u>\$ 795,667</u>	<u>\$ 1,104,687</u>	<u>\$ 395,458</u>	<u>\$ 2,024,289</u>

**CITY OF AUGUSTA, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (53,464)	\$ 20,402	\$ 123,247	\$ (55,038)	\$ 35,148
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	12,976	108,319	14,394	31,328	167,017
Other Income	3,772	3,636	(11,490)	84,495	80,413
Transfers	(7,000)	-	(12,000)	-	(19,000)
Grants	-	-	-	-	-
(Increase) Decrease in Assets					
Accounts Receivable	5,332	(279)	2,580	3,125	10,757
Restricted Funds	-	-	-	-	-
Increase (Decrease) in Liabilities					
Account Payable	(6,524)	558	(1,863)	(7,899)	(15,729)
Other Liabilities	(816)	(99)	(1,360)	544	(1,731)
Due to Other Funds	40,743	(15,343)	(40,500)	32,500	17,400
Customer Deposits	(1,100)	-	300	-	(800)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(6,081)	117,195	73,308	89,055	273,474
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest Income	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loan Proceeds	-	-	-	-	-
Principal Paid	(6,270)	(46,700)	-	-	(52,970)
Interest Paid	(1,617)	(39,222)	-	-	(40,839)
Fixed Assets Acquired	-	-	-	(6,460)	(6,460)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,887)	(85,922)	-	(6,460)	(100,269)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,968)	31,273	73,308	82,595	173,205
CASH AND CASH EQUIVALENTS JULY 1, 2017	49,075	87,609	14,061	138,008	288,756
CASH AND CASH EQUIVALENTS JUNE 30, 2018	\$ 35,106	\$ 118,882	\$ 87,370	\$ 220,602	\$ 461,963

**CITY OF AUGUSTA, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
TAXES			
Property Taxes	\$ 150,000	\$ 129,705	\$ (20,295)
Bank Shares Taxes	5,232	5,591	359
Motor Vehicle Taxes	17,000	21,023	4,023
Recreational Property Taxes	18,000	19,431	1,431
Payroll Taxes	270,000	276,900	6,900
	<u>460,232</u>	<u>452,649</u>	<u>(7,583)</u>
LICENSES AND PERMITS			
Occupational Licenses	11,000	11,383	383
Franchise Fees	49,000	50,174	1,174
Insurance Premium License Fees	75,000	77,617	2,617
Liquor Licenses	2,000	1,000	(1,000)
	<u>137,000</u>	<u>140,175</u>	<u>3,175</u>
FINES AND FORFEITS			
Arrest Fees	0	60	60
	<u>-</u>	<u>60</u>	<u>60</u>
INTERGOVERNMENTAL REVENUES			
Base Court Revenue	6,000	4,233	(1,767)
Police Incentive Pay	8,000	6,020	(1,980)
Municipal Road Aid	26,500	63,870	37,370
	<u>40,500</u>	<u>74,123</u>	<u>33,623</u>
CHARGES FOR SERVICES			
Sanitation Fees	520,000	372,164	(147,836)
Accident Reports	-	6	6
Pool and Marina Income	17,000	7,253	(9,747)
	<u>537,000</u>	<u>379,423</u>	<u>(157,577)</u>
MISCELLANEOUS			
Interest	-	15	15
Library Tax	18,000	17,795	(205)
Tourism	12,000	14,483	2,483
Ghostwalk	3,000	-	(3,000)
Riverfest Regatta	7,000	-	(7,000)
Turning Leaves Festival	400	350	(50)
Swingtime	4,600	1,304	(3,296)
Sternwheel Days	-	4,852	4,852
Blueberry Festival	-	-	-
Recreation	-	-	-
Telecommunications	5,600	5,141	(459)
Community Center	2,500	1,800	(700)
FA Neider	-	60,500	60,500
Grants - Local, State & Federal	-	-	-
Ball Park Revenue	8,000	6,762	(1,238)
Pool Project Fund	-	3,245	3,245
Corridor Management	-	-	-
Restrooms Main Street	-	-	-
Transfer from Gas-Clopay	-	-	-
Miscellaneous	-	17,163	17,163
	<u>61,100</u>	<u>133,408</u>	<u>72,308</u>
TOTAL REVENUE	<u>\$ 1,235,832</u>	<u>\$ 1,179,838</u>	<u>\$ (55,995)</u>

CITY OF AUGUSTA, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
GENERAL GOVERNMENT			
Salaries & Fringe Benefits	\$ 83,792	\$ 65,563	\$ 18,228
Professional Services	17,600	16,997	603
Other Legal Costs	2,500	11,746	(9,246)
Telephone and Utilities	25,000	20,266	4,734
Office Supplies	8,800	7,752	1,048
Cemeteries	5,000	3,150	1,850
Library	18,532	18,968	(436)
Insurance	868	37,555	(36,687)
Training & Travel	500	222	278
Advertisement and Dues	2,800	2,777	23
Community Center	18,000	13,632	4,368
Reimburse for ?	44,413	-	44,413
Investigation	-	-	-
Credit Card Reimb	130,000	-	130,000
Economic Assistance Clipay	-	-	-
Industrial Authority	-	-	-
Miscellaneous	25,000	37,463	(12,463)
	<u>382,805</u>	<u>236,092</u>	<u>146,714</u>
POLICE			
Salaries and Fringe Benefits	133,122	114,122	19,000
Vehicle Expense	7,000	5,740	1,260
Repairs and Maintenance	9,100	15,802	(6,702)
Telephone	2,300	2,940	(640)
Training and Travel	3,000	561	2,439
Insurance	2,200	3,799	(1,599)
	<u>156,722</u>	<u>142,964</u>	<u>13,758</u>
FIRE DEPARTMENT			
Operations	32,049	38,019	(5,970)
	<u>32,049</u>	<u>38,019</u>	<u>(5,970)</u>
STREETS			
Maintenance Salaries & Benefits	74,256	105,253	(30,997)
Electric	-	-	-
Repairs and Maintenance	5,000	60,038	(55,038)
	<u>79,256</u>	<u>165,291</u>	<u>(86,035)</u>
SANITATION			
Refuse Contract	360,000	406,020	(46,020)
RECREATION AND PARK DEPARTMENTS			
Salaries	25,500	18,250	7,250
Utilities	14,638	11,139	3,499
Sternwheel/Ghostwalk/Swingtime/Turning Leaves	15,000	9,814	5,186
FA Neider	-	7,598	(7,598)
Operation and Maintenance	24,000	62,735	(38,735)
	<u>79,138</u>	<u>109,536</u>	<u>(30,398)</u>
TOURISM			
Salaries and Fringe Benefits	46,862	47,053	(191)
Corridor Management -ESRI Software	-	-	-
	<u>46,862</u>	<u>47,053</u>	<u>(191)</u>
CAPITAL OUTLAY	99,000	5,123	93,877
DEBT SERVICE	-	-	-
TOTAL EXPENDITURES	<u>\$ 1,235,832</u>	<u>\$ 1,150,098</u>	<u>\$ 85,734</u>

CITY OF AUGUSTA, KENTUCKY

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CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBIT SERVICE REQUIREMENTS
SERIES B WATER SYSTEM REVENUE BONDS
June 30, 2018

Payable to: Rural Development
Purpose: Water Treatment Plant

Fiscal Year	Rate of Interest	Interest Coupons Payable December 1	Interest Coupons Payable June 1	Bond Principle Payable December 1	Total Annual Requirement
2018-2019	3.20%	17,321	16,521	50,000	83,841
2019-2020	3.20%	16,521	15,721	50,000	82,241
2020-2021	3.20%	15,721	15,171	50,000	80,891
2021-2022	3.20%	15,171	14,621	50,000	79,791
2022-2023	3.20%	14,621	13,741	55,000	83,361
2023-2024	3.20%	13,741	12,861	55,000	81,601
2024-2025	3.20%	12,861	11,981	55,000	79,841
2025-2026	3.20%	11,981	11,021	60,000	83,001
2026-2027	3.20%	11,021	10,061	60,000	81,081
2027-2028	3.20%	10,061	9,101	60,000	79,161
2028-2029	3.20%	9,101	8,061	65,000	82,161
2029-2030	3.20%	8,061	7,021	65,000	80,081
2030-2031	3.20%	7,021	5,981	65,000	78,001
2031-2032	3.20%	5,981	4,861	70,000	80,841
2032-2033	3.20%	4,861	3,741	70,000	78,601
2033-2034	3.20%	3,741	2,494	75,000	81,234
2034-2035	3.20%	2,494	1,247	75,000	78,741
2035-2036	3.20%	1,247	-	75,000	76,247
Totals		181,521	164,200	1,105,000	1,450,721

CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
SERIES 2004 WATER SYSTEM REVENUE BONDS
June 30, 2018

Payable to: Rural Development
 Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2018-2019	4.50%	1,892	1,892	1,700	5,484
2019-2020	4.50%	1,854	1,854	1,800	5,508
2020-2021	4.50%	1,814	1,814	1,900	5,528
2021-2022	4.50%	1,771	1,771	2,000	5,542
2022-2023	4.50%	1,726	1,726	2,100	5,552
2023-2024	4.50%	1,679	1,679	2,200	5,558
2024-2025	4.50%	1,629	1,629	2,300	5,558
2025-2026	4.50%	1,577	1,577	2,400	5,554
2026-2027	4.50%	1,523	1,523	2,500	5,546
2027-2028	4.50%	1,467	1,467	2,600	5,534
2028-2029	4.50%	1,409	1,409	2,700	5,518
2029-2030	4.50%	1,348	1,348	2,900	5,596
2030-2031	4.50%	1,283	1,283	3,000	5,566
2031-2032	4.50%	1,215	1,215	3,100	5,530
2032-2033	4.50%	1,145	1,145	3,300	5,590
2033-2034	4.50%	1,071	1,071	3,400	5,542
2034-2035	4.50%	995	995	3,600	5,590
2035-2036	4.50%	914	914	3,800	5,628
2036-2037	4.50%	828	828	3,900	5,556
2037-2038	4.50%	740	740	4,100	5,580
2038-2039	4.50%	648	648	4,300	5,596
2039-2040	4.50%	551	551	4,500	5,602
2040-2041	4.50%	450	450	4,700	5,600
2041-2042	4.50%	344	344	4,900	5,588
2042-2043	4.50%	234	234	5,200	5,668
2043-2044	4.50%	117	117	5,200	5,434
Totals		<u>30,224</u>	<u>30,224</u>	<u>84,100</u>	<u>144,548</u>

DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT

MEMBER: K.S.C.P.A.
A.I.C.P.A.

131 E. ELECTRIC AVENUE
FLEMINGSBURG, KY 41041
(606)845-5210

550 W. FIRST ST., P.O. BOX 449
MOREHEAD, KY 40351
(606) 784-4451
(606) 784-8224 (FAX)

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

To the Board of Directors
City of Augusta District

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Donna J. Hendrix, CPA

Donna J. Hendrix, CPA, PSC

Morehead, Kentucky
January 30, 2019

**DONNA J. HENDRIX
CERTIFIED PUBLIC ACCOUNTANT**

MEMBER: K.S.C.P.A.
A.I.C.P.A.

131 E. ELECTRIC AVENUE
FLEMINGSBURG, KY 41041
(606)845-5210

550 W. FIRST ST., P.O. BOX 449
MOREHEAD, KY 40351
(606) 784-4451
(606) 784-8224 (FAX)

ACCOUNTANT'S REPORT ON
MANAGEMENT POINTS

Mayor and City Council
City of Augusta
Augusta, Kentucky 41002

In planning and performing my audit of the basic financial statements of City of Augusta for the year ended June 30, 2018, I considered the City's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit, I became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated January 30, 2019, on the financial statements of the City of Augusta.

I will review the status of these comments and suggestions with various City personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Donna J. Hendrix, CPA

DONNA J. HENDRIX, CPA, PSC
Morehead, Kentucky

January 30, 2019

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2018

Status of Prior Year Management Points

2017-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$27,529 and the Sinking fund balance was short by \$26,694.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2017.

Status: Reserve is still underfunded see 2018-1.

CITY OF AUGUSTA, KENTUCKY
MANAGEMENT POINTS, RECOMMENDATIONS AND RESPONSES
Year Ended June 30, 2018

Current year Management Points

2018-1 RESERVE ACCOUNTS

Condition: The Depreciation Reserve balance was short by \$27,529 and the Sinking fund balance was short by \$26,694.

Recommendation: The City should catch up the funding balance for the Depreciation Fund and Sinking Fund.

Response: The City is diligently working on catching up these shortages by FY2019.



City
Uniform Financial
Information Report
Fiscal Year 2015 - 2016

Part I - Reporting Information	
City Name	AUGUSTA
Address	PO BOX 85
City, State, Zip	AUGUSTA, KY 41002
County	
City Classification	
(Please correct any error in name, address, and ZIP Code)	
	Please save the worksheet to your hard drive. Once completed, attach the worksheet to an email and forward to DLG-CSD@ky.gov.

Return to:
 Department for Local Government
 Cities and Special Districts Branch
 1024 Capital Center Drive, Suite 340
 Frankfort, KY 40601

SEND ONE ORIGINAL AND TWO COPIES OF THE COMPLETED FORM to the Department for Local Government **BY MAY 1, 2017.**

Note - Data supplied by your city in this report will be used by State and Federal Agencies and public interest groups in Kentucky. By filing this report, you will not receive local government finance reporting forms from the U.S. Census Bureau.

Part II - Contact Information		
Name of person who completed form		Telephone
DONNA HENDRIX		606-784-4451
Title		Date
AUDITOR-CERTIFIED PUBLIC ACCOUNTANT		04/25/17
Company (if not city)	Reporting Format (accounting basis)	Telephone
DONNA J. HENDRIX PSC CPA	ACCRUAL	606-784-4451
RELATED ORGANIZATIONS – Please list related organizations such as Boards, Commissions, or Utilities, whose Board members are appointed by the City's Mayor or legislative body, or who receive a major portion of their funding from city resources.		
Organization/Address	Chief Executive	Telephone

Part III - Certification - Completed report must be signed prior to filing.

This is to certify that the data contained in this report is accurate to the best of my knowledge and belief.

Signature of Official	Title	Date completed
	MAYOR	04/25/17
Printed Name of Official		Telephone
Wendall High		606-756-2183

Kentucky
UNBRIDLED SPIRIT
F-65(ky-3)O 8/2016
City UFIR

Before filling out this form, please read carefully each part and all related definitions and instructions.

All information should be provided on a basis consistent with generally accepted accounting principles for the fiscal year July 1, 2015 through June 30, 2016.

Combine all items that are not entered in specific categories provided and enter the total in the "Other" line item. Amounts classified as "Other" should not exceed 5% of the corresponding category total.

ROUND TO THE NEAREST DOLLAR. DO NOT SHOW CENTS FOR REVENUES OR EXPENDITURES

THE ACTUAL TAX RATE LEVIED, COLUMN (c), PART IV MUST BE COMPLETED EVEN IF THERE WAS NOT A CHANGE IN THE TAX RATE FROM FISCAL YEAR 2014 - 2015.

Part IV - City Revenue requests the fee, rate or amount charged per unit of service. If any line-item has a multiple rate schedule, please provide a copy of the rate schedule. The schedule is only required in years when the rates have been revised or implemented.

Tax rates should be reported as decimal amounts. For instance a rate of 22 and 7/10 cents per \$100 assessed value should be reported as .227

Report only new debt or lease agreements. DO NOT COMPLETE THESE SECTIONS AGAIN IF THEY WERE REPORTED LAST YEAR AND THERE WERE NO CHANGES IN THE DEBT OR LEASE AGREEMENT.

Please be sure to reconcile subtotals and totals to the city's annual financial statements.

Information in this report should match financial information in the city's annual audited financial statements prepared in accordance with KRS 91A.020

DLG has developed an electronic version of the UFIR. You can access this document on the DLG website: <http://www.kydlgweb.ky.gov/>. For more information contact DLG-CSD@ky.gov or 800-346-6606.

Note Especially

Please report amounts covering all funds and accounts of your city except for employee-retirement funds administered by your city. Include bond redemption and interest funds, and construction or development funds as well as current funds. Exclude refunds and transfers between funds.

Please use black or blue ball point pen.

Since this form applies to cities of different sizes and complexity, some items may not apply to your city. However, read the definitions carefully for each item in the report.

Do not change any categories. Call for clarification.

This report must be returned to the Department of Local Government by May 1, 2017 per requirements of KRS 65.905.

Financial information for all utilities connected with the city must be reported on this form.

Please note your basis of accounting (cash, modified accrual or accrual) in this report.

Depreciation - to be shown as a part of "Other Operations".

General Definitions

The following general definitions will apply to grouping of expenditure categories:

General Government - includes all general functions of your city including finance, administration, elected officials, public buildings and general insurance coverage if not assigned to individual operating departments.

Public Safety - includes all police, fire, ambulance, correctional, inspection and code enforcement activities, and any other activity that promotes the protection of life and property.

Public Services - includes maintenance and construction of basic infrastructure and solid waste activities. Streets and roads, leaf and brush collection, solid waste collection and recycling, operation of public parking, riverports, and stormwater and natural resource management.

Community Service - includes parks and recreation, public health, public welfare and assistance activities, housing and community development, mass transit programs, and educational support programs.

Utilities - include water sewerage, natural gas, electric and telecommunications systems. Please report stormwater utility costs within Public Services even if a fee is charged to support the program as a utility.

A. Property Tax Rates	Compensating (a)	4% Increase (b)	Adopted Rate (c)
1. Real			.305
2. Personal			.450
3. Motor vehicle/watercraft			.185
B. Other Rates			
1. Occupational license fee (payroll tax)			
2. Net profits			
3. Gross receipt tax			
4. Insurance premium tax			
5. Bank deposits		LOCAL DEPOSIT FRANCHISE TAX .025	
6. Restaurant tax			
7. Motel tax			

Part V - TAX AND OTHER REVENUES

Please list all tax revenues received for the reporting period. Intergovernmental revenues should be listed under the source from which you received them, i.e. State, Federal, or from a City, County or a Special District. This may include revenues received from services you provide to another government.

A. Property Tax	
1. Real	\$147,488
2. Personal	INCLUDED WITH REAL
3. Motor vehicle/watercraft	\$15,101
4. Bank deposits franchise tax	
5. Delinquent (all years)	
SUBTOTAL Property Taxes	\$162,589
B. License and Permit Fees	
1. City vehicle licensing (auto stickers)	
2. Right of way/street cut permits	
3. Alcoholic beverage licenses	\$1,300
4. Planning, zoning, development fees	
5. Other licensing and permit fees including: Animal control; building, electrical, and plumbing permits; Electrical contractors' licenses, development impact fees, unloading fees, building, electrical, plumbing and natural gas inspections.	
SUBTOTAL License & Permit Fees	\$1,300

Please continue on next page

C. Occupation and Business Fees

1. Occupational license fees	
(a) Payroll	\$183,378
(b) Net profits	\$9,921
(c) Gross receipts	
2. Fixed rate business license	
SUBTOTAL for Occupation and Business Fees	\$193,299

D. Other Taxes/Fees

1. Franchise fees	
(a) Electric	
(b) Natural gas	
(c) Water/wastewater	
(d) Other franchise fees	\$34,324
2. Motel tax	
3. Restaurant tax	
4. Insurance premium tax	
SUBTOTAL for Other Taxes/Fees	\$34,324

Function activity	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
-------------------	---	----------------	------------------

E. Intergovernmental Revenues

1. General Support			
2. Government payments in lieu of taxes			
3. Public Safety			
(a) Police	\$14,218		
(b) Fire/EMS			
(c) Corrections		\$29,476	
4. Public Services			
(a) Streets and roads			
5. Community Services			
(a) Parks and recreation			
(b) Public welfare			
(c) Public health			
(d) Housing and community development			
(e) Transit/bus systems			
(f) Educational support			

Please continue on next page

Part V - Tax and Other Revenues - Continued

FORM F-65(KY-3)O - 8/2016

	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
E. Intergovernmental Revenues - Continued			
6. Utilities			
(a) Water supply			
(b) Sewerage systems			
(c) Electric power systems			
(d) Natural gas systems			
(e) Telecommunications			
7. Other intergovernmental revenues (Include: Local government economic assistance; area development fund grant; other from local, state or federal governments.)			
SUBTOTAL for Intergovernment Revenues	\$14,218	\$29,476	\$0
F. Other Revenues/Charges			
1. Airport revenue			
2. Utility sales			
(a) Water			
(b) Sewerage			
(c) Electric			
(d) Natural gas			
(e) Telecommunications/cable			
3. Parking (lots, meters, garages, etc)			
4. Parks and recreation receipts		\$18,814	
5. River ports, locks, etc.			
6. Special assessments			
7. Sale of real or surplus property			
8. Investment/interest earnings (Exclude construction and pensions)		\$15	
9. Fines and forfeits (including parking violations)		\$56	
10. Transit authority			
11. Penalties and interest			
12. Donations			
13. Rents			
Please continue on next page			

14. Solid waste collection and disposal	\$391,063
15. Other miscellaneous revenues (Include: recoveries, impounded vehicles, ambulance runs, fire protection, police arrest fees, etc)	\$172,152
16. Bond proceeds	
SUBTOTAL Other Revenues/Charges	\$582,100
TOTAL Municipal Revenues	\$1,017,306

Part VI - EXPENDITURES

List all city spending both as direct expenditures and costs associated with services provided by other governments. An example might be spending for sewerage treatment by another city, or police or fire services provided by the county government. Include costs your city incurs for services provided by other non-profit agencies such as social services, public health, and public welfare.

Function activity	To other cities, counties, or special districts (a)	To State (b)	To Federal (c)
A. Intergovernmental Expenditures --- (all payments to other governments for services, programs, or reimbursements)			
1. General government			
2. Public safety			
3. Public services			
4. Community services			
5. Utilities			
SUBTOTAL for Intergovernmental Expenditures	\$0	\$0	\$0

Provide spending directly attributed to the city's operations by salaries and wages, other operations, and capital outlay. Salaries and wages should only include direct salary costs including any overtime and differential pay. Do not include fringe benefits or other costs such as unemployment insurance. Operations include all other costs including materials, supplies, contractual services and other miscellaneous costs. Capital outlay is normally defined as items costing at least \$1,000 and having a useful life of more than three years.

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
B. Direct Expenditures by the City				
1. General government (Administrative, legal, overhead, public buildings)	\$74,557	\$171,733		
2. General government: Financial Administration				
3. Public Safety				
(a) Police	\$176,211	\$34,267		
(b) Fire/EMS/Ambulance		\$35,791		
(c) Code enforcement/inspection				
(d) Corrections				
(e) Other costs (e.g., dispatch)				
SUBTOTAL Direct Expenditures by City	\$250,768	\$241,791	\$0	\$0

Please continue on next page

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
4. Public services				
(a) Streets and roads	\$9,648	\$13,865		
(b) Sanitation/solid waste		\$368,945		
(c) Natural resources				
(d) Riverport facilities				
(e) Parking facilities				
(f) Cemeteries				
SUBTOTAL for Public Services	\$9,648	\$382,810	\$0	\$0
5. Community services				
(a) Parks and recreation	\$31,046	\$76,275		
(b) Public health				
(c) Public welfare				
(d) Housing and community development	\$54,111			
(e) Transit/bus system				
(f) Educational support				
SUBTOTAL for Community Services	\$85,157	\$76,275	\$0	\$0
6. Utilities				
(a) Water systems				
(b) Sewerage systems				
(c) Electric power systems				
(d) Natural gas systems				
(e) Cable/telecommunications				
SUBTOTAL for Utilities	\$0	\$0	\$0	\$0
7. Debt payments (include all principal and interest)				
(a) General Government				
(b) Public safety				
(c) Public services				
(d) Community services		\$9,813		
(e) Utilities				
SUBTOTAL for Debt Payments		\$9,813		
8. Bond insurance costs				
9. Miscellaneous expenditures		\$27,191		
SUBTOTAL Bond Ins & Misc Expenditures	\$0	\$27,191	\$0	\$0
SUBTOTAL Direct Expenditures by City	\$345,573	\$737,880	\$0	\$0

Please continue on next page

Personnel Expenditures

1. CERS non-hazardous	
2. CERS hazardous	
3. City pensions	
4. Health insurance	
5. All other employee benefits	
SUBTOTAL Pension & Benefits	\$0

Part VIII - INDEBTEDNESS

List a summary of total city debt outstanding at the beginning and end of the fiscal year. Include new debt incurred during the reporting period. Segregate the total debt by revenue and general obligation bonds.

Activity	Outstanding beginning FY (a)	Issued (b)	Retired (c)	Outstanding ending FY (d)	General obligation (e)	Revenue bonds (f)
1. General governmental funds	\$7,371		\$5,791	\$1,580		
2. Business type funds (water, sewer, gas, electric)	\$1,231,700		\$24,864	\$1,206,836		
3. Private activity bonds (industrial revenue, non profits...)				\$0		
4. Short-term debt (All government funds)						
(a) Beginning of fiscal year						
(b) End of fiscal year						
5. Interest paid on						
(a) Water debt						
(b) Electric debt						
(c) Gas debt						
(d) Transit debt						
(b) All other debt				\$50,305		
TOTAL Interest Paid				\$50,305		
TOTAL Municipal Expenditures						
Sum totals of Parts VI and VII				\$1,083,453		

Part IX - CASH AND INVESTMENTS

1. Beginning of fiscal year	\$107,771
2. End of fiscal year	
(a) Sinking funds	
(b) Bond proceeds	
(c) Other reserved funds	
(d) All non-reserved cash and investments	\$10,188

Finished



City
Uniform Financial
Information Report
Fiscal Year 2016 - 2017

Part I - Reporting Information	
City Name	City of Augusta
Address	PO BOX 85
City, State, Zip	AUGUSTA, KY 41002
County	
City Classification	
(Please correct any error in name, address, and ZIP Code)	
	Please save the worksheet to your hard drive. Once completed, attach the worksheet to an email and forward to DLG-CSD@ky.gov.

Return to:
 Department for Local Government
 Cities and Special Districts Branch
 1024 Capital Center Drive, Suite 340
 Frankfort, KY 40601

SEND ONE ORIGINAL AND TWO COPIES OF THE COMPLETED FORM to the Department for Local Government **BY MAY 1, 2018.**

Note - Data supplied by your city in this report will be used by State and Federal Agencies and public interest groups in Kentucky. By filing this report, you will not receive local government finance reporting forms from the U.S. Census Bureau.

Part II - Contact Information

Name of person who completed form		Telephone
DONNA HENDRIX CPA		606-784-4451
Title		Date
AUDITOR-CERTIFIED PUBLIC ACCOUNTANT		04/27/18
Company (if not city)	Reporting Format (accounting basis)	Telephone
DONNA J HENDRIX PSC CPA	ACCRUAL	606-784-4451

RELATED ORGANIZATIONS - Please list related organizations such as Boards, Commissions, or Utilities, whose Board members are appointed by the City's Mayor or legislative body, or who receive a major portion of their funding from city resources.

Organization/Address	Chief Executive	Telephone

Part III - Certification - Completed report must be signed prior to filing.

This is to certify that the data contained in this report is accurate to the best of my knowledge and belief.

Signature of Official	Title	Date completed
	MAYOR	04/27/18
Printed Name of Official		Telephone
WENDALL HIGH		606-756-2183


Kentucky
 UNBRIDLED SPIRIT
F-85(ky-3)0 9/2017
City UFIR

Before filling out this form, please read carefully each part and all related definitions and instructions.

All information should be provided on a basis consistent with generally accepted accounting principles for the fiscal year July 1, 2016 through June 30, 2017.

Combine all items that are not entered in specific categories provided and enter the total in the "Other" line item. Amounts classified as "Other" should not exceed 5% of the corresponding category total.

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This report must be returned to the Department of Local Government by May 1, 2018 per requirements of KRS 65.905.

Financial information for all utilities connected with the city must be reported on this form.

Please note your basis of accounting (cash, modified accrual or accrual) in this report.

Depreciation - to be shown as a part of "Other Operations"

General Definitions

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Public Services - includes maintenance and construction of basic infrastructure and solid waste activities. Streets and roads, leaf and brush collection, solid waste collection and recycling, operation of public parking, riverports, and stormwater and natural resource management.

Community Service - includes parks and recreation, public health, public welfare and assistance activities, housing and community development, mass transit programs, and educational support programs.

Utilities - include water sewerage, natural gas, electric and telecommunications systems. Please report stormwater utility costs within Public Services even if a fee is charged to support the program as a utility.

Part IV - TAX RATES

FORM F-66(KY-3)O - 9/2017

A. Property Tax Rates	Compensating (a)	4% Increase (b)	Adopted Rate (c)
1. Real			.305
2. Personal			.450
3. Motor vehicle/watercraft			.185
B. Other Rates			
1. Occupational license fee (payroll tax)			
2. Net profits			
3. Gross receipt tax			
4. Insurance premium tax			
5. Bank deposits		LOCAL DEPOSIT FRANCHISE TAX .025	
6. Restaurant tax			
7. Motel tax			

Part V - TAX AND OTHER REVENUES

Please list all tax revenues received for the reporting period. Intergovernmental revenues should be listed under the source from which you received them, i.e. State, Federal, or from a City, County or a Special District. This may include revenues received from services you provide to another government.

A. Property Tax	
1. Real	\$124,964
2. Personal	INCLUDED WITH REAL
3. Motor vehicle/watercraft	\$19,275
4. Bank deposits franchise tax	
5. Delinquent (all years)	
SUBTOTAL Property Taxes	\$144,239
B. License and Permit Fees	
1. City vehicle licensing (auto stickers)	
2. Right of way/street cut permits	
3. Alcoholic beverage licenses	\$2,000
4. Planning, zoning, development fees	
5. Other licensing and permit fees including: Animal control; building, electrical, and plumbing permits; Electrical contractors' licenses, development impact fees, unloading fees, building, electrical, plumbing and natural gas inspections.	
SUBTOTAL License & Permit Fees	\$2,000

Please continue on next page

Part V – TAX AND OTHER REVENUES – Continued

FORM F-65(KY-3)O - 9/2017

C. Occupation and Business Fees

1. Occupational license fees	
(a) Payroll	\$267,964
(b) Net profits	\$11,478
(c) Gross receipts	
2. Fixed rate business license	
SUBTOTAL for Occupation and Business Fees	\$279,442

D. Other Taxes/Fees

1. Franchise fees	
(a) Electric	
(b) Natural gas	
(c) Water/wastewater	
(d) Other franchise fees	\$35,343
2. Motel tax	
3. Restaurant tax	
4. Insurance premium tax	
SUBTOTAL for Other Taxes/Fees	\$35,343

Function activity	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
-------------------	--	-------------------	---------------------

E. Intergovernmental Revenues

1. General Support			
2. Government payments in lieu of taxes			
3. Public Safety			
(a) Police	\$12,973		
(b) Fire/EMS			
(c) Corrections		\$28,807	
4. Public Services			
(a) Streets and roads			
5. Community Services			
(a) Parks and recreation			
(b) Public welfare			
(c) Public health			
(d) Housing and community development			
(e) Transit/bus systems			
(f) Educational support			

Please continue on next page

Part V - Tax and Other Revenues - Continued

FORM F-65(KY-3)O - 9/2017

	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
E. Intergovernmental Revenues - Continued			
6. Utilities			
(a) Water supply			
(b) Sewerage systems			
(c) Electric power systems			
(d) Natural gas systems			
(e) Telecommunications			
7. Other intergovernmental revenues (Include: Local government economic assistance; area development fund grant; other from local, state or federal governments.)			
SUBTOTAL for Intergovernment Revenues	\$12,973	\$28,807	\$0
F. Other Revenues/Charges			
1. Airport revenue			
2. Utility sales			
(a) Water			
(b) Sewerage			
(c) Electric			
(d) Natural gas			
(e) Telecommunications/cable			
3. Parking (lots, meters, garages, etc)			
4. Parks and recreation receipts		\$17,438	
5. River ports, locks, etc.			
6. Special assessments			
7. Sale of real or surplus property			
8. Investment/interest earnings (Exclude construction and pensions)		\$20	
9. Fines and forfeits (including parking violations)			
10. Transit authority			
11. Penalties and interest			
12. Donations			
13. Rents			
Please continue on next page			

Part V - TAX AND OTHER REVENUES - Continued

FORM F-65(KY-3)O - 9/2017

14. Solid waste collection and disposal	\$407,034
15. Other miscellaneous revenues (Include: recoveries, impounded vehicles, ambulance runs, fire protection, police arrest fees, etc)	\$168,342
16. Bond proceeds	
SUBTOTAL Other Revenues/Charges	\$592,834
TOTAL Municipal Revenues	\$1,095,638

Part VI - EXPENDITURES

List all city spending both as direct expenditures and costs associated with services provided by other governments. An example might be spending for sewerage treatment by another city, or police or fire services provided by the county government. Include costs your city incurs for services provided by other non-profit agencies such as social services, public health, and public welfare.

Function activity	To other cities, counties, or special districts (a)	To State (b)	To Federal (c)
A. Intergovernmental Expenditures --- (all payments to other governments for services, programs, or reimbursements)			
1. General government			
2. Public safety			
3. Public services			
4. Community services			
5. Utilities			
SUBTOTAL for Intergovernmental Expenditures	\$0	\$0	\$0

Provide spending directly attributed to the city's operations by salaries and wages, other operations, and capital outlay. Salaries and wages should only include direct salary costs including any overtime and differential pay. Do not include fringe benefits or other costs such as unemployment insurance. Operations include all other costs including materials, supplies, contractual services and other miscellaneous costs. Capital outlay is normally defined as items costing at least \$1,000 and having a useful life of more than three years.

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
B. Direct Expenditures by the City				
1. General government (Administrative, legal, overhead, public buildings)	\$77,923	\$177,567		
2. General government: Financial Administration				
3. Public Safety				
(a) Police	\$132,790	\$18,490		
(b) Fire/EMS/Ambulance		\$26,429		
(c) Code enforcement/inspection				
(d) Corrections				
(e) Other costs (e.g., dispatch)				
SUBTOTAL Direct Expenditures by City	\$210,713	\$222,486	\$0	\$0

Please continue on next page

Part VI – EXPENDITURES - Continued

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
4. Public services				
(a) Streets and roads		\$125,991		
(b) Sanitation/solid waste		\$342,288		
(c) Natural resources				
(d) Riverport facilities				
(e) Parking facilities				
(f) Cemeteries				
SUBTOTAL for Public Services	\$0	\$468,279	\$0	\$0
5. Community services				
(a) Parks and recreation	\$21,873	\$70,659		
(b) Public health				
(c) Public welfare				
(d) Housing and community development				
(e) Transit/bus system				
(f) Educational support				
SUBTOTAL for Community Services	\$21,873	\$70,659	\$0	\$0
6. Utilities				
(a) Water systems				
(b) Sewerage systems				
(c) Electric power systems				
(d) Natural gas systems				
(e) Cable/telecommunications				
SUBTOTAL for Utilities	\$0	\$0	\$0	\$0
7. Debt payments (Include all principal and interest)				
(a) General Government				
(b) Public safety				
(c) Public services				
(d) Community services		\$1,662		
(e) Utilities				
SUBTOTAL for Debt Payments		\$1,662		
8. Bond insurance costs				
9. Miscellaneous expenditures		\$3,748		
SUBTOTAL Bond Ins & Misc Expenditures	\$0	\$3,748	\$0	\$0
SUBTOTAL Direct Expenditures by City	\$232,586	\$766,834	\$0	\$0

Please continue on next page

Part VII - PENSION AND BENEFIT COSTS

FORM F-65(KY-3)O - 9/2017

Personnel Expenditures	
1. CERS non-hazardous	
2. CERS hazardous	
3. City pensions	
4. Health insurance	
5. All other employee benefits	
SUBTOTAL Pension & Benefits	\$0

Part VIII - INDEBTEDNESS

List a summary of total city debt outstanding at the beginning and end of the fiscal year. Include new debt incurred during the reporting period. Segregate the total debt by revenue and general obligation bonds.

Activity	Outstanding beginning FY (a)	Issued (b)	Retired (c)	Outstanding ending FY (d)	General obligation (e)	Revenue bonds (f)
1. General governmental funds	\$1,580		\$1,580	\$0		
2. Business type funds (water, sewer, gas, electric)	\$1,206,836	\$117,194		\$1,324,030		
3. Private activity bonds (industrial revenue, non profits...)				\$0		
4. Short-term debt (All government funds)						
(a) Beginning of fiscal year						
(b) End of fiscal year						
5. Interest paid on						
(a) Water debt						
(b) Electric debt						
(c) Gas debt						
(d) Transit debt						
(b) All other debt			\$49,935			
TOTAL Interest Paid			\$49,935			
TOTAL Municipal Expenditures Sum totals of Parts VI and VII				\$999,420		

Part IX - CASH AND INVESTMENTS

1. Beginning of fiscal year	\$10,188
2. End of fiscal year	
(a) Sinking funds	
(b) Bond proceeds	
(c) Other reserved funds	
(d) All non-reserved cash and investments	\$59,827

Finished



City

**Uniform Financial
Information Report**

Fiscal Year 2017 - 2018

Part I - Reporting Information

City Name	City of Augusta
Address	PO Box 85
City, State, Zip	Augusta, Ky 41002
County	
City Classification	

(Please correct any error in name, address, and ZIP Code)

NOTE: Cities must submit UFIRS to DLG ELECTRONICALLY.



Please save the worksheet to your hard drive. Once completed, attach the worksheet to an email and forward to DLG-CSD@ky.gov.

Note - Data supplied by your city in this report will be used by State and Federal Agencies and public interest groups in Kentucky. By filing this report, you will not receive local government finance reporting forms from the U.S. Census Bureau.

Part II - Contact Information

Name of person who completed form		Telephone
Donna Hendrix CPA		606-784-4451
Title		Date
Auditor-Certified Public Accountant		04/24/19
Company (if not city)	Reporting Format (accounting basis)	Telephone
Donna J. Hendrix PSC CPA	Accrual	606-784-4451

RELATED ORGANIZATIONS – Please list related organizations such as Boards, Commissions, or Utilities, whose Board members are appointed by the City's Mayor or legislative body, or who receive a major portion of their funding from city resources.

Organization/Address	Chief Executive	Telephone

Part III - Certification - Completed report must be signed prior to filing.

This is to certify that the data contained in this report is accurate to the best of my knowledge and belief.

Signature of Official	Title	Date completed
	Mayor	04/24/19
Printed Name of Official		Telephone
Michael Taylor		606-756-2183


F-65(ky-3)0 9/2018
City UFIR

Before filling out this form, please read carefully each part and all related definitions and instructions.

All information should be provided on a basis consistent with generally accepted accounting principles for the fiscal year July 1, 2017 through June 30, 2018.

Combine all items that are not entered in specific categories provided and enter the total in the "Other" line item. Amounts classified as "Other" should not exceed 5% of the corresponding category total.

ROUND TO THE NEAREST DOLLAR. DO NOT SHOW CENTS FOR REVENUES OR EXPENDITURES

THE ACTUAL TAX RATE LEVIED, COLUMN (c), PART IV MUST BE COMPLETED EVEN IF THERE WAS NOT A CHANGE IN THE TAX RATE FROM FISCAL YEAR 2017.

Part IV - City Revenue requests the fee, rate or amount charged per unit of service. If any line-item has a multiple rate schedule, please provide a copy of the rate schedule. The schedule is only required in years when the rates have been revised or implemented.

Tax rates should be reported as decimal amounts. For instance a rate of 22 and 7/10 cents per \$100 assessed value should be reported as .227

Report only new debt or lease agreements. DO NOT COMPLETE THESE SECTIONS AGAIN IF THEY WERE REPORTED LAST YEAR AND THERE WERE NO CHANGES IN THE DEBT OR LEASE AGREEMENT.

Please be sure to reconcile subtotals and totals to the city's annual financial statements.

Information in this report may not match financial information in the city's annual audited financial statements prepared in accordance with KRS 91A.020

DLG has an electronic version of the UFIR. Please access this document on the DLG website: <http://www.kydlgweb.ky.gov/>. For more information contact DLG-CSD@ky.gov or 800-346-5606.

Note Especially

Please report amounts covering all funds and accounts of your city except for employee-retirement funds administered by your city. Include bond redemption and interest funds, and construction or development funds as well as current funds. Exclude refunds and transfers between funds.

Since this form applies to cities of different sizes and complexity, some items may not apply to your city. However, read the definitions carefully for each item in the report.

Do not change any categories. Call for clarification.

This report must be emailed to the Department of Local Government by May 1, 2019 per requirements of KRS 65.905.

Financial information for all utilities connected with the city must be reported on this form.

Please note your basis of accounting (cash, modified accrual or accrual) in this report.

Depreciation - to be shown as a part of "Other Operations".

General Definitions

The following general definitions will apply to grouping of expenditure categories:

General Government - includes all general functions of your city including finance, administration, elected officials, public buildings and general insurance coverage if not assigned to individual operating departments.

Public Safety - includes all police, fire, ambulance, correctional, inspection and code enforcement activities, and any other activity that promotes the protection of life and property.

Public Services - includes maintenance and construction of basic infrastructure and solid waste activities. Streets and roads, leaf and brush collection, solid waste collection and recycling, operation of public parking, riverports, and stormwater and natural resource management.

Community Service - includes parks and recreation, public health, public welfare and assistance activities, housing and community development, mass transit programs, and educational support programs.

Utilities - include water sewerage, natural gas, electric and telecommunications systems. Please report stormwater utility costs within Public Services even if a fee is charged to support the program as a utility.

Part IV - TAX RATES

FORM F-65(KY-3)O - 9/2018

A. Property Tax Rates	Compensating (a)	4% Increase (b)	Adopted Rate (c)
1. Real			.305
2. Personal			.450
3. Motor vehicle/watercraft			.185
B. Other Rates			
1. Occupational license fee (payroll tax)			
2. Net profits			
3. Gross receipt tax			
4. Insurance premium tax			
5. Bank deposits		LOCAL DEPOSIT FRANCHISE TAX .025	
6. Restaurant tax			
7. Motel tax			

Part V - TAX AND OTHER REVENUES

Please list all tax revenues received for the reporting period. Intergovernmental revenues should be listed under the source from which you received them, i.e. State, Federal, or from a City, County or a Special District. This may include revenues received from services you provide to another government.

A. Property Tax	
1. Real	\$149,136
2. Personal	INCLUDED WITH REAL
3. Motor vehicle/watercraft	\$21,023
4. Bank deposits franchise tax	\$5,591
5. Delinquent (all years)	
SUBTOTAL Property Taxes	\$175,750
B. License and Permit Fees	
1. City vehicle licensing (auto stickers)	
2. Right of way/street cut permits	
3. Alcoholic beverage licenses	\$1,000
4. Planning, zoning, development fees	
5. Other licensing and permit fees including: Animal control; building, electrical, and plumbing permits; Electrical contractors' licenses, development impact fees, unloading fees, building, electrical, plumbing and natural gas inspections.	
SUBTOTAL License & Permit Fees	\$1,000

Please continue on next page

Part V – TAX AND OTHER REVENUES – Continued

FORM F-65(KY-3)O - 9/2018

C. Occupation and Business Fees	
1. Occupational license fees	
(a) Payroll	\$276,900
(b) Net profits	\$11,383
(c) Gross receipts	
2. Fixed rate business license	
SUBTOTAL for Occupation and Business Fees	\$288,283

D. Other Taxes/Fees	
1. Franchise fees	
(a) Electric	\$31,174
(b) Natural gas	\$12,000
(c) Water/wastewater	\$7,000
(d) Other franchise fees	\$5,141
2. Motel tax	
3. Restaurant tax	
4. Insurance premium tax	\$77,617
SUBTOTAL for Other Taxes/Fees	\$132,932

Function activity	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
E. Intergovernmental Revenues			
1. General Support			
2. Government payments in lieu of taxes			
3. Public Safety			
(a) Police	\$17,625		
(b) Fire/EMS			
(c) Corrections			
4. Public Services			
(a) Streets and roads			
5. Community Services			
(a) Parks and recreation			
(b) Public welfare			
(c) Public health			
(d) Housing and community development			
(e) Transit/bus systems			
(f) Educational support			

Please continue on next page

Part V - Tax and Other Revenues - Continued

FORM F-65(KY-3)O - 9/2018

	From cities, counties, or special districts (a)	From State (b)	From Federal (c)
E. Intergovernmental Revenues - Continued			
6. Utilities			
(a) Water supply			
(b) Sewerage systems			
(c) Electric power systems			
(d) Natural gas systems			
(e) Telecommunications			
7. Other intergovernmental revenues (Include: Local government economic assistance: area development fund grant; other from local, state or federal governments.)			
SUBTOTAL for Intergovernment Revenues	\$17,625	\$0	\$0
F. Other Revenues/Charges			
1. Airport revenue			
2. Utility sales			
(a) Water			
(b) Sewerage			
(c) Electric			
(d) Natural gas			
(e) Telecommunications/cable			
3. Parking (lots, meters, garages, etc)			
4. Parks and recreation receipts		\$17,795	
5. River ports, locks, etc.			
6. Special assessments			
7. Sale of real or surplus property			
8. Investment/interest earnings (Exclude construction and pensions)		\$15	
9. Fines and forfeits (including parking violations)			
10. Transit authority			
11. Penalties and interest			
12. Donations			
13. Rents			
Please continue on next page			

Part V - TAX AND OTHER REVENUES - Continued

FORM F-65(KY-3)O - 9/2018	
14. Solid waste collection and disposal	\$372,164
15. Other miscellaneous revenues (Include: recoveries, impounded vehicles, ambulance runs, fire protection, police arrest fees, etc)	\$174,275
16. Bond proceeds	
SUBTOTAL Other Revenues/Charges	\$564,248
TOTAL Municipal Revenues	\$1,179,839

Part VI - EXPENDITURES

List all city spending both as direct expenditures and costs associated with services provided by other governments. An example might be spending for sewerage treatment by another city, or police or fire services provided by the county government. Include costs your city incurs for services provided by other non-profit agencies such as social services, public health, and public welfare.

Function activity	To other cities, counties, or special districts (a)	To State (b)	To Federal (c)
A. Intergovernmental Expenditures --- (all payments to other governments for services, programs, or reimbursements)			
1. General government			
2. Public safety			
3. Public services			
4. Community services			
5. Utilities			
SUBTOTAL for Intergovernmental Expenditures	\$0	\$0	\$0

Provide spending directly attributed to the city's operations by salaries and wages, other operations, and capital outlay. Salaries and wages should only include direct salary costs including any overtime and differential pay. Do not include fringe benefits or other costs such as unemployment insurance. Operations include all other costs including materials, supplies, contractual services and other miscellaneous costs. Capital outlay is normally defined as items costing at least \$1,000 and having a useful life of more than three years.

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
B. Direct Expenditures by the City				
1. General government (Administrative, legal, overhead, public buildings)	\$65,563	\$170,529		
2. General government: Financial Administration				
3. Public Safety				
(a) Police	\$114,122	\$28,842		
(b) Fire/EMS/Ambulance		\$38,019		
(c) Code enforcement/inspection				
(d) Corrections				
(e) Other costs (e.g., dispatch)				
SUBTOTAL Direct Expenditures by City	\$179,685	\$237,390	\$0	\$0

Please continue on next page

Part VI – EXPENDITURES - Continued

FORM F-65(KY-3)O - 9/2018

Function activity	Salaries and wages (a)	Other operations (b)	Capital Outlay	
			Equipment, land and existing structures (c)	Construction (d)
4. Public services				
(a) Streets and roads	\$105,253	\$60,038		
(b) Sanitation/solid waste		\$406,020		
(c) Natural resources				
(d) Riverport facilities				
(e) Parking facilities				
(f) Cemeteries				
SUBTOTAL for Public Services	\$105,253	\$466,058	\$0	\$0
5. Community services				
(a) Parks and recreation	\$18,250	\$91,286	\$5,123	
(b) Public health				
(c) Public welfare				
(d) Housing and community development	\$47,053			
(e) Transit/bus system				
(f) Educational support				
SUBTOTAL for Community Services	\$65,303	\$91,286	\$5,123	\$0
6. Utilities				
(a) Water systems				
(b) Sewerage systems				
(c) Electric power systems				
(d) Natural gas systems				
(e) Cable/telecommunications				
SUBTOTAL for Utilities	\$0	\$0	\$0	\$0
7. Debt payments (include all principal and interest)				
(a) General Government				
(b) Public safety				
(c) Public services				
(d) Community services				
(e) Utilities				
SUBTOTAL for Debt Payments		\$0		
8. Bond insurance costs				
9. Miscellaneous expenditures				
SUBTOTAL Bond Ins & Misc Expenditures	\$0	\$0	\$0	\$0
SUBTOTAL Direct Expenditures by City	\$350,241	\$794,734	\$5,123	\$0

Please continue on next page

Part VII - PENSION AND BENEFIT COSTS

FORM F-65(KY-3)O - 9/2018

Personnel Expenditures	
1. CERS non-hazardous	
2. CERS hazardous	
3. City pensions	
4. Health insurance	
5. All other employee benefits	
SUBTOTAL Pension & Benefits	\$0

Part VIII - INDEBTEDNESS

List a summary of total city debt outstanding at the beginning and end of the fiscal year. Include new debt incurred during the reporting period. Segregate the total debt by revenue and general obligation bonds.

Activity	Outstanding beginning FY (a)	Issued (b)	Retired (c)	Outstanding ending FY (d)	General obligation (e)	Revenue bonds (f)
1. General governmental funds				\$0		
2. Business type funds (water, sewer, gas, electric)	\$1,324,030		\$58,757	\$1,265,273		
3. Private activity bonds (industrial revenue, non profits...)				\$0		
4. Short-term debt (All government funds)						
(a) Beginning of fiscal year						
(b) End of fiscal year						
5. Interest paid on						
(a) Water debt						
(b) Electric debt						
(c) Gas debt						
(d) Transit debt						
(b) All other debt	\$39,346					
TOTAL Interest Paid	\$39,346					
TOTAL Municipal Expenditures Sum totals of Parts VI and VII	\$1,150,098					

Part IX - CASH AND INVESTMENTS

1. Beginning of fiscal year	\$59,827
2. End of fiscal year	
(a) Sinking funds	
(b) Bond proceeds	
(c) Other reserved funds	
(d) All non-reserved cash and investments	\$46,260

Finished

Gas System Operating & Maintenance Plan

City of Augusta

City of Augusta
219 Main Street
P.O. Box 85
Augusta, KY 41002

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Basic Operating and Maintenance Plan Information

1. Purpose of the Plan

This plan prescribes guidelines and minimum standards for the safe and reliable operation and maintenance of natural gas distribution systems.

2. Regulatory Requirements

The Natural Gas Pipeline Safety Act of 1968 required the Department of Transportation to develop and enforce minimum safety regulations for transportation of gases by pipeline. These regulations are published in Title 49, Code of Federal Regulations, Parts 190, 191, 192 and 199.

Each gas operator is responsible for compliance with the above regulations and must remain familiar with the requirements contained within.

Gas operating and maintenance procedures are specifically required under 49 CFR 192.605.

3. Implementing the Plan

The management of the City of Augusta is responsible for assuring that all persons having responsibility for operation, maintenance, and periodical inspection of this system are made aware of this plan and are properly trained and qualified to perform as required.

Records must be maintained to verify and document such training.

4. Omission from Plan

This plan is written to specifically include various topics of major significance to a gas distribution operator. All codes and standards incorporated by reference are to be considered as part of this plan to the extent that they are applicable.

No written plan is fully inclusive of all details pertinent to operation, maintenance, and inspection. Therefore industry accepted methods shall apply to those areas not specifically addressed in the plan.

5. Periodical Review of the Plan

This plan shall be reviewed and revised at intervals not exceeding 15 months, but at least once each calendar year to reflect current regulatory requirements and changes in the system.

Each person responsible for implementation of this plan is encouraged to offer suggestion that would make this plan more effective.

6. Terminology

Standard English dictionary definitions shall apply except where industry accepted terminology prevails. As used herein the following meanings and definitions apply:

<u>Employee</u>	Any person employed or authorized by the company to perform operating, maintenance, or construction functions related to the gas distribution system.
<u>Gas</u>	The combustible gas distributed for sale to customers of the company.
<u>Personnel</u>	Same as employee
<u>Main</u>	A distribution pipe that serves as a common source for more than one service line.
<u>Pipeline</u>	All parts of the physical system that carry gas, including mains, service lines, and district regulator stations.

Employee Responsibilities

1. Recognition of Hazards

Each employee shall remain aware of potential hazards resulting from natural gas leaks and other gas system malfunctions.

Such hazards include, but are not limited to:

- a. Natural gas when mixed with air is combustible. It is easily ignited by open flame, electric spark including static discharge, or by spark from abrasion. The gas has a lower limit of flammability of approximately 5% and an upper flammability limit is approximately 15% by volume mixed with air.
- b. Natural gas is lighter than air, with a specific gravity of approximately 0.6. Escaping gas will tend to rise from the point of escape and accumulate in higher locations.
- c. Natural gas escaping at high velocity through polyethylene pipe may cause a high voltage static electric discharge to occur, which may produce ignition under certain conditions. Specific precautions as described in "Prevention of Accidental Ignition OQ Task M-7" must be taken to minimize the danger of self-ignition from static electricity whenever a flammable gas is allowed to escape through plastic pipe.
- d. Potential hazards exist anytime excavation work is performed or work is performed within an excavation. Damage or injury resulting from interference with underground electric wires, asphyxiation, and ignition of gas or cave-ins are all possible hazards.
- e. All applicable company safety standards regarding personal protective equipment and work procedures must be followed to assure the safest possible work environment.
- f. All reasonable precautions shall be taken to protect the public from hazards resulting from escaping gas, open excavations, or other dangers resulting from operation and maintenance of the gas distribution system.

2. Implementation of Emergency Operating Plan

As required by 49 CFR 192.615, The City of Augusta has a written emergency plan to address and minimize the hazard resulting from a gas pipeline emergency. The emergency plan specifically addresses for the following emergency situations:

- A. Gas detected inside or near a building.
- B. Fire located near or directly involving a pipeline facility.
- C. Explosion occurring near or directly involving a pipeline facility.
- D. Natural disaster affecting a pipeline facility.
- E. Safe restoration of any service outage.
- F. Any situation which requires prompt and effective response to eliminate potential for injury or property damage resulting from gas.

A. Determination of Class Location

Per 49 CFR 192.5, the City of Augusta operates a class 3 location system.

B. Customer Meters and Regulators

1. Customer Notification

The City does not maintain customer-owned service lines. Existing customers have received notification of this procedure. Attached as Exhibit 1 is the written procedure for notifying new customers that the City does not maintain or monitor for corrosion customer owned pipe that is metallic, does not conduct leak surveys, and if an unsafe condition is found, the company will shut off the flow of gas, advising the customer of the need to repair the unsafe condition.

2. Location of Customer Meters and Regulators

Each meter and service regulator must be installed in a readily accessible location and be protected from corrosion and other damage. Unless absolutely unavoidable, meters shall not be installed in any location where visits of the meter reader or tester will cause annoyance to the customer or severe inconvenience to the utility. Meters and regulators shall be installed outdoors whenever practical.

Meters in our near driveways or parking areas where subject to contact from vehicles shall be protected with suitable barricades.

Each regulator which might releases gas in its operation shall be vented to an outside location where gas is not likely to accumulate at or below ground level, and will not be likely to enter any opening into a building or come in contact with an ignition source.

3. Specific Requirements for Service Regulators

Each service regulator used must be capable of reducing distribution line pressure to the pressure recommended for household appliances.

All atmospheric vents on service regulator and relief valves must be insect resistant and protected against entry of rain or accumulation of water from condensation.

4. Installation of Customer Meters and Service Regulators

Each meter and regulator installation must be properly supported and designed to minimize anticipated stresses upon connections and piping. Use of all-thread (close) nipples is prohibited for gas carrying piping.

5. Meter Valves

Each service line valve installed above ground must be designed and constructed in a manner in which the possibility of removal of the core with other than specialized tools is minimized.

C. Public Awareness

See City of Augusta Public Awareness Plan.

D. Investigation of Failures

49 CFR 192.617

1. Scope of the Program

All accidents and failures directly involving the gas system must be investigated for the purpose of determining their cause, so that appropriate actions may be taken to minimize the probability of recurrence.

2. Guidelines for Investigation of Failures

All leaks in service lines or mains, over pressure conditions, system outages, or inadequate delivery pressure occurrences are considered as failures and should be investigated to determine factors which contributed to or directly caused the failure.

Leaks in polyethylene resulting from failed heat fusion or mechanical joints, or stress cracking in the pipe wall should be thoroughly investigated including laboratory analysis. If the cause of the failure is determined to be from defective material or defective workmanship a plan must be developed to locate other areas which may be affected, and to perform leakage surveys in locations within those areas where failure would present the greatest hazards. Current joining methods are to be reviewed to assure that written procedures are being followed by properly trained and qualified personnel.

Malfunctions of pressure regulating or over pressure protection devices must be investigated to determine whether the failure was caused by poor maintenance, defective material, or outside forces. If other pressure controlling devices are likely to be affected in the same manner, a program shall be implemented to check such devices on a sampling basis.

E. Maximum Allowable Operating Pressure (MAOP)

The maximum allowable operating pressures (MAOP) for pipelines and pipeline facilities shall be established by using guidelines as set forth in 49 CFR Part 192.

The City of Augusta is responsible for insuring the maximum allowable operating pressure, which have been determined for each pipeline, are not exceeded. It shall be responsible for establishing and maintaining system (MAOP) records on all pipelines.

The City's MAOP is 80 psi for feeder lines and 27 psi in town.

F. Tapping and/or Purging of Pipelines

49 CFR 192.627 and 192.629

Tapping under Pressure

Qualification of Personnel

Each tap made on a pipeline under pressure must be made by personnel properly trained and qualified to make hot taps. Such training shall include recognition of hazards that may result from escaping gas as well as specific knowledge of the procedures for ignition prevention and control, and protection of personnel.

Safety Precautions

All applicable safety procedures shall be followed to assure protection from injury resulting from accidental ignition or oxygen deficiency.

Purging

Required Purging

Whenever a main or service line is being put into service, it is necessary for all air or other non-combustible gas to be purged from the line.

Safety Precautions

If a polyethylene main is being purged, special precautions must be followed to prevent static electricity from discharging and igniting the escaping gas. Such precautions are described in "Prevention of Accidental Ignition Operator Qualification Task M-7."

Anytime air is being purged with gas, or gas is being purged with air, it is necessary to maintain a rapid flow rate. This will ensure turbulence at the gas/air interface minimizing the size of the combustible mixture zone.

Care must be taken to ensure that gas is not discharged in an area in which it will accumulate and create a hazard. Potential ignition sources must be kept away.

G. Odorization

49 CFR 192.625

1. **Odorant Requirements**

Combustible gas transported through distribution pipeline, must contain an odorant so that it is readily detectable by a person with normal sense of smell at a concentration of one-fifth (1/5) its lower explosive limit in air.

The odorant used must not be harmful to the materials used in the piping system or to people, and must not produce harmful products of combustion.

2. **Sampling for Odorant**

Natural gas is monitored monthly for odorant as required by 49 CFR 192.625.

H. **Patrolling/Surveillance**

49 CFR 192.721

Operators will patrol mains located in places where anticipated physical movement or external loading could cause failure or leakage. Patrolling of these mains will be conducted at least four (4) each year in business districts and twice a year outside business district.

1. **Scope of Surveillance Program**

Each employee responsible for operation or maintenance is to remain attentive to conditions affecting the safety and reliability of the gas system and its components, and is to continually observe for such conditions during the performance of duties.

This surveillance is to include conditions surrounding or adjacent to the system which may lead to hazards.

2. **Specific Surveillance Guidelines**

The continuing surveillance program includes, but is not limited to observation for the following conditions:

- Excavation or construction activities near buried facilities.
- Mains or service lines exposed by soil erosion.
- Evidence of leaking gas from mains or service lines.
- Permanent or mobile dwelling units or other building structures placed or constructed over buried service lines or mains.
- Damaged customer metering facilities.
- Customer metering facilities in need of barricade protection.
- Atmospheric corrosion or rust on customer meters and associated piping.
- Abnormal pressure readings on system gauges.
- Missing locks or ineffective security on bypass valves or other valves, which could cause a system malfunction if operated by, unauthorized personnel.
- Required pipeline markers missing, damaged, or severely faded.
- Rooms, garage, carport or other structures built over a service line or main.

3. Remedial Actions

Any deficiencies must be acknowledged and appropriate remedial action initiated in accordance with the degree of urgency appropriate for the conditions observed.

Serious leaks or other imminent dangers must be given immediate attention, whereas atmospheric corrosion or other conditions not immediately hazardous may be scheduled for timely repair.

4. Surveillance Records

Records shall be maintained of the deficiencies found and the remedial actions taken. Location, date, description, and identity of worker should be included.

I. Leakage Surveys

1. Frequency of Surveys

Leakage surveys must be conducted as often as needed to discover leaks, which could result in a hazard. Leakage survey with leak detector equipment must be conducted in business districts at intervals not exceeding 15 months, but at least once each calendar year. Outside business districts intervals must not exceed 2 calendar years.

Additional surveys are necessary to assure that leaks have not developed following earthquake, major excavations activities, blasting, washout, landslide or ground settlement near gas pipeline facilities.

Additional survey may be required as a result of investigation of a failure as covered in "Investigation of Failures."

2. Method of Performance of Leakage Survey

Leakage survey may be conducted using either the surface or subsurface method.

A surface gas detection survey is a continuous sampling of the atmosphere performed using either portable or mobile equipment. Sampling is conducted at ground level for buried gas facilities and adjacent to above-ground facilities with a gas detector system capable of detecting a concentration of 50 ppm or gas in air at any sampling point.

Subsurface gas detection survey shall consist of testing bar holes with a combustible gas indicator or other instrument capable of detecting 10% or less of the lower explosive limit. The bar holes should penetrate to the depth of the main as close as practical to the main, taking care to avoid damaging the main. The sample should be drawn from near the bottom of each hole, taking care to avoid drawing water into the instrument. The instrument used should be equipped with a device to prevent liquid from being drawn.

Spacing of bar holes may be determined in accordance with the proximity to buildings and underground structures, such as sewers and manholes. In those areas where leaking gas would present the greatest hazard spacing should be closest. In all cases bar hole samples shall be

taken near the service riser at the customer's meter. Areas in which service lines are near sewer lines or building foundations shall be sampled at intervals as close as necessary, but not to exceed 20 feet. Catch basins, manholes, and other underground structures near mains and service lines should be tested near the bottom.

Spacing of bar holes for surveying mains in close proximity to buildings or underground structures should be at intervals of twenty feet (20) or less.

Sewers, catch basins, ditch lines and other low areas in the proximity of mains and services shall be tested for gas as part of any leakage survey.

3. Grading Leaks

Each leak discovered must be graded according to the following:

a. Grade 1 - Hazardous Leak

Any leak that represents an existing or probable hazard to persons or property and requires immediate repair or continuous action until conditions are no longer hazardous is considered a Grade 1 leak. A leak which results in a measurable quantity of gas migrating into any buildings used for human occupancy or concentration of 50% or more of the lower explosive limit in a sewer, manhole, or other underground structure is Grade 1.

b. Grade 2 - Non-hazardous Leak

Any leak that is recognized as being non-hazardous at the time of detection but justifies scheduled repair based on probable future hazard.

Generally an outdoor leak in a main or service line and in which gas is not migrating into or near a building or underground structure is Grade 2. A leak that results in a slight concentration of gas migrating into a sewer, manhole or other underground structure away from any building used for human occupancy may be a Grade 2.

c. Grade 3 - Nuisance Leak

Any leak that is non-hazardous at the time of detection and can be reasonably expected to remain non-hazardous (less severe than a Grade 2.) may be considered to be a Grade 3 leak.

A very small leak, such as a fitting or valve on a meter loop, where the source of the leak is apparent and predictable may be Grade 3.

4. Disposition of Leaks

Any Grade 1 leak must receive immediate action to control the escape of gas or otherwise eliminate likely hazards. Normally the source of gas to the leak will have to be shut off using valves.

A Grade 2 leak may be scheduled for repair in a timely manner. Anticipated cold weather should be considered when scheduling repairs. Freezing ground surface may stop the

ventilation of gas and force migration below ground. Also, interruption of service to customers presents greater hardship in cold weather.

Any Grade 2 leak not repaired within 6 months should be rechecked to assure that it has not become more hazardous.

A Grade 3 leak is not required to be repaired, but must be monitored annually to verify its classification. If the leak becomes severe enough to be classified as Grade 2, it must be scheduled for repair accordingly.

Records must be maintained of each leakage survey to document the areas surveyed and results. Survey dates, description of survey area, addresses of locations of leaks and their grades, type of instruments used, survey method, and names of survey technicians should be included.

5. Leak Records

Records must be kept for all leaks reported to the company or discovered by the company or its employees. Records must be retained for at least five (5) years and must contain address or location, method of detection or receipt of notice, date of detection, date of repair, follow-up surveillance dates, grade and description of cause and method of repair for each leak.

The leak records kept should contain information consistent with the annual reporting requirement of 49 CFR 191.11

J. Line Markers

Line Markers will be placed and maintained as close as practical over each buried main and transmission line except those in Class 3 or Class 4 locations where covered by the City of Augusta damage prevention program.

The markers will contain the words, "Warning," "Caution" or "Danger" followed by the words "Natural Gas Pipeline" along with the name "City of Augusta" and the phone number where the operator can be reached at all times.

K. Service Lines

49 CFR 192.511 and 192.725

1. Installing Service Lines

Each service line must be installed and connected to the main by qualified personnel in accordance with the construction specifications set forth in the appendix of this procedures manual and Operator Qualification Manual H-2.

All materials used must be of good quality and intended for use with natural gas. All pipe and fittings used must be manufactured and tested in accordance with applicable listed specifications.

2. Testing Service Lines

Each new service line must be pressure tested for leaks using air, inert gas, or other suitable test medium prior to being placed into operation. A good quality mechanical or electronic gauge must be used to monitor the test pressure for as long as necessary to discover any potentially hazardous leaks. If feasible the service line connection to the main must be included in the test; if not reasonable, the connection to the main must be leak tested at operating pressure when placed in service. In conducting pressure tests reasonable precautions shall be taken to protect employees and the general public from injury in the event of a failure of the service line or test apparatus.

Each disconnected service line must be tested in the same manner as a new service line from the point of disconnection to the meter valve prior to being put into operation.

Minimum test pressure for steel service lines intended to operate at 1 PSIG or less shall be 10 PSIG for five minutes.

Minimum test pressure for steel service lines intended to operate from 1 PSIG to 40 PSIG shall be 50 PSIG for not less than five minutes.

Minimum test pressure for steel service lines intended to operate from 100 PSIG or over shall be 90 PSIG for not less than five minutes.

Minimum test pressure for steel service lines intended to operate at 100 PSIG or over shall be 1.5 times maximum operating pressure for not less than five minutes.

Minimum test pressure for plastic service line shall be 50 PSIG or 1.5 times maximum operating pressure whichever is greater for five minutes.

Existing service lines not physically disconnected shall be tested at operating pressure for not less than 3 minutes.

3. Operation of Service Lines

Service lines, including customer meters and service regulators, must be included in the continuing surveillance program, corrosion control program, and periodic leakage survey.

4. Maintenance of Service Lines

All repairs to service lines must be made by qualified personnel using approved materials and methods as specified in the repair specifications in the appendix of the procedure.

In the event that gas is escaping from a damaged service line, reasonable precautions shall be taken to prevent accidental ignition and to protect employees and the general public from dangers that may result from oxygen deficiency or ignition of gas.

Each service line abandoned in place must be disconnected from the source of gas as close to the main as possible and the pipe ends sealed.

L. Abandonment or Inactivation of Facilities

49 CFR 192.727

Each pipeline abandoned in place must be disconnected from all sources of gas and purged if the volume of gas contained is sufficient to present a hazard. The open pipe ends are to be sealed in a gas tight and water tight manner using an appropriate mechanical fitting, heat fusion, expanded foam or other effective method.

Whenever service to a customer is discontinued one or more of the following actions must be taken:

- a. The valve that is closed to prevent the flow of gas to the customer must be locked or otherwise prevented from operation by unauthorized persons.
- b. A mechanical device or fitting must be installed in the service line or meter assembly to prevent the flow of gas. A disc installed between the meter inlet and swivel is sufficient for this purpose.
- c. The customers piping must be disconnected from the supply of gas and the open pipe ends sealed.

If a customer is permanently disconnected or is expected to be discontinued for an extended time period, the service line should be disconnected as close to the main as possible to prevent third party damage.

Records should be maintained of inactive facilities to show the locations, dates, methods of isolation from gas, and other information, which will be needed later to properly return to service.

M. Key Valve Maintenance

49 CFR 192.747

Key valves, or critical valves, are the valves needed to shut down the system, or part of the system, in case of an emergency. Key valves must be checked at intervals not exceeding 15 months but at least once each calendar year to ensure that they are operable.

Key valve records are kept in the "Valve Record" binder.

Designated Emergency Valves shall be inspected each calendar year not to exceed 15 months. The inspection shall include the following:

- Verify that the valve location measurements in valve book is correct
- Clean debris from the valve box to make operating the valve easier
- Verify that the type and size of the operating nut or curb valve type matches the listing can be operated with the keys and tool normally carried by gas company personnel
- Verify the Valve box lid is clearly identified with the word "Gas"
- Verify the valve number identification for each valve
- Check the pipeline facilities for atmospheric corrosion

- Partially operate the valve to ensure it is operable
- Lubricate the valve if necessary.

N. Accidental Ignition of Gas

49 CFR 192.751

1. **Scope of the Program**

Steps must be taken to minimize the probability of ignition of gas anytime gas is blowing to atmosphere, and in which ignition would present a danger to the public, personnel, or property.

2. **Specific Precautions to Take**

Whenever a hazardous amount of gas is being discharged into open air the following precautions shall be taken:

1. Avoid discharging natural gas into a confined space.
2. If in an area where public access is likely place barricades, traffic cones, or other controlling devices with suitable warning signs to limit ingress by the public.
3. Remove all apparent sources of ignition from the area of escaping gas. Motor operated equipment, open flame, smoking tobacco, two-way radio equipment, cellular phones and electric switches are all possible ignition sources.
4. Avoid wearing nylon, polyester, or other synthetic clothing while working around escaping gas. Synthetic materials are capable of producing static electricity, particularly when the humidity is low.
5. Test for presence of combustible gas in excavations before entering. Avoid entering if combustible gas is present at a concentration greater than 20% of the lower explosive limit (LEL). Use mechanical blowers if necessary to maintain less than 20% LEL when working in excavation.
6. Do not perform cutting, welding, heat fusion or other mechanical operations on mains containing gas-air mixtures. Mains must contain 100% gas or 100% air (or inert gas) when construction or maintenance work is performed.
7. Whenever separating metallic pipe such as at a customer's meter loop, place an electrical bond wire around the area of separation to maintain electrical continuity and eliminate sparking.
8. Whenever gas is discharging from plastic pipe special precautions shall be taken to prevent static discharge and spontaneous ignition.

3. **Special Precautions for Polyethylene Pipe**

Gas flowing at high velocity through polyethylene pipe may create a static electric charge on the wall of the pipe and on any particles of foreign material carried in the gas stream. This can cause ignition of the flowing gas to occur spontaneously. There are certain precautions that can be taken to minimize this probability of occurrence.

- A. When a plastic main or service line is punctured and must be squeezed to stop the flow of gas the squeezing should be done from a second hole a safe distance from the escaping gas.
- B. Wet cloth, cotton, canvas, burlap, or other natural fabric should be wrapped around the damaged or open pipe near the point of discharge. The wet fabric must contact the ground and the ground must be damp or wet. Liquid detergent should be mixed with the water used to wet the rags.
- C. A metal pipe should be used as the final discharge stack for purging or otherwise blowing gas to atmosphere. The metal pipe must be electrically grounded using a stranded copper wire and ground rod. The polyethylene pipe exposed preceding the transition to the metal pipe should be wrapped with wet fabric as stated in (b).

O. Corrosion Protection

49 CFR 192 Subpart I

Each buried or submerged pipeline installed before August 1, 1971, must be cathodically protected in areas in which active corrosion is found:

- 1) Bare or coated pipes at regulator and measuring stations.
- 2) Bare or coated distribution lines.

Each buried or submerged pipeline installed after July 31, 1971, must be protected against external corrosion, including the following:

1. External Corrosion Control, Buried Piping

Each pipeline that is under cathodic protection must be tested at least once each calendar year, at intervals not to exceed 15 months. Isolated short sections of cathodically protected piping, such as on service risers may be tested on a sampling basis if annual testing is not practical. At least 10% must be sampled each year distributed over the entire system, with a different 10% each subsequent year such that the entire system is sampled in a ten-year period.

2. External protective coating for buried pipelines.

- a. Each external protective coating, whether conductive or insulating, applied for the purpose of external corrosion control must:
 - (1) Be applied on a properly prepared surface;
 - (2) Have sufficient adhesion to the metal surface to effectively resist under film migration of moisture;
 - (3) Be sufficiently ductile to resist cracking;
 - (4) Have sufficient strength to resist damage due to handling and soil stress;
 - (5) Have properties compatible with any supplemental cathodic protection.
- b. Each external protective coating which is an electrically insulating type must also have low moisture absorption and high electrical resistance.
- c. Each external protective coating must be inspected just prior to lowering the pipe into the ditch and backfilling, and any damage detrimental to effective corrosion control must be repaired.

- d. Each external protective coating must be protected from damage resulting from adverse ditch conditions or damage from supporting blocks.
- e. If coated pipe is installed by boring, driving, or other similar method, precautions must be taken to minimize damage to the coating during installation.
- f. Good construction practice must result in average coating resistance values of 300,000 ohms square foot and greater upon completion of installation. The quality of the coating (average-resistance-value) can be calculated using the following formulas: $R_{ave} = R_{vg} \times \text{surface area of structure}$.

3. Cathodic Protection

It must have a cathodic protection system designed to protect the pipeline in its entirety from external corrosion and this system must be installed and placed in operation within one year after completion of construction. The cathodic protection system must meet one of the five criteria established by NACE Standard RP-01-69 and found on page 632 of Pipeline Safety Regulations revised as of October 1, 1990.

a. Discussion of City of Augusta: system

- o Cathodically Protected Coated steel Pipe approximately 19 miles with 374 customers
- o Plastic Pipe approximately 12 miles with 179 customers.
- o Approximately 550 total customers.

A negative cathodic voltage of at least 0.85 volts has been chosen for the system protection. It also must be realized that these criteria may be used in conjunction or combination with the other recognized criteria to fully protect City of Augusta's investment. Circumstances could dictate that other criteria be evaluated for troublesome sections of the distribution system.

b. Corrosion Control Criteria

- (1) A negative (cathodic) voltage of at least 0.85 volts, with reference to a saturated copper-copper sulfate half-cell. Determination of this voltage is to be made with protective current applied. In the case of a steel structure, an acceptable degree of protection is obtained when at least a -0.85 volts potential difference exists between the structure and copper-copper sulfate reference electrode contacting the soil directly above or adjacent to the pipeline structure, with the pipeline being negative to the reference electrode. This criteria was developed from the fact that most anodic potential found in corroding steel was negative -0.80 volts. Therefore, the assumption that if sufficient current is applied to raise the potential of the cathodic areas up to or above the open circuit potential of the most anodic areas, then the effects of corrosion will be mitigated. A potential of -0.85 volts with respect to a copper-copper sulfate reference electrode was adopted. This allows -0.05 volts for potential drop between soil and pipe surface. More negative potentials than -0.85 volts can be maintained at all test points, which would insure a greater degree of protection between test points. Care has to be exercised to insure that the polarized potential of the pipeline does not reach values at which paint coating damage could

occur due to hydrogen evolution at the surface of the pipeline.

- (2) A minimum negative (cathodic) voltage shift of 300 millivolts, produced by the application of protective current. The voltage shift is measured between the structure surface and a stable reference electrode contacting the electrolyte. Determination of this voltage shift must be made with the protective current applied. Voltage (IR) drops other than those across the structure-electrolyte boundary must be considered for valid interpretation. Negative (cathodic) voltage must be measured between the structure surface and a saturated copper-copper sulfate half-cell contacting and electrolyte.
 - (3) A minimum negative (cathodic) polarized voltage of 100 millivolts measured between the structure surface and a stable reference electrode contacting the electrolyte. This polarization voltage shift is to be determined by interrupting the protective current and measuring the polarization decay. When the current is initially interrupted, an immediate voltage shift will occur. The voltage reading after the immediate shift shall be used as the base reading from which to measure polarization decay. The copper-copper sulfate half-cell shall be used to measure the cathodic voltage as above.
 - (4) A structure-to-electrolyte voltage at least as negative (cathodic) as that originally established at the beginning of the Tafel segment of the E log I curve. This structure-to-electrode voltage shall be measured between the structure surface and a stable reference electrode contacting the electrolyte at the same location where voltage measurements were taken to obtain the E log I curve.
- c. External Corrosion control: Monitoring
- a) Each pipe line that is under cathodic protection shall be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the criteria established for that section of the system.
 - b) Remedial action shall be taken to correct any deficiencies indicated by the monitoring.
- d. External corrosion control: Test Stations
- a) Test stations or contact points will be established or constructed so as to allow adequate monitoring of the cathodic protection.
 - b) Each test lead wire will be attached to the pipeline by the thermo-weld (cad weld) process to insure that it is secure and electronically conductive.
 - c) Each bared test lead wire and bared metallic area at point of connection with the pipeline shall be repaired in accordance with the standard procedures established by the City of Augusta and attached hereto.
- e. External Corrosion Control: Examination of buried pipeline when exposed.
- a) Whenever City of Augusta becomes aware that any portion of a buried pipeline is exposed, the exposed portions shall be examined for evidence of external corrosion if the pipe is bare, or if the coating is deteriorated or damaged. If external corrosion is found, remedial action must be taken to the extent required by 192.483 or 192.487.

4. Atmospheric corrosion control: General

- a. Each above ground pipeline that is exposed to the atmosphere must be cleaned and coated with paint for the protection of atmospheric corrosion.
- b. Each pipeline that is exposed to the atmosphere must be re-evaluated at intervals not exceeding 3 years. Remedial measures will be taken to maintain protection against atmospheric corrosion. Inspection forms are attached to this section.
- c) Exposed metallic pipe site locations are attached to this section.

5. Remedial measures: General

- a. Each segment of metallic pipe that replaces pipe removed from a buried or submerged pipeline because of external corrosion must have a properly prepared surface and must be provided with an external protective coating that meets the requirement of section A of this policy.
- b. Each segment of metallic pipe that replaces pipe removed from a buried or submerged pipeline because of external corrosion must be cathodically protected.
- c. Each segment of buried or submerged pipe that is required to be repaired because of external corrosion must be cathodically protected.

6. Remedial measures: Distribution lines.

- a. General Corrosion: Each segment of generally corroded distribution line pipe with a remaining wall thickness less than 30 percent of the nominal wall thickness must be replaced. If the area of general corrosion is small, the corroded pipe may be repaired. Corrosion pitting so closely grouped as to affect the overall strength of the pipe is considered general corrosion pitting.
- b. Localized corrosion pitting.
- c. Each segment of distribution line pipe with localized corrosion pitting to a degree where leakage might result must be replaced or repaired.

PIPE SIZE	WALL THICKNESS 70%		MAXIMUM CORROSION OR PITTING DEPTH ALLOWABLE
¾	0.113	0.079	0.034
1	0.133	0.093	0.040
1 ¼	0.140	0.098	0.042
1 ½	0.145	0.102	0.044
2	0.154	0.107	0.046
4	0.188	0.132	0.056
6	0.188	0.132	0.056
8	0.250	0.175	0.075

7. Pipe Inspection

The gas delivered to City of Augusta is considered non-corrosive. However, when any pipe is removed from a pipeline for any reason, the internal surface must be inspected for evidence of internal corrosion. If internal corrosion is found:

- a. The adjacent pipe must be investigated to determine the extent of internal corrosion.
- b. Each segment of generally corroded pipe with a remaining wall thickness less than the required for the MAOP of the pipeline, or a remaining wall thickness less than 30 percent of the nominal wall thickness, must be replaced.
- c. Steps must be taken to minimize the internal corrosion.

8. Foreign Structures

Do not allow any foreign structures (pipelines, cables, etc.) to come in contact with piping, unless they are electrically interconnected and cathodically protected as a single unit. If an interference bond is installed, it must be electrically checked for proper performance six times each calendar year, but with intervals not exceeding 2 ½ months.

9. Interference Currents.

All corrosion control personnel should be alert to electrical or visual indications of cathodic protection interference currents from foreign structures. Some indicators are:

- a. unusually high negative pipe-to-soil potentials;
- b. unusually low negative or positive pipe-to-soil potentials;
- c. depressed or lowered negative pipe-to-soil potentials adjacent to or at a foreign structure crossing or insulator;
- d. evidence of localized corrosion pitting adjacent to or at a structure crossing or insulator;
- e. knowledge of a rectifier type cathodic protection system on a structure which is adjacent to or crosses or parallels a Company pipeline;
- f. changes in the line current magnitude or direction caused by the foreign DC source; and
- g. damage to external coatings in a localized area near an anode bed or near any other source of stray direct current.

When cathodic protection interference currents are suspected on a pipeline, tests shall be made to verify their existence, identify their source and determine if they are causing detrimental effects.

10. Corrosion Control Records.

Each of the following records must be retained for as long as the pipeline remains in service:

- a. Record of each test, survey, or inspection required by this subpart, in sufficient detail to demonstrate the adequacy of corrosion control measures or that a corrosive condition does not exist.

11. Internal Corrosion Control

49 CFR 192.475 & 192.477

Corrosive gas will not be transported.

- a. Whenever pipe is removed from a pipeline, the internal surface must be visually inspected for evidence of corrosion. If evidence of internal corrosion is found, further investigation of adjacent pipe must be conducted to determine the extent of the corrosion.
- b. If the remaining wall thickness is inadequate for the required maximum allowable operating pressure, the segment of pipe must be repaired or replaced, or the operating pressure reduced. A form of these inspections shall be maintained on file for the life of the pipeline segment.
- c. If it is determined that a pipeline segment is subject to internal corrosion, remedial measures shall be taken to mitigate the corrosion and methods taken to monitor the effectiveness of these measures. Remedial measures may include the use of inhibitors and biocides through batch treatment or continuous injection; and monitoring methods may include the use of coupons, resistance probes, analysis of liquid samples, or other means. Monitoring shall be performed at least twice each calendar year at intervals not exceeding 7-½ months.
- d. On all new and replaced pipelines and facilities, Augusta shall, where feasible, design and construct the facilities to reduce the risk of internal corrosion. Measures to be considered include:
 - Configuring the pipeline to reduce the risk that liquids will collect in the line;
 - Incorporating effective liquid removal features whenever the pipeline Configuration would allow liquids to collect; and
 - Allowing the use of devices for monitoring internal corrosion at locations with significant potential for internal corrosion.

Augusta must maintain records, such as as-built drawings or construction files, demonstrating compliance with this section or justifying why compliance is impractical or unnecessary.

P. Construction and Leak Repair

All construction and repair of gas carrying facilities in the gas distribution system must comply with the requirements of 49 CFR Part 192. This section contains a summary of construction and maintenance requirements for polyethylene systems that will help to ensure compliance with these regulations.

I. Qualification of Materials

All pipe, fittings, valves, and other components which carry gas under pressure must be chemically compatible with the gas being transported and must be designed to withstand the stresses which result from the intended operation.

All plastic pipe which carries gas must be polyethylene and must be manufactured in accordance with specification ASTM D2513. Pipe qualified under this specification must be marked at intervals of two (2) feet (or less) showing ASTM D2513, brand name, material grade, nominal

size, wall thickness or SDR, and other batch identification. Polyethylene grades PE 2406 and PE 3408 are acceptable grades. The grade designation will normally be followed by a three-letter suffix that indicates an elevated temperature, its corresponding strength, and the melt index for the material.

Minimum wall thickness should correspond with the following table for polyethylene pipe: (all dimensions in inches)

1/2"	CTS	0.625 O.D.	.090	SDR 7
1/2"	IPS	0.840 O.D.	.090	SDR 9.3
3/4"	IPS	1.050 O.D.	.095	SDR 11
1"	CTS	1.125 O.D.	.099	SDR 11.5
1 1/4"	IPS	1.660 O.D.	.166	SDR 10
2"	IPS	2.375 O.D.	.216	SDR 11

Each heat fusion fitting for polyethylene must be made of a grade of polyethylene compatible with the pipe used. A qualified written procedure must be available for joining the fitting to the pipe.

Each plastic mechanical fitting used to join polyethylene pipe to polyethylene pipe must be made of a grade of a plastic material compatible with the gas being transported. An internal stiffener must be used to reinforce each pipe end, and must be the proper diameter for the size and wall thickness of the pipe. Gasket or compression ring material must be suitable for use with the natural gas.

Metal-bodied fittings are not desirable for joining polyethylene to polyethylene pipe below ground due to the need for cathodic protection and corrosion control surveillance.

Metal bodied transition fittings may be used to join polyethylene pipe to cathodically protected steel pipe below ground, or to steel pipe above ground. Each fitting must have a properly designed stiffener and gasket or compression ring material must be suitable for use with natural gas.

Qualified written procedures must be available for all mechanical fittings used with polyethylene pipe.

All steel pipe used at meter loops must be of a listed API or ASTM specification and must be schedule 40 or heavier wall thickness.

All fittings used at meter loops must be marked to show brand name or trademark and must be malleable iron or steel. Fittings must be designed for at least 150 PSIG working pressure and be of standard dimensions.

Meter valves must be tamper proof, such that the core is not easily removed with ordinary hand tools. Marking must include brand or trade name, pressure rating, "G" or other designation for gas and "T" or other designation for tamper proof construction.

II. Qualification of Personnel

All personnel engaged in the construction and repair of mains and service lines must be qualified as outlined in the City of Augusta's Operator Qualification Plan.

Each person who will be making a joint on polyethylene pipe, whether polyethylene to polyethylene or polyethylene to steel, must be certified in the use of the qualified written procedure for the joint being made. All provisions of 49 CFR 192.285 will be followed.

Welding on steel piping must be performed by a qualified welder in accordance with welding procedures qualified under section 5 of API 1104 incorporated by reference in 49 CFR Part 192.7.

III. Planning Construction of Mains

Prior to start of construction a comprehensive plan should be made. Limits of public right-of-way or easements and locations of other utilities, which may affect the proposed construction, need to be determined. The location selected for the proposed main must take interference with other utilities and other conflicts into consideration. Affected property owners and other utilities should be advised of proposed construction. Application should be made for state and local permits when required.

The proposed main shall be designed of proper size to supply present and anticipated future demand. The maximum allowable operating pressure for polyethylene mains carrying natural gas may not exceed 60 PSIG.

IV. Installation of Mains

Distribution gas mains must be installed with 24-inch minimum cover. Where an underground structure prevents having 24-inch cover other precautions must be taken to protect the main against damage from anticipated external load or dig-in. Where feasible, a minimum of 12 inches shall be maintained between a main and other underground structure or pipeline.

Polyethylene mains may not be installed above ground unless fully encased in a steel pipe.

Polyethylene mains must be installed resting on well-compacted soil free of foreign objects or sharp rocks that may gouge or puncture the wall of the pipe. Backfill material must be free of sharp rocks or other material that may damage the pipe. If necessary sand backfill shall be compacted 6" minimum in each direction above, below, and beside the pipe to provide a cushion against damaging materials.

Polyethylene pipe must be transported and handled with care to avoid damage. Each section of pipe shall be visually inspected before being lowered into the trench. Any cuts or gouges that are 10% or more of the wall thickness in depth shall be repaired by removal of a section of pipe containing the damage.

Polyethylene pipe must not be stored for extended periods in direct sunlight. The pipe manufacturers' guidelines should be followed.

A tracer wire must be installed with polyethylene pipe. Solid or stranded copper wire, number 12 AWG or larger, insulated with plastic or rubber is recommended. The tracer wire should be electrically continuous with the tracer wire for each service line to provide accessibility for line locating. To the extent practical, physical contact between the tracer wire and main should be avoided to minimize potential damage from lightning.

As additional protection against third-party damage, installation of warning tape approximately 12 inches below the surface and directly above ground is recommended.

V. Inspection of Mains

Each main installed must be inspected by a properly trained and qualified person prior to being put into operation. This inspection is to ensure proper installation and joining and shall include the following:

- a. Credentials of each person making joints in polyethylene pipe must be verified to be current for the procedures being performed.
- b. All joints must be visually inspected for compliance with qualified written installation.
- c. The condition of the bottom of the ditch shall be checked to assure the pipe is resting on smooth and well-compacted soil, free of materials which may damage the pipe.
- d. The tracer wire must be examined to ensure continuity and accessibility after backfill.
- e. Depth of burial shall be checked.
- f. Surface of pipe shall be visually inspected for damage. Any pipe containing cuts or scratches penetrating 10% or more into the pipe wall must be cut out and replaced.
- g. Marking on pipe and fittings must be checked to verify compliance with material specifications.
- h. Backfill material must be checked for metal, sharp rocks, building scraps, or other materials that may damage the pipe surface.

VI. Testing Mains

Each main or section of polyethylene main must be tested to at least 150% of the maximum operating pressure, but not less than 50 PSIG before being placed into operation. Air, carbon dioxide, or nitrogen are acceptable test mediums. The test must be left on long enough to discover any potentially hazardous leaks. The final tie-in to an existing main may be leak tested at operating pressure with gas.

Any leaks discovered must be repaired.

VII. Main Records

Records must be retained for the useful life of each main to include at least the following:

- a. The name of the company operating the main.
- b. Test results including pressure, duration and medium used.
- c. Leaks or failures discovered during test and remedial action taken.
- d. Size, wall thickness, material designation, brand.
- e. Location of main and depth of burial.
- f. Date of installation.
- g. Name of contractor used for installation and testing.
- h. Name of employee inspecting or supervising installation.
- i. Any other information deemed appropriate.

VIII. Service Line Installations

Service lines must be installed with a minimum of 18 inches cover in public right-of-way and 12 inches cover in private property.

Polyethylene service lines must be installed on well-compacted soil free of foreign material or sharp rocks that may gouge or damage the wall of the pipe. Backfill material must be free of sharp rocks or other material that may damage the wall of the pipe. If necessary, sand backfill shall be compacted in each direction above, below, and beside the service line for protection.

Polyethylene pipe must be handled and transported with care to avoid damage. Each section shall be inspected before installation for evidence of deep scratches, cuts, or gouges which penetrate 10% or more of the wall thickness. Damaged pipe shall not be installed.

Polyethylene service pipe shall not be stored or exposed to direct sunlight for extended time periods.

A tracer wire must be installed with polyethylene service lines. Solid or stranded copper wire; number 12 AWG or larger, rubber or plastic insulated may be used. The tracer wire should be electrically connected with the tracer wire at the main, and should be brought above ground at the meter riser. Physical contact between the tracer wire and the service line should be avoided to minimize potential damage from lightning.

Connection to the main may be made using approved mechanical fittings or heat fusion fittings. A person certified to be qualified in the use of the procedure must follow qualified written procedures.

Polyethylene pipe must be shielded from exposure to sunlight or physical force when brought above ground. Anodeless risers or service head adaptors that encase the polyethylene pipe to an above ground transition may be used at meters.

Underground connections between service lines and mains or other fittings may be protected against shearing force from ground settlement with a sleeve of larger rigid plastic pipe. This sleeve may be any commercial grade of plastic.

Meter locations, meter supports, barricading, pressure testing, and recordkeeping shall be completed in accordance with information included in "Customer Meters and Regulators" and "Service Lines."

IX. Repairs to Mains and Service Lines

All repairs to polyethylene mains and service shall be made by removal and replacement of the damaged pipe. As with initial installation only approved mechanical or heat fusion fittings may be used by qualified personnel in accordance with qualified written procedures.

All applicable precautions shall be taken to ensure safety to the public and personnel.

Q. Construction Records, Maps and Operating History

The operator will keep and maintain construction records, maps and operating history of the natural gas system readily available to operating personnel.

R. Distribution Line Valves

The City of Augusta does not have a high pressure distribution system.

S. Gathering of Data Needed for Reporting Incidents

49 CFR 191

At the earliest practicable moment following discovery, each operator must give notice to the National Response Center either by telephone to 800-424-8802 (in Washington, DC, 202 267-2675) or electronically at <http://www.nrc.uscg.mil> and must include the following information:

- (1) Names of operator and person making report and their telephone numbers.
- (2) The location of the incident.
- (3) The time of the incident.
- (4) The number of fatalities and personal injuries, if any.
- (5) All other significant facts that are known by the operator that are relevant to the cause of the incident or extent of the damages.

T. Starting Up and Shutting Down any Part of the Pipeline

49 CFR 192.605

The start up or shut down of an Augusta Gas pipeline must be done in a manner designed to assure operation within the Maximum Allowable Operating Pressure (MAOP) plus the build-up allowed for operation of pressure-limiting and control devices.

Start up:

A new pipeline or segment of pipeline shall not be placed into service until the MAOP has been determined in accordance with the provisions in this section. Confirm that the pipeline is ready for startup by ensuring that all associated pipeline activity (i.e., construction or maintenance) is complete. Confirm with all personnel involved in pipeline start up (i.e. operators, field and plant maintenance, downstream customers, etc.) that all associated pipeline valves are in the required start up positions. Check last maintenance record and verify set points of pressure limiting equipment and relief valves. When placing the line in service, monitor pressures in sufficient locations to assure equipment is operating properly and within MAOP plus the build-up allowed for operation of such devices.

Once flow has been established, continue to monitor all applicable pressures and temperatures until normal operation is confirmed to ensure that the pipeline and the facility's MAOP is not exceeded.

Update maps and other operating records as appropriate.

Shut down:

Communicate to the necessary Augusta gas personnel that pipeline shutdown is about to begin.

Assure that removal of a section of pipeline will not create an overpressure condition on adjoining pipelines. Begin isolation procedures to prevent the possibility of accidental ignition when shutting down pipeline by:

1. Removing ignition sources in area of blow-down.
2. Posting warning signs as necessary.
3. Completing the purge of gas from pipeline to avoid combustible gas-air mixture.

Use gas detector to assure that a hazardous atmosphere is not present.

Update maps and other operating records as appropriate.

U. Excess Flow Valve (EFV) Installation

49 CFR 192.383

Beginning September 15, 2010, the City of Augusta will install excess flow valves on all new single residence service lines operating at or over 10 PSIG. The valves will be installed at the City of Augusta's expense. They will be installed according to 49 CFR Part 192, and the manufacturer's installation instructions.

On July 9, 2018, existing Augusta gas customers were mailed notification that Excess Flow Valves (EFV) are being made available to existing customers and installed for a fee. The notice included a contact number to call if interested.

V. Test Requirements

49 CFR 192.503, 192.505, 192.507, 192.509, 192.511 and 192.513

Each main or section of polyethylene main must be tested to at least 150% of the maximum operating pressure, but not less than 50 PSIG before being placed into operation. Air, carbon dioxide, or nitrogen are acceptable test mediums. The test must be left on long enough to discover any potentially hazardous leaks. The final tie-in to an existing main may be leak tested at operating pressure with gas.

Any leaks discovered must be repaired.

TESTING PROCEDURE FOR LOW PRESSURE HOUSE PIPING

POLICY:

Although gas service technicians may not do the actual testing, they are responsible for supervising and setting the limits for this testing by plumbers and other installers.

Among the kinds of tests which are performed on house piping, that is, piping from the meter to the appliance, are:

- Testing new or partially replaced low pressure house piping.
- Testing existing low pressure house piping.

PROCEDURE I:

Testing Procedures for New or Partially Replaced Low Pressure Piping

The following procedures should be observed when testing new or partially replaced house piping with an operating pressure below 1 PSIG. (Base pressure measured to a customer is usually below ½ PSIG.)

1. Close all manual shutoff valves ahead of appliances, or disconnect and cap outlet.
2. Connect the testing instrument to the inlet of the piping to be tested. Acceptable testing instruments include a properly calibrated gauge, a mercury manometer, or a slope gauge which will read in increments of not greater than one-tenth psig.

3. Using air, pressurize the house line to at least 6.0 inches mercury or 3.0 psig pressure. The piping may also be filled with fuel gas or inert gas but NO OTHER gas or liquid. OXYGEN SHALL NEVER BE USED!
4. The source of pressure shall be isolated before pressure observations are made.
5. This test shall be maintained for a minimum of 10 minutes with no drop in pressure.
6. Loosen gauge and reduce pressure to "zero" on the piping.
7. Open shutoff valves to all connected appliance.
8. Turn off all pilot and main burner valves on appliances.
NOTE: If pilot or main burner valves are not part of the appliance, then proceed with soap testing of the section of the house piping from the shut off valve to the appliance under system operating pressure.
9. Close gauge opening and pressurize the house piping to no less than 10.0 inches nor more than 14.0 inches water column.
10. The source of pressure shall be isolated before pressure observations are made.
11. Maintain this pressure for a minimum of 10 minutes without showing any drop in pressure. This pressure shall be measured by an acceptable test instrument described in Step 2.
12. Remove pressure and test instrument from piping.
13. Reconnect all piping and the meter.
14. When meter is installed and gas pressure applied, test all exposed joints on meter setting with a soap-and-water or leak-detecting solution. NEVER USE AN OPEN FLAME.
15. Purge piping of any possible air. Note: DO NOT PURGE INTO ANY CLOSED AREA OR COMBUSTION CHAMBER.
16. Record test results for verification on company ticket or work order.
17. Handle any leak in accordance with company policy and procedures.
18. Repeat tests when leaks have been repaired.

PROCEDURE II:

Testing Procedures for Existing Low Pressure House Piping

The following procedures should be observed when testing existing low pressure house piping with an operating pressure below 1 psig.

1. Remove meter from the meter loop.
2. Connect the test instrument to the inlet of the piping to be tested.
3. Turn off all pilot and main burner valves on appliances. Cap all outlets.
4. Close gauge opening and pressurize the house piping to not less than 10.0 inches water column nor more than 14.0 inches water column.
5. The source of pressure shall be isolated before pressure observations are made.
6. Maintain this pressure for a minimum of ten minutes without showing any drop in pressure. This pressure shall be measured by the proper test instrument.
7. Remove pressure from piping and remove test instrument.
8. When meter is installed and gas pressure applied, soap all exposed joints with a soap-and-water solution. (NEVER USE AN OPEN FLAME.)
9. Test results must be recorded for verification.

10. Any leak shall be handled in accordance with your company's policy and procedure and test repeated.

PROCEDURE III:

TEST HOUSE LINES FOR LEAKAGE BY THE METER DIAL TEST METHOD

House lines may be tested for leakage using the meter dial test method if the meter is low pressure with a rated capacity of less than 1000 cu. ft./hr. at 1/2" W.C. differential. This test shall be made as follows:

- a. Immediately prior to the test, determine that the meter is in operating condition. This can be done by turning on a small gas burner and observing if there is a movement of the test dial. Also, check to see if the meter has been bypassed. A bubble test shall be made around the meter connections and exposed meter setting fittings. Any leakage discovered at any of these points shall be repaired.
- b. Make sure that all appliances are turned off including pilots.
- c. Check for leakage by watching the test dial of the meter to determine whether gas is passing through the meter. This observation shall be made with the test hand on the upstroke. To assist in observing any movement of the test hand, mark the dial glass directly over the center line of the hand as soon as the gas is turned on.
- d. Allow 5 minutes for a one-quarter or one-half foot dial, 7 minutes for a one foot dial, 10 minutes for a two foot dial, and 20 minutes for a five foot dial in checking gas flow due to possible leakage.
- e. If observation of the test hand during the specified period of time reveals no movement, no leakage is indicated.
- f. If the meter test hand moves, all appliances or outlets supplied through the system shall be examined to determine that no leak through is occurring.
- g. After the house piping test is satisfactorily completed, all appliance connections and internal appliance gas piping which were not exposed to the meter dial test shall be tested for leakage by a bubble test or leak detector test.
- h. If an appliance is moved, to perform a test or during a test, the appliance connection shall be tested, with a leakage detector, after the appliance has been put back into place and gas has been restored.

TESTING OF DISTRIBUTION PIPING

- a. If repair is made by cutting out a portion of the pipe and replacing it with another section of pipe, the replacement section of pipe shall be tested to the pressure required for a new pipeline or main installed in the same location.
- b. All other repairs shall be visually inspected and leak tested at operating pressure.
- c. Each disconnected service line must be tested in the same manner as a new service line, before being reinstated. Each service line temporarily disconnected from the main must be tested from the point of disconnection to the service line valve in the same manner as a new service line, before reconnecting. However, if provisions are made to maintain continuous service,

such as installation of a bypass, any part of the original service line used to maintain continuous service need not be tested.

W. Upgrading

The City's system does not contemplate upgrading.

X. Inspection of Regulating Stations

49 CFR 192.739 and 192.743

1. Pressure Regulators

Each pressure regulator used for pressure reduction or for pressure limiting should be inspected once each calendar year not to exceed 15 months.

The inspection will ensure that each regulator is in good working order, controls at its set pressure, operates or strokes smoothly and shuts off within the expected and accepted limits.

2. Additional Inspections

A visual inspection shall be conducted to assure that building, fences, storm drainage and exposed piping and equipment are in acceptable condition. All exposed piping and equipment should be visually inspected for evidenced of atmospheric corrosion. An inspection or test of stop valves should be made to ensure that the valves will operate and are correctly positioned.

Y. Testing of Relief Devices at Regulating Stations

49 CFR 192.739 and 192.743

Each relief valve and other overprotection devices will be inspected at least once each calendar year not to exceed 15 months.

The inspection shall include but is not limited to:

- Adequate from the standpoint of capacity and reliability
- Checking the set-point pressure, inspecting the relief valve
- Inspecting the relief valve, branch piping and stack to ascertain they are in good mechanical condition
- Check for evidence of tampering
- Check for signs of atmospheric corrosion.
- Ensure plugs are in the test connectors.

REGULATOR AND RELIEF VALVE

A record of each regulator and relief valve installation, including data as to maintenance and operations performed, shall be maintained. Regulators and relief valves shall be inspected at intervals not exceeding 15 months, but at least once each calendar year. These inspections and tests will be performed to determine the equipment is:

1. In good mechanical condition;
2. Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;
3. Set to control or relieve at the correct pressure consistent with the pressure limits of 49 CFR Part 192.201(a); and
4. Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

District Regulators and Relief Valves.

1. Check operation of regulators and adjust for proper operation and pressure in fall and spring.
2. Complete overhaul at least once every three (3) years.
3. Pressure relief devices must have sufficient capacity to protect the facilities to which they are connected. This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year. If a relief device is of insufficient capacity, a new or additional device must be installed to provide the capacity required.

Recording gauges.

1. Charts removed from recording gauges shall be promptly reviewed, and any variation in pressure shall be investigated and corrected. Pressure charts shall be retained for a minimum of 2 years.
2. All recording gauges shall be calibrated annually. Recording gauges shall be tested against a deadweight gauge/tester or an electronic testing/calibration device. A record of the calibration shall be maintained.

Industrial and commercial regulators and relief valves.

1. These regulators and relief valves are located on customer's premises and usually part of the meter set. A check for proper delivery pressure and operation of the regulator and/or relief valve shall be made when the meter is changed or tested on site.

Z. Cast Iron Pipe

The City's system does not contain any cast iron pipe.

AA. Transmission Line Valves

The City's system does not include any Transmission Lines.

BB. Damage Prevention

49 CFR 192.614

The City of Augusta will meet the requirements of 192.614 through participation in the states 811 one call system and their Public Awareness Plan.

CC. Safety-Related Conditions

The City of Augusta will take adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas, and, making available when needed at the

excavation, emergency rescue equipment, including a breathing apparatus and, a rescue harness and line.

To protect personnel or warn of unsafe vapors, an O² monitor will be used to detect before using rescue equipment.

Customer Notification

City of Augusta Gas is committed to ensuring that the Natural gas lines to your home or business remain safe and reliable. City of Augusta Gas owns, operates and maintains the Natural gas pipeline and facilities leading up to and including the meter of all residential and commercial customers. This maintenance includes regular inspections to ensure no leaks are present and the lines are in good condition.

You own and are responsible for all buried and above ground natural gas piping on your property that runs from the meter to the structure and other outside gas appliances as well as all piping within the structure. This is referred to as "customer piping" and must be maintained by you, the customer. If the customer piping is not properly maintained, corrosion and leaks can occur creating a hazardous condition.

To keep your home or business safe, you should monitor and properly maintain the natural gas lines that you own. Your customer piping should periodically be inspected for leaks. If the piping is metallic, it should also be inspected for corrosion. A licensed plumber or qualified technician can assist you with the inspection and maintenance of your customer piping. Any unsafe condition that is discovered should be repaired immediately.

If excavation is required, remember to call 811, the national call-before-you-dig number, to ensure that buried lines are located and marked prior to digging. When excavation is near a buried pipeline, the excavator is required to hand dig to avoid damage to the underground piping.

City of Augusta Gas is committed to the safe and reliable delivery of natural gas to your home or business. Please feel free to call City of Augusta Gas if you have any questions or need any additional information concerning your customer piping.

Contact: City of Augusta Gas 606-756-2183

NOTICE TO CUSTOMERS
NEW PROVISIONS RELATED TO THE
CALL-BEFORE-YOU-DIG REQUIREMENT

Because you receive natural gas service, you likely have underground natural gas lines at your place of residence or business. Damage to natural gas lines from excavation work can lead to explosion or fire and can cause property damage, serious injuries or death.

Beginning July 14, 2018, the Kentucky Public Service Commission ("PSC") will begin investigating instances of excavation damage to underground natural gas pipelines to determine whether the pipeline was properly located prior to excavation. Under changes to the Underground Facility Damage Prevention Act of 1994 (the "Act"), which take effect on July 14, 2018, the PSC will have the authority to levy fines for failing to comply with the requirements of the Kentucky statute related to protection of underground utilities.

Key requirements of the Act (KRS 367.4901 to KRS 367.4917) include:

Excavators, including property owners working on their own property, must call the 811 one-call center at least two working days prior to the start of excavation. **IF YOU FAIL TO CALL 811 AND THEN DAMAGE A NATURAL GAS LINE, YOU WILL BE SUBJECT TO A PENALTY.**

The requirement to call 811 applies to all work on private property if it occurs within a utility easement or uses mechanized equipment.

Natural gas operators must mark the facilities within two working days of receiving the request.

Penalties for violating the statute are up to \$1,250 for the first violation, \$2,000 for a second violation, and \$4,000 for subsequent violations.

CALL 811 BEFORE YOU DIG AND MAKE SURE THAT ANYONE DOING EXCAVATION ON YOUR BEHALF CALLS 811 TWO WORKING DAYS BEFORE THEY START.

Excess Flow Valves

An excess flow valve (EFV) is a device CITY OF AUGUSTA can install on the natural gas service line, which is the underground gas line that runs from the gas main to the customer's meter. If your service line is damaged and broken, an EFV will automatically shut off the flow of natural gas. This will prevent natural gas from escaping from the damaged section of the service line and reduce the chances of an accidental ignition.

Eligibility

You may already have an EFV installed on your existing natural gas service line; those customers who do not have an EFV on their natural gas service line may be eligible to have one installed for a fee. Most residential and small commercial customers will be eligible (some services may not be eligible due to operational conditions). If you are interested or wish to find out if you already have an EFV on your natural gas service line, please contact City of Augusta. You can reach a representative during regular business hours by phone at 606-756-2183.

Safety

An EFV is designed to shut off the flow of natural gas if a service line is inadvertently dug into by a home owner or other individual during excavation. Restricting the gas flow after a gas service line is damaged may decrease the potential for property damage and/or injury.

Cost

The cost of installing the EFV will be at the expense of the customer. The average installation cost is estimated to be between \$600 and \$2,500, but the actual cost will vary depending on the conditions and difficulty of installation. CITY OF AUGUSTA will evaluate your request and advise you of the projected cost so you can make an informed decision about whether or not to have an EFV installed.

Installation of an EFV will not protect against leaks on customer appliances or house piping. EFVs also do not protect against leaks on the gas meter or slow leaks on the service line.

City of Augusta Natural Gas System

Emergency Procedures

Revised August 7, 2019

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INTRODUCTION

Pipeline operators have regulatory reporting requirements under Part 191 and Part 195 of PHMSA's pipeline safety regulations.

- Within one hour of a release of hazardous materials meeting reporting threshold operators must call the NRC at 1-800-424-8802;
- Within 48-hours operators must submit an update to the NRC; and
- Within 30-days operators must submit a report on the relevant PHMSA form below. Operators submit the reports online via the PHMSA Portal.

This manual has been prepared to provide company Personnel with data essential in an emergency situation.

It must be recognized that no emergency manual can cover all situations, that there is no substitute for the sound judgment of the situation by the person or persons involved, and that the safety and well being of the public must always be given prime consideration.

It is important that those who will have the responsibility of handling an emergency situation be familiar with the contents of the manual.

This manual is to be used as an emergency format and does not contain operational data.

DEFINITION OF EMERGENCY INCIDENT

An "Emergency" condition exists when a designated company representative has declared that extraordinary procedures, equipment, man-power and supplies must be employed to protect the public from existing or potential hazards. These hazards may include, but are not limited to the following:

1. Facility failures which result in:
 - A. Under pressure in the system.
 - B. Over pressure in the system.
 - C. Large volumes of uncontrolled escaping gas.
 - D. Fire or explosion, etc.
 - E. Any leak considered hazardous.
 - F. The continued safe operation of a major segment of the system is endangered.
2. Load Curtailment conditions where it is necessary to meet unusual and exceptional conditions by the voluntary or mandatory reduction of gas usage by selected customers.
3. Natural disasters such as floods, tornados, earthquakes or other severe forces of nature which make emergency provisions necessary.
4. Civil disturbances or riots which require special procedures.
 - A. Watchman of Company Facilities - duties of these people.
 - B. Person in charge of obtaining additional help - armed guards, fireman, police, National Guard, State Police.
5. National Emergencies.

COPIES OF EMERGENCY MANUAL HAVE BEEN GIVEN TO THE FOLLOWING:

1. Mike Taylor, Mayor
2. Darian Blevins, Maintenance Supervisor.
3. Matt Jones, Police Chief
4. Tony Mefford, Fire Chief

NOTE: TWO COPIES ARE LOCATED IN MAIN OFFICE NEAR TELEPHONE.

I. REPORTING

A. Department of Transportation

At the earliest practical moment following discovery of an incident, but no later than one hour after confirmed discovery, notice shall be given by telephone to the National Response Center at 800-424-8802 or electronically at <http://www.nrc.uscg.mail>.

Incident means any of the following events:

- 1) An event that involves a release of gas from a pipeline, and that results in one or more of the following consequences:
 - (i) death, or personal injury necessitating in-patient hospitalization;
 - (ii) Estimated property damage of \$50,000.00 or more, including loss to the operator and others, or both, but excluding the cost of gas lost;
 - (iii) Unintentional estimated gas loss of three million cubic feet or more;
- 2) An event that is significant, in the judgment of City of Augusta, even though it did not meet the criteria of paragraph (1) of this definition.

Each notice shall include the following information:

1. Names of the operator and person making report and their telephone number.
2. The location of the incident.
3. The time of the incident.
4. The number of fatalities and personal injury, if any.
5. All other significant facts that are known by the operator and are relevant to the cause of the incident or extent of the damages.

Within 48 hours after the confirmed discovery of an incident, to the extent practical, City of Augusta will revise or confirm its initial telephonic notice with an estimate of the amount of product released, an estimate of the number of fatalities and injuries, and all other significant facts that are known that are relevant to the cause of incident or extent of damages. If there are no changes or revisions to the initial report, City of Augusta will confirm the estimates in its initial report.

City of Augusta shall submit to the Department of Transportation Form PHMSA F 7100.1 as soon as practical but not more than thirty (30) days after detection of an incident required to be reported. The report must be submitted electronically to the Pipeline and Hazardous Materials Safety Administration at <http://opsweb.phmsa.dot.gov> unless an alternative reporting method is authorized.

Alternative Reporting Method.

If electronic reporting imposes an undue burden and hardship, City of Augusta may submit a written request for an alternative reporting method to the Information Resources Manager, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, PHP-20, 1200 New Jersey Avenue, SE, Washington DC 20590. The request must describe the undue burden and hardship.

PHMSA will review the request and may authorize, in writing, an alternative reporting method. An authorization will state the period for which it is valid, which may be indefinite. An operator must contact PHMSA at 202-366-8075, or electronically to *informationresourcesmanager@dot.gov* or make arrangements for submitting a report that is due after a request for alternative reporting is submitted but before an authorization or denial is received.

When additional relevant information is obtained after the report is submitted, City of Augusta shall make supplementary reports as deemed necessary with a clear reference by date and subject to the original report.

B. The Kentucky Public Service Commission

Notice shall be given to the Kentucky Public Service Commission no later than two (2) hours following discovery by City of Augusta, of any utility related incident that:

- a) Is reported to US DOT pursuant to 49 CFR Part 191, Federal Pipeline Safety Regulations.
- b) Requires taking any segment of pipeline or mains out of service.
- c) Results in gas ignition.
- d) Causes estimated damage to property of the utility, or others, or both, of \$25,000 or more.
- e) Results in loss of service to forty (40) or more customers for four (4) or more hours.
- f) Causes the loss of a sizeable amount of gas
- g) Received extensive news coverage, or in the judgment of City of Augusta is significant, even though it does not meet the criteria of paragraphs (a) through (g) of this subsection.

Notification pursuant to 807 KAR 5:027, Section 3 is to be provided: telephonically to 502-782-7903 and via electronic mail to Pipeline.Safety@ky.gov.

During non-office hours please call one of the following:

Public Service by Phone: 502-782-7903

Public Service by Email: Pipeline.Safety@ky.gov

In addition to the initial notice, a summary written report is required to be submitted and received by the Commission within thirty (30) calendar days of the date of the reportable incident. This report shall be mailed to:

Kentucky Public Service Commission
P.O. Box 615

C. Distribution System: Annual Report

City of Augusta shall submit an annual report for their system on DOT Form PHMSA F 7100.1-1. This report be submitted each year, not later than March 15, for the preceding calendar year. This report shall be submitted as outline in Section 1.

II. Reporting Safety Related Conditions

A. Except as provided in B. of this section, City of Augusta shall report in accordance with §191.25 the existence of any of the following safety-related conditions involving facilities in service:

1. In the case of a of a pipeline that operates at a hoop stress of 20 percent or more of its specified minimum yield strength, general corrosion that has reduced the wall thickness to less than that required for the maximum allowable operating pressure, and localized corrosion pitting to a degree where leakage might result.
2. Unintended movement or abnormal loading by environmental causes, such as an earthquake, landslide, or flood that impairs the serviceability of a pipeline.
3. Any material defect or physical damage that impairs the serviceability of a pipeline that operates at a hoop stress of 20 percent or more of its specified minimum yield strength.
4. Any malfunction or operating error that causes the pressure of a pipeline to rise above its maximum allowable operating pressure plus the build-up allowed for operation of pressure limiting or control devices.
5. A leak in a pipeline that constitutes an emergency.
6. Any safety-related condition that could lead to an imminent hazard and causes (either directly or indirectly by remedial action of City of Augusta), for purposes other than abandonment, a 20 percent or more reduction in operating pressure or shutdown of operation of a pipeline.

B. A report is not required for any safety-related condition that:

7. Exists on a master meter system or a customer-owned service line;
8. Is an incident or results in an incident before the deadline for filing the safety-related condition report;
9. Exists on a pipeline that is more than 220 yards (200 meters) from any building intended for human occupancy or outdoor place of assembly, except that reports are required for conditions within the right-of-way of an active railroad, paved road, street, or highway; or
10. Is corrected by repair or replacement in accordance with applicable safety standards before the deadline for filing the safety-related condition report, except that reports are required for conditions under paragraph A.1 of this section other than localized corrosion pitting on an

effectively coated and cathodically protected pipeline.

III. Filing Safety-Related Condition Reports

Each report of a safety-related condition identified in Section IV must be filed (received by the Associate Administrator, OPS for DOT and by the Commission for the KY PSC) in writing within five working days (not including Saturday, Sunday, or Federal Holidays) after the day a representative of City of Augusta first determines that the condition exists, but not later than 10 working days after the day a representative of City of Augusta discovers the condition. Separate conditions may be described in a single report if they are closely related. Reports may be transmitted by facsimile at (202) 366-7128 for DOT and (502) 564-7279 for the KY PSC.

The report must be headed "Safety-Related Condition Report" and provide the following information:

1. Name and principal address of the operator.
2. Date of report.
3. Name, job title, and business telephone number of the person submitting the report.
4. Name, job title, and business telephone number of the person who determined that the condition exists.
5. Date condition was discovered and date condition was first determined to exist.
6. Location of condition, with references to State (and town, city, or county) and as appropriate, nearest street address, landmark, or name of pipeline.
7. Description of the condition, including circumstances leading to its discovery, any significant effects of the condition on safety, and the name of the commodity transported.
8. The corrective action taken (including reduction of pressure or shutdown) before the report is submitted and the planned follow-up future corrective action, including the anticipated schedule for starting and concluding such action.

IV. Mechanical Fitting Failure Reports

Each mechanical fitting failure, as required by § 192.1009, must be submitted on a Mechanical Fitting Failure Report Form PHMSA F-7100.1-2. City of Augusta must submit a mechanical fitting failure report for each mechanical fitting failure that occurs within a calendar year not later than March 15 of the following year (for example, all mechanical failure reports for calendar year 2011 must be submitted no later than March 15, 2012). Alternatively, City of Augusta may elect to submit its reports throughout the year. In addition, City of Augusta must also report this information to the Kentucky Public Service Commission.

V. National Registry of Pipeline and LNG Operators

City of Augusta will notify PHMSA electronically through the National Registry of Pipeline and LNG Operators at <http://opsweb.phmsa.dot.gov> of certain events.

1. City of Augusta will notify PHMSA of any of the following events not later than 60 days before the event occurs:
 - (i) Construction or any planned rehabilitation, replacement, modification, upgrade, uprate, or update of a facility, other than a section of line pipe, that costs \$10 million or more. If 60-day

notice is not feasible because of an emergency, City of Augusta will notify PHMSA as soon as practical;

- (ii) Construction of 10 or more miles of a new or replacement pipeline;
 - (iii) Construction of a new LNG plant or LNG facility.
2. City of Augusta will notify PHMSA of any of the following events not later than 60 days after the event occurs:
- (i) A change in the primary entity responsible (i.e., with an assigned OPID) for managing or administering a safety program required by DOT 49 CFR Part 191 covering pipeline facilities operated under multiple OPIDs.
 - (ii) A change in the name of the operator;
 - (iii) A change in the entity (e.g., company, municipality) responsible for an existing pipeline, pipeline segment, pipeline facility, or LNG facility;
 - (iv) The acquisition or divestiture of 50 or more miles of a pipeline or pipeline system subject to DOT CFR 49 Part 192; or
 - (v) The acquisition or divestiture of an existing LNG plant or LNG facility subject to DOT CFR 49 Part 193.

City of Augusta will use the OPID issued by PHMSA for all reporting requirements covered under DOT CFR 49 Part 191.

National Registry of Pipeline and LNG Operators (OPID) – The city has obtained an operator id as required and maintained **OP ID: 864**

Receiving, Identifying, and Classifying Notices 192.615(a)(1)

The operations foreman or his designee on duty shall handle all calls pertaining to pipeline activities in his area. It is the responsibility of the Operations Manager or his designee to evaluate a situation and decide what attention the event requires. If serious, the operations manager or operations foreman notifies affected field personnel of the event and what actions are required.

The operations foreman or his designee shall also contact the police and fire departments, if necessary, and follow the Communications Guidelines established in the ERP.

Notification of Emergency Response Personnel 192.615(a)(8)

- A Each operations foreman shall be responsible for notifying appropriate fire, police, and other public officials regarding gas pipeline emergencies and coordinating with them both planned and actual responses expected from them during an emergency.
- B Designated Augusta emergency response teams and assignments are outlined in the ERP. In addition, all outside companies, customers, or other parties concerned shall be notified if any interruptions of gas or liquid deliveries are expected. This shall be done as quickly as possible to allow these parties to make necessary adjustments.

Emergency Shutdown and Pressure Reduction 192.615(a)(6)

- A Identify the indication of a possible line rupture:
 - 1. Alarms;
 - 2. Excessive flow;
 - 3. Pressure drop;

4. Phone call;
 5. Radio or television report.
- B Once a rupture has been detected and located:
1. Close valves upstream and downstream of rupture.
 2. Notify appropriate parties as required:
 - a. Operations Foreman.
 - b. Fire Department.
 - c. Police Department.
 - d. Contact affected downstream customers to increase or decrease gas volumes, and upstream customers to increase or decrease gas volume.
 - e. Initiate procedures to shut down or reduce pressure on affected system.
- C Evacuation Assistance
1. Emergency situations requiring possible evacuation
 - a. Fire or explosion.
 - b. Leak or release of gas or liquid hydrocarbons.
 2. If one of these emergencies occurs and evacuation is necessary, the pipeline operator shall notify the following:
 - a. Operations Foreman.
 - b. Fire Department.
 - c. Police Department.

Review of Actual or Simulated Emergencies 192.615(b)(3)

City of Augusta Gas Supervisor shall conduct reviews of responses to actual or simulated emergencies immediately following the emergency, drill or training exercise.

Interaction with Fire, Police and 192.615(c)

Other Emergency Response Agencies

The City of Augusta will maintain liaison with emergency responders who might be called upon in case of a pipeline emergency. This is done through the use of sponsored or collaborative training programs designed to meet the public awareness requirements of Part 192 and API RP1162 in accordance with Augusta's Public Awareness Program. The programs shall:

- A Acquaint the responders with Augusta's abilities in responding to a natural gas pipeline emergency and the means of communication.
- B Identify the types of pipeline emergencies for which the responders might provide assistance.
- C Provide information as to how we (Augusta and the response agencies) can engage in mutual assistance to minimize hazards to life or property.

COMPANY PERSONNEL ADDRESS AND TELEPHONE DIRECTORY

WENDELL MICHAEL C. TAYLOR, MAYOR	128 HEATHER R FRENCH BLVD.	402-1406 (C)
TODD KELSCH, COUNCIL	305 SEMINARY AVE	402-0525 (C)
JIM THORNSBURY, COUNCIL	310 MAIN STREET	756-3750 (H)
MATT MCCAIN, COUNCIL	528 E. SECOND ST.	402-1134 (C)
ROLLAND TONGRET, COUNCIL	P.O. BOX 115	859-653-1600
TINA STICKLEN, COUNCIL	201 FRANKFORT ST.	402-0812 (H)
JAY YINGLING, COUNCIL	212 RIVERSIDE DRIVE	678-516-8931
GRETCHEN ENGLAND, CITY CLERK	308 PARKVIEW ST.	756-3614 (H)
ANGIE SCHWEITZER, SECRETARY	192 HARGETT'S LANE	756-3017 (H)
MATT JONES, POLICE CHIEF	407 WILLIAMS RD	782-3733 (C)
TONY MEFFORD, FIRE CHIEF	155 VALLEY HIGH DR	402-1272 (C)
HOWARD NIEMIER, SHERIFF	931 GILLISPIE LANE	735-3233(W)
DARIAN BLEVINS	2061 MERCHANTS ALLEY	882-2014 (H)
DERRICK BACH	617 E. SECOND ST.	402-1092 (C)
TROY ARCHIBALD	508 CHAPEL AVE.	402-0927
CYNTHIA THOMPSON, ATTORNEY	236 W MARY INGLES	756-2346 (H)

ORGANIZATION CHART AND ORDER OF NOTIFICATION

- | | | |
|-------------------------------|-------------------|-------------------|
| 1. Darrin Blevins, Supervisor | 606-402-1113 Cell | 606-756-2182 Work |
| 2. Mike Taylor, Mayor | 606-402-0740 Cell | 606-756-2182 Work |
| 3. Troy Archibald, Maint. | 606-402-0927 Cell | 606-756-2182 Work |
| 4. Derrick Bach, Maint. | 606-402-1092 Cell | 606-756-2182 Work |
| 5. Gretchen England, Clerk | 606-402-0286 Cell | 606-756-2182 Work |

NOTIFICATION OF INTERRUPTION TO LARGE CUSTOMERS

1. Berry Corporation
PHONE: 756-2131
2. Bracken County Nursing & Rehabilitation Center
PHONE: 756-2156
3. Augusta High School
PHONE: 756-2105

KEYS

PERSONS WITH KEYS TO DISTRIBUTION REGULATOR STATIONS

- | | | |
|----|-----------------|----------|
| 1 | DARRIAN BLEVINS | 402-1113 |
| 2. | TROY ARCHIBALD | 402-0927 |
| 3. | DERRICK BACH | 402-1092 |

ONE SHOULD NOT HESITATE TO BREAK THE LOCK IF THE CONDITIONS OF THE
EMERGENCY WARRANT.

OPERATION OF SYSTEM VALVES

A gas distribution system is a complex network of interconnected mains, fed by regulators, and having valves throughout for the purpose of shutting off or diverting the flow of gas. Pressure in the mains may vary from very few pounds to hundreds of pounds.

Before operating any valves a study should be made to determine the effect upon the entire system. Improper operation of a valve may create hazardous conditions or cause a hazardous condition to become worse.

Only properly authorized personnel shall operate valves. Fire, police, other officials or other outside individuals are not authorized to operate valves or to instruct other, including gas company personnel, to operate valves. (Except end use valve.)

TransCanada GAS TRANSMISSION COMPANY PERSONNEL

Personnel of supplier to be contacted in case of emergency.

1. Forest Smith - Mt.
Olivet, Ky Office: 606-
724-5712
Home: 606-724-5470
2. John Garrett - Foste
r, Ky Office: 606-
724-5712
Home: 606-747-5731
3. Cold Springs - Meter Station - manned 24 hours.
Pho 606-441-8466
ne:
Columbia Gas
4. 606-724-2704

Joe
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Offi
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CITY OF AUGUSTA NATURAL
GAS SYSTEM EMERGENCY
PROCEDURES

Emergency Key Valve Operating

- Issued By: Mayor Mike Taylor
- Purpose: To outline procedures for shut-down of entire system or sectionalizing of the system by operation of key valves within the system.
- Reference: D.O.T. 192.745 - D.O.T. 192-747
- General: (1) These Key Valves shall be closed only upon the authorization of the Superintendent or, in his absence, of the person in charge. This authorization shall be relayed to and acted upon by the person turning off the valve only directly from the person in charge of the shutdown.
- (2) Each employee who might have to operate or follow these procedures shall familiarize themselves with these procedures. (All personnel.)

Key Valve Operating Procedures:

- (1) Transmission Line
- (2) See attached Schedule A (City General)
- (3) _____
- (4) _____
- (5) _____

CITY OF AUGUSTA NATURAL
GAS SYSTEM EMERGENCY
PROCEDURES

Subject: Emergency Key Valve Operating

Page 1 of 3

Issued By: Mayor Mike Taylor

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(2) Each employee who might have to operate or follow these procedures shall familiarize themselves with these procedures. (All personnel.)

Key Valve Locations:

To discontinue gas service to the entire city, shut off valves inside Regulator Station on KY # 8, also valves No. 18 & 22 on Fifth St.

CITY OF
AUGUSTA GAS
SYSTEM
EMERGENCY PROCEDURES

Subject: Emergency Key Valve

Operating Page 2 of 3

Issued by: Mayor Mike Taylor

Key Valve Locations:

(continued)

and valve 17 & 19 on Fourth Street.

To discontinue service East of Regulator Station including the East side of Bracken Street, Frankfort Street from Second to Fourth, Sycamore Alley, all of Seminary & Hamilton, Second Street from Frankfort East & Fourth. From Frankfort East, Chapel Street, Fifth East of Regulator Station and all services in this area, shut off valves 19, 20, 22, 24, 25, 26, 29, and 30.

To discontinue service West of Regulator Station including West side of Bracken, all of Elizabeth Street, Main Street, Parkview, Park Street, Williams Street, Ferry Street, Riverside Drive, Second Street, from Frankfort West, Fourth Street from Frankfort West, Fifth Street West of Regulator Station and all services in this area, shut off valves 17, 18, 20, 23, 26, 29, & 30.

Page 3 of 3

*See drawings - sheets 1 & 2 for valve locations

For any shut - off of certain sections see drawings noted above

SCHEDULE A

1. On Seminary at Chapel on East side. On Second Street at Seminary on East side.
2. On Fourth Street at Seminary on East side. On Fourth Street at Hamilton on South side.
3. On Fourth Street at Seminary on South side. On Fourth Street at Hamilton on South side.
4. On Frankfort at Fourth Street on East side. On Seminary at Fourth Street West side. On Second Street at Seminary East side. On Frankfort Street at Second on North side. On Second at Frankfort on West side.
5. On Bracken Street at Fourth Street East side. On Frankfort Street at Fourth West side.
6. On Fourth Street at Bracken Street West side: At Fourth Street on North side of Tanyard Alley.
7. On Fourth Street South side at Seminary. On Seminary on North West Side. On Fourth Street at Frankfort Street.
8. On Fourth Street by Mrs. Wallace North's house two valves on South Side. On Fourth Street at Seminary, two valves on South side.
9. On Fifth Street from Regulator Station East. On Frankfort Street at Fourth Street on East Side.
10. Fifth Street at Standard Station in alley between John White and Nancy Lyons on Fourth Street.
11. Fifth Street at Elizabeth Street on South side. Fourth Street between Bracken Street and Elizabeth Street South side.
12. Fourth Street at Elizabeth Street South side, two valves. Fourth Street in alley between Nancy Lyons and John White leading to Fifth.
13. Elizabeth Street on East side.
14. North West comer of Elizabeth Street on North side of Riverside Drive. On Second Street and Frankfort Street on North East Comer. On North West corner of Fourth Street and Elizabeth Street.
15. Comer of Fourth Street and Main Street, North East comer.
16. Comer of Fourth Street and Main Street, North West comer.
17. Park Street and Fourth Street on North side. Park Street at Riverside Drive on South side.

18. North West comer on Riverside Drive at Williams Street. North West comer on Riverside Drive at Elizabeth Street. On Park Street at Riverside Drive, South side.
19. North West comer of Fourth Street on Williams Street. North West comer of Riverside Drive at Williams Street.
20. South West comer of Fourth Street.

TRANSMISSION LINE FAILURE PROCEDURES

Purpose: To outline emergency procedures for interruptions to supplier's transmission lines;

Step 1: Immediately go to the Transmission line regulator and metering station off of Route #8 and monitor pressure on the outside of the District's Metering Station.

NOTE: Caution shall be taken in the shutdown Metering Station as damage to the supplier's regulation and metering equipment can occur if these valves are shut down while the suppliers' equipment is pressurized.

BREAK IN SUPPLIER'S TRANSMISSION LINE

If time permits, the person receiving notice of an interruption in the Columbia Gas Transmission Company's line should have the call transferred to the Gas Company Superintendent, or other management personnel, provided one of these parties can be reached. If not, the person receiving the call should obtain the following information:

1. Nature of interruption
2. Location
3. Minimum pressure expected at gate station
4. How fast pressure expected to drop and probable duration of minimum pressure

*Location of Keys to Columbia Gas Transmission Corporation's Metering Station at Chatham, Kentucky.

1. Paul Walter, R.R. #1, Mt. Olivet, 606-724-5708
2. Columbia Gas, any employee, 606-724-5712
3. Darian Blevins, Supervisor 606-882-2014(H)
Cell 1-606-402-1113

INTERRUPTION IN SUPPLY (TRANSMISSION) LINE
(LINE FROM COLUMBIA'S METERING STATION TO CITY
REGULATOR STATION)

An interruption in the supply (Transmission) line could be due to three causes:

1. Freezing of the regulators supplying the line,
2. A break in the line or,
3. Sabotage in the form of closed valves.

If determined the fault is with the regulators, steps should be taken to by-pass regulator and manually regulate pressure to keep system properly pressured while correcting regulator malfunction.

If the trouble is due to a leak or major line break the odds are someone will report by phone by the time it will be noticed by company personnel. The person calling will be able to give the location of the leak or break otherwise it will be necessary to patrol the line.

Emergency personnel will, at their discretion, close appropriate valves to isolate the section containing the break.

FIRE OR EXPLOSION

WHICH SHOULD PUT OUT OR SERVICE GATE STATION OR DISTRICT REGULATOR STATIONS

Fire or explosion, which should put out of service gate station or District Regulator Station.

In the event of fire or explosion in a district regulator station this procedure shall be followed:

- Step 1. Upon arrival at the scene, determine the source of escaping gas-relief vent/regulation-etc.
- Step 2. If possible: shut down regulator or relief valve without over pressure of distribution system.
- Step 3. If unable to shut down regulator or relief valve without danger to employees or public - Designated Emergency valves for shut down or regulator station shall be closed. (A valve schematic showing valves and station follow this procedure.)
- Step 4. If complete shutdown of the distribution system is required – Emergency Procedure -No 6 -Light up procedure shall be followed.

(A copy of the Light-up Procedure follows this procedure.)

EMERGENCY CUSTOMER LIGHT-UP PROCEDURE

STEP 1. After completing the shutdown of the Transmission Line valves; begin in the closing of all customer 1st stage regulator valves and meter stops. The customer shall be informed of the interruption in service and that it will be restored as soon as possible.

NOTE: A list of customers with stand-by facilities are on file in the office and shall be notified in an expedient manner, either by telephone or personal contact of any interruption in their service area.

STEP 2. After all customer meter stops are closed, personnel shall stand-by to re-load the system as soon as pressures are adequate from the supplier.

STEP 3. If purging is necessary, the distribution system will be re-energized during the purging process. If the purging operation was not required, Step 4 will be to re-energize the system on a street by street basis.

STEP 4. Simultaneously or as each street is re-energized the light-up procedure shall begin.

FORMS:

- A. The office of Pipeline Safety Failure Report shall be completed and filed as soon as possible after the interruption.
- B. All other leak reports and repair forms to show the cause repair and test procedures used to restore service.

RESPONDING TO GAS LEAK REPORTS

The employee receiving a report of a gas leak will ask the person reporting leak the necessary questions to properly fill out the leak report form.

It is important that as much information as possible be obtained in order that the person receiving the call may properly evaluate the urgency of the call.

All reports of leaks on consumer premises will receive priority, with top priority going to a reported leak inside a building.

After the necessary questions have been asked and it has been determined that a hazardous gas leak exists inside a building, the customer should be advised to:

1. Evacuate the occupants of the structure to a safe distance.
2. Not operate any electric switches.
3. Do not use the phone
4. Extinguish all open flames do not use matches, cigarettes, or other possible sources or ignition.
5. Turn off gas meter if feasible.

Necessary personnel will be dispatched to the location of the reported leak to make an evaluation.

It is the responsibility of the supervisors to make sure the proper employees are familiar with the procedure concerning gas leak calls.

A complete file of completed leak report forms will be kept along with any other pertinent records concerning the leak.

GAS LEAK OUTSIDE

The first gas company employee to arrive at the scene of a gas leak shall take every corrective action necessary to protect life and property from danger.

The employee shall:

1. Assess danger to public, surrounding building occupants, and property
2. If necessary, evacuate and/or assist all persons to safety
3. If necessary, notify Fire and Police Departments and ambulances
4. Notify supervisor and/or other responsible persons
5. If necessary, blockade the area. (Police help may be needed.)

It will be the responsibility of the person in charge to:

1. Set up communication
2. Coordinate the operation
3. Make all decisions concerning emergency valves, isolating areas and the use of emergency equipment
4. Implement the check list

The above describes a catastrophic condition, an extremely hazardous condition, or a condition requiring major pressure changes and the re-routing of gas. Small routine leaks will normally be handled in the field.

It will be the responsibility of the person in charge of the operation and repair to give careful consideration to any action taken to assure that nothing is done which may endanger life or property, create another emergency or unnecessarily disrupt service.

A Comprehensive report shall be prepared for each incident. This report shall contain:

1. The location and time and date of the incident
2. Fatalities and personal injuries
3. All other significant known facts that is relevant to the cause of the leak or extent of the damages. (Describe incident)

A complete record of the report shall be kept on file.

CHECK LIST (MAJOR DISASTER)

1. Has the Fire Department been called?
2. Have persons been evacuated and area blockaded?
3. Has the Police Department been notified?
4. Has the repair crew been notified?
5. Has the company call list been executed?
6. Has communication been called?
7. Has outside help been requested?
8. Have ambulances been called?
9. Has the leak been shut off or brought under control?
10. Has the Civil Defense been notified?
11. Have the emergency valves or proper valves to shut down or re-route gas been identified and located?
12. If an area has been cut off from a supply of gas, has the individual service or each customers been cut off?
13. Is the situation under control and has the possibility of re-occurrence been eliminated?
14. Has the surrounding area been probed for the possibility of further leakage?
15. Has the Telephonic Report to OPS/DOT been made?
16. Has the radio and T.V. been given instructions?

GASLEAK: HOUSE and/or BUILDING

This first gas company employee to arrive at the scene of a gas leak shall take every corrective action necessary to protect life and property from danger. **(DO NOT RING THE DOOR BELL.)**

Immediately after entering house, sample air in rooms, basement or crawl space with a gas indicator. If the presence of a dangerous concentration of gas in the house is indicated - 40% on L.E.L. (Lower Explosive Limit) 2% on percentage (%) scale proceed as follows:

1. Evaluate the house immediately
2. DO NOT operate any electrical switches
3. DO NOT use phone
4. Shut off gas meter valve
5. Open doors and windows if below 15%
6. Probe outside house with rod and gas indicator for gas in ground outside building; check water meter and available openings
7. If ground is gas free outside house and after house is properly aired out, turn on meter valve and check all gas piping and appliances for leaks. Use meter test hand and soap water - be sure meter test hand is operative. Check walls and openings with gas indicator.
8. Repair leak or notify customer to correct the situation, turn off, lock meter and leave off.
9. Return occupants to house, but only after you are positively sure it is safe to do so.

RESTORATION OF SERVICE DUE TO OUTAGE

When the supply of gas has been cut off to an area, no gas will be turned on to the affected area until the individual service to each customer has been turned off. A house-to-house operation is mandatory. The individual service of each customer must be turned off, either at the meter or at service valves. If the service valve cannot be located, the service line must be uncovered; a service valve installed and cut off. In restoring service to an affected area, all gas piping and meters must be purged and appliances re-lit. In the event a customer is not at home, a card must be left in a conspicuous location requesting the customer call the gas company to arrange for restoration of service.

The person in charge is to coordinate this operation and be responsible for same. A complete record of the incident, with drawings, etc. shall be kept on file.

NOTES

1. If gas is found in the ground outside the building, call your supervisor immediately after performing steps 1, 2, 3, 4, and 5 above. Open water meter boxes and available openings to allow gas to escape to the atmosphere. Care must be taken to make these openings safe for traffic and to avoid ignition.
2. If ever in doubt call your supervisor.(Phone outside of contaminated area.)
3. If gas is found in the ground outside the building, be sure to check neighboring buildings even if they have no gas service. If there is a possibility of gas from a leak entering premises that are closed, notify police to request a forcible entry to the premises.
4. Do not rely on your sense of smell to determine if gas is present in a building or in the ground. Use instruments provided to you for this use.
5. Electric meters may be removed to shut down all lights and electric appliances in the house. Do not attempt this if the electric meter is outside the house or in an area of gas concentration. Houses or commercial buildings where no gas is present at the master fuse panel, the switch or switches may be turned off. However, it is imperative that the combustible gas indicator shows that no gas is present in or around the area of the panel.

6. If it is determined it is unsafe to enter the basement of the house, knock out the basement windows from the outside to air out basement.
7. After all gas has been cleared and it has been determined it is safe to reset the electric meter, call the electric company to reset and seal the electric meter.
8. When checking a house or building consider 40% on L.E.L. (Lower Explosive Limits) scale or 2% on the 100% scales of a combustible gas indicator to be dangerous. This reading should be in free air.
9. Be sure your gas indicating instrument is set on the proper scale and that all connections on the sampling tube are tight.
10. When sampling air in a building have your instrument set on the L.E.L. scale. Remember that natural gas is lighter than air.
11. When sampling in probe holes in the ground have your instrument set on 0-100% scale, if a very low reading is obtained (2% or less) then the instrument may be set to the L.E.L. scale. (This applies only to the multi scale instruments.)

EMERGENCY EQUIPMENT INSPECTION RECORD

1. VALVE KEYS -

Service Truck Yes X No ___

Meter Shop Yes X No ___

Truck

COMMENTS: _____

2. MAPS

Distribution Maps -
Office

Yes X No ___

COMMENTS: _____

3. SHUT OFF

TOOLS Shop: Yes X No ___

Truck: Yes X No ___

COMMENTS: _____

4. SHOVELS - Leak Repair Equipment (supply of 1 W' thru 6" repair clamps available)

- Jack Hammer - Backhoe

COMMENTS: _____

SIGNED BY: _____

EMPLOYEE TRAINING

Periodically an employee meeting shall be scheduled to discuss and train employees on emergency procedures. This training shall be coordinated by the City Superintendent. The employee training and discussions shall include, but not limited to, the following:

1. Location of Emergency Manual
2. Review of Emergency Manual Procedures. (Employee responsibility)
3. Review the location and use of emergency equipment
4. Review the locations and use of the following:
 - A. System maps
 - B. Main records
 - C. Service records
 - D. Valve records
 - E. Regulator station schematics
 - F. Properties of natural gas
5. Take a hypothetical emergency situation and, step by step, review the action to be taken. (Include public officials, firearms, police and contractors, etc.)
6. Record keeping

Records shall be kept on file of attendance and items discussed at each meeting.

PUBLIC EDUCATION

There shall be a continuing education program to enable customers, the public, appropriate governmental organizations, and persons engaged in excavation related activities to recognize a gas emergency for the purpose of reporting it to the gas company.

The program material shall include, but not limited to:

1. Information about gas properties
2. Recognition of gas odors
3. What to do and not to do when there is a strong gas odor
4. Notification of the gas company prior to making excavations or excavation related activities. (No phone contaminated area)
5. Gas company phone number and after hours numbers to call for information or to report an emergency

This information may be conveyed to the public by:

1. Radio and television
2. Newspaper
3. Meetings
4. Bill stuffers
5. Mailings
6. Hand-outs

A record shall be maintained of the public education program and related activities.

LIAISON WITH PUBLIC OFFICIALS

Liaison shall be established with fire, police, civil defense, and medical officials with respect to emergency procedures.

Setup means of communications.

Meetings shall be held with the appropriate officials to acquaint them with the company capabilities and procedures respecting gas emergencies and to learn the capability and responsibility of each government organization that may respond to an emergency.

Training sessions, as required, may be scheduled with fire, police, civil defense and medical organizations to train them in the proper procedures to follow during a gas emergency.

Participation in fire, police, and civil defense meeting, both on local and state levels. The General Superintendent, or his designate, will implement and coordinate this program. A record shall be filed of all meetings, training sessions and other related activities.

NOTES ON INFORMATION GIVEN TO THE NEWS MEDIA

In case of an emergency, should any employee receive requests for information from TV stations, radio stations, newspaper reporters, etc., refer them to the General Superintendent, or in his absence his assistant. Explain that you do not have the authority to provide information.

The following suggested plan of Public Announcement may be as followed:

1. Allay any unfounded fears
2. Do not make reckless comments
3. Tell precisely what the public can do to help
4. Tell specifically what the gas company is doing about it
5. Give the facts to prevent baseless rumors
6. Repeat most encouraging view of situation in absence of facts

ACCIDENT INVESTIGATION

Each operator shall establish procedures for analyzing accidents and failures including the following:

1. Investigation of all company facilities to determine if accident was gas related.
 - A. Leak Survey
 - B. Pressure tests of piping
 - c. Meter and regulator check
 - D. Questioning persons on the scene
 - E. Examining Burn and Debris patterns
 - F. Odorization Level
 - G. Recording Meter Readings
 - H. Weather conditions
2. Procedures to follow if accident was gas related.
 - A. Selection of samples of the failed facility or equipment for laboratory examination for the purpose of determining the causes of the failure and minimizing the possibility of recurrence.
 - B. Notify insurance company

CITY OF AUGUSTA

OPERATION AND MAINTENANCE PROGRAM

The following items must be accomplished to comply with DOT regulation and have a safe system that can be insured.

- 1) Valve inspection and maintenance
 - A. Service and operate transmission and distribution valves and boxes yearly
 - B. Service and operate curb stops and boxes on 5 year frequency
 - C. Record inspection and have on file
- 2) Pressure limiting and regulator inspection
 - A. Regulator - inspect - test - repair yearly
 - B. Indicating and recording gauges yearly
 - C. Record inspection, repair and have on file
- 3) Relief valves, test and inspect
 - A. Distribution relief check yearly
 - B. Commercial and industrial relief yearly
 - C. Record inspection and repair and have on file
- 4) Leak Surveys
 - A. Business district and residential yearly
 - B. Service lines yearly
 - C. Transmission line every 6 months
 - D. Record survey findings and repair and keep on file

- 5) Gas line patrolling
 - A. Distribution and transmission every 6 months
 - B. Record findings and repair leak and record
- 6) Customer meters
 - A. History card for all meters
 - B. Set up files and keep current
- 7) Frequency of meter tests
 - A. Up to 500 cu. Feet - 10 years
 - B. 500-1500 cu. Feet - 5 years
 - C. 1500 and up - annually
- 8) Cathodic Testing
 - A. Test station
 - B. Exposed pipe
 - C. Test yearly; install new anodes and record results before and after
- 9) Abandoned lines and services
 - A. Each facility abandoned in place, or expect when undergoing maintenance each line not subject to gas pressure, must be disconnected from all sources and supplies of gas, purged of gas and the ends sealed; however, the line need not be purged when the volume of gas is so small that there is no potential hazard.
 - B. If air is used for purging the operator shall ensure that a combustible mixture is not present after purging.