

CITY OF PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS
For the year ended June 30, 2016

Wallen, Puckett, & Anderson, PSC

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1349
PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY
COMBINED FINANCIAL STATEMENTS

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June 30, 2016

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CITY OF PIKEVILLE, KENTUCKY

MUNICIPAL OFFICIALS
JUNE 30, 2016

	Office	Name	Term	
Elective	Mayor	James A Carter	01/01/2015	12/31/2018
	Commissioners	Franklin D. Justice, II	01/01/2015	12/31/2016
		Josh Huffman	01/01/2015	12/31/2016
		Barry Chaney	01/01/2015	12/31/2016
		Jerry K Coleman	01/01/2015	12/31/2016
Appointed	City Manager	Donovan Blackburn		
	Finance Director	Tonya Taylor		
	<u>City Clerk</u>	Rebecca Hamilton		
	<u>City Attorney</u>	Rusty R. Davis		

Wallen, Puckett, & Anderson, psc

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
City of Pikeville, Kentucky

Report on the Financial Statements

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 the City of Pikeville, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Pikeville, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pikeville, 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 5-11 and 56-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pikeville, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the City of Pikeville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pikeville, Kentucky's internal control over financial reporting and compliance.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

November 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

June 30, 2016

Our discussion and analysis of the City of Pikeville's financial performance provides an overview of the city's financial activities for the fiscal year ending June 30, 2016. Please review in conjunction with the transmittal letter and the city's financial statements.

REVIEWING THE ANNUAL REPORT

The annual report covers multiple financial statements. The Statement of Net Position and the Statement of Activities supply data about the activities of the city as a whole and provide information regarding the city's finances. For government activities, these statements provide long-term and short-term information about the city's overall status. Financial reporting is similar to that found in the private sector with its basis in full accrual accounting. Fund financial statements show city operations in more detail than government-wide statements, as they provide information about the city's most important funds.

FINANCIAL HIGHLIGHTS

Due to this year's operations, the city's Net Position is as follows: Net Position of business-type activities was \$27,843,116 and Net Position of governmental activities was \$65,178,831.

- The current year's expense total was \$16,092,336 as compared to the \$19,656,207 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$16,204,123 as compared to the \$22,586,306 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, city revenues were \$7,858,225. Expenses were \$7,817,881. In the previous year, city revenues were \$8,356,795. Expenses were \$8,466,857.
- The annual cost of all city programs was \$23,910,217. The previous year's cost was \$24,670,980.

THE CITY AS A WHOLE ANALYSIS

Because the Statement of Net Position and the Statement of Activities provide facts about the city as a whole, the statements can help determine if a city's financial condition has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

These statements give an account of the city's Net Position and any changes in those assets. However, to truly judge the condition of the city, some non-financial factors, such as diversification of the taxpayer base or the condition of the city's infrastructure, must be considered in addition to the financial information provided in this report.

The Statement of Net Position and the Statement of Activities divide the city into two types of activities:

- 1) Governmental activities: The city's basic services are accounted for in this section, including the police, fire, public works, parks departments and general administration. Property taxes, franchise fees, and state and federal grants finance the majority of these activities.
- 2) Business-type activities: These activities are reported in the fund financial statements and generally report services for which the city charges customers a fee. There are two kinds of Business-type activities. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as Business-type activities in the government-wide statements. Services are provided to customers external to the city organization such as water utilities. Internal service funds provide services and charge fees to customers within the city organization such as fleet services (maintenance and repair of vehicles) and the print shop (mail and printing services for city departments). Because the city's internal service funds primarily serve governmental functions, they are included within the Governmental activities of the government-wide financial statements.

Management's Discussion and Analysis
June 30, 2016

DETAILING THE MOST IMPORTANT FUNDS

The fund financial statements provide detailed information about the most important funds of the city. Certain funds are mandated by State law and by bond agreements. Other funds are established to manage money, meet legal requirements or for certain taxes or grants.

- Government funds: Basic services are reported in government funds. Government fund financial statements detail how money flows in and out of the funds and reports the balances at year-end that are on hand for disbursement. Government funds are reported using an accounting method called modified accrual accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund accountability focuses on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the next term.

Budgetary comparison statements are included in the basic financial statements for the general fund and major revenue fund. These statements and schedules demonstrate compliance within the city adopted and final revised budget.

- Proprietary funds: Proprietary funds are those in which the city charges for services it provides, both to city units and outside customers. Proprietary funds are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. The city's enterprise funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow. Another component of proprietary funds are internal service funds. Internal service funds cover activities that provide supplies and services for city programs.

CITY SERVING AS TRUSTEE

Due to trust arrangements, the city is often accountable for assets that can only be used for trust beneficiaries. All of these trustee proceedings are detailed in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position, if required. Because the city cannot use these assets to finance its operations, these activities are not included in other financial statements. However, the city must be certain the assets detailed in these funds are used for their intended purposes.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is necessary for a full understanding of the data provided in the accompanying financial statements.

OTHER INFORMATION

In addition to the financial statements and notes, this report contains supplementary information and details of the accompanying financial statements.

Management's Discussion and Analysis
June 30, 2016

TABLE 1
NET ASSETS

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current	Previous	Current	Previous	Current	Previous
	Year	Year	Year	Year	Year	Year
Current and other Assets:	16,736,885	17,875,017	7,307,357	6,653,416	24,044,242	24,528,433
Capital Assets:	60,702,634	57,543,532	29,516,159	25,078,809	90,218,793	82,622,341
Total Assets	<u>77,439,519</u>	<u>75,418,549</u>	<u>36,823,516</u>	<u>31,732,225</u>	<u>114,263,035</u>	<u>107,150,774</u>
Deferred Outflows of Resources	<u>1,037,543</u>	<u>0</u>	<u>16,400</u>	<u>0</u>	<u>1,053,943</u>	<u>0</u>
Long-term liabilities:	3,450,863	2,802,993	8,218,075	5,381,554	11,668,938	8,184,547
Other liabilities:	971,614	4,685,050	643,495	580,270	1,615,109	5,265,320
Pension Costs	<u>7,995,872</u>	<u>6,021,994</u>	<u>122,535</u>	<u>105,938</u>	<u>8,118,407</u>	<u>6,127,932</u>
Total Liabilities	<u>12,418,349</u>	<u>13,510,037</u>	<u>8,984,105</u>	<u>6,067,762</u>	<u>21,402,454</u>	<u>19,577,799</u>
Deferred Inflows of Resources	<u>879,882</u>	<u>630,785</u>	<u>12,695</u>	<u>11,824</u>	<u>892,577</u>	<u>642,609</u>
Net Assets:						
Invested in Capital Assets, net of related debt:	56,867,556	53,337,399	20,969,835	19,419,585	77,837,391	72,756,984
Restricted:	0	0	132,440	118,700	132,440	118,700
Unrestricted (deficit):	<u>8,311,275</u>	<u>7,940,328</u>	<u>6,740,841</u>	<u>6,114,354</u>	<u>15,052,116</u>	<u>14,054,682</u>
Total Net Assets	<u>65,178,831</u>	<u>61,277,727</u>	<u>27,843,116</u>	<u>25,652,639</u>	<u>93,021,947</u>	<u>86,930,366</u>

CITY AS A WHOLE

The city's combined Net Position from the previous year was \$86,930,366 as compared to \$93,021,947 this year. However, Net Position and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the Net Position and Table 2 focuses on changes in the Net Position of the city's governmental and business-type activities.

The city's Net Position for governmental activities were \$65,178,831 this year as compared to \$61,277,727 last year. Unrestricted Net Position was \$7,940,328 last year as compared to \$8,311,275 this year. Unrestricted Net Position are those that can be used to finance every-day operations without restrictions set by legislation, debt covenants, or other legal regulations.

The Net Position of the city's business-type activities was \$27,843,116 this year as compared to 25,652,639 last year.

Management's Discussion and Analysis
June 30, 2016

City revenues (excluding extraordinary items) for the current year were \$27,514,432 as compared to \$32,640,364 in the previous year. The total yearly cost of all programs and services was \$23,857,684 as compared to \$24,670,980 in the previous year.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenues						
Program Revenues Restricted						
Charges for Services	103,673	126,888	7,803,569	8,356,795	7,907,242	8,483,683
Restricted Operating Grants	452,487	2,096,576	0	0	452,487	2,096,576
Restricted Capital Grants	4,767,661	7,630,610	2,490,900	572,957	7,258,561	8,203,567
Restricted Other	0	0	0	0	0	0
General Revenue			0	0	0	0
Property Taxes	1,012,417	1,025,983	0	0	1,012,417	1,025,983
Other Taxes	11,127,874	10,873,803	0	0	11,127,874	10,873,803
Interest & Investment Income	89,309	82,737	24,479	24,295	113,788	107,032
Other General Revenues	2,102,786	1,755,469	30,177	94,251	2,132,963	1,849,720
Total Revenues	19,656,207	23,592,066	10,349,125	9,048,298	30,005,332	32,640,364
Program Expenses						
General Government	4,360,105	4,385,125	0	0	4,360,105	4,385,125
Public Safety	5,984,559	5,640,083	0	0	5,984,559	5,640,083
Public Works	0	0	0	0	0	0
Culture & Recreation	860,000	844,340	0	0	860,000	844,340
Interest on Long-Term Debt	111,714	121,798	0	0	111,714	121,798
Business Activities						
Water &/or Sewer	0	0	5,065,866	5,236,238	5,065,866	5,236,238
Other Utilities	0	0	2,752,015	3,230,619	2,752,015	3,230,619
Parking Facilities	106,244	93,267	0	0	106,244	93,267
Other Expenses	4,669,714	5,119,510	0	0	4,669,714	5,119,510
Total Expenses	16,092,336	16,204,123	7,817,881	8,466,857	23,910,217	24,670,980
Excess (deficiency) Before Extraord	3,563,871	7,387,943	2,531,244	581,441	6,095,115	7,969,384
Extraordinary Items & Transfers	340,767	(502,880)	(340,767)	502,880	0	0
Increase (Decrease) in Net Assets	3,904,638	6,885,063	2,190,477	1,084,321	6,095,115	7,969,384

Management's Discussion and Analysis
June 30, 2016

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues were \$19,668,974 as compared to \$23,592,066 last year. The year's governmental activities cost was \$16,105,103 as compared to \$16,204,123 in the previous year.

Table 3 details the cost of the city's major programs as well as each program's net cost (total cost less revenues generated by the program). The net cost indicates the financial burden that was shifted to the city's taxpayers by each of these programs.

Table 3
Governmental Activities

	Total Cost of Services	
	Current Year	Previous Year
Police Department	2,443,354	2,138,904
Fire Department	2,669,825	2,356,375
Public Works	0	0
Education	0	0
Parks and Recreation	860,000	866,059
All others	10,119,157	10,842,785
Totals	16,092,336	16,204,123

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities revenues (see Table 2) were \$10,349,125 as compared to \$9,048,298 last year. This year's expenses were \$7,817,881 as compared to \$8,466,857 in the previous year.

GENERAL FUND BUDGETARY STATEMENTS

The City Council revisits the budget several times during the year. The current year's budgets focus on general funds, major funds and on availability of fund resources.

CITY FUNDS

At year end the city reported a government net position (see Table 1) of \$93,021,947 as compared to \$86,930,366 in the previous year.

Management's Discussion and Analysis

June 30, 2016

CAPITAL ASSETS

Table 4

Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	14,193,807	13,895,364	138,000	138,000	14,331,807	14,033,364
Buildings and Improvements	20,013,155	20,598,932			20,013,155	20,598,932
Equipment	2,386,603	2,279,903	822,615	795,948	3,209,218	3,075,851
Infrastructure	19,893,180	14,893,327	21,661,544	22,066,511	41,554,724	36,959,838
Other	4,215,889	5,876,006	6,894,000	2,078,351	11,109,889	7,954,357
Totals	60,702,634	57,543,532	29,516,159	25,078,810	90,218,793	82,622,342

At the close of the year, the city had invested \$90,218,793 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$82,622,342 was invested in similar assets last year.

The current year's chief capital asset additions included:

- Marion Branch Road / Bridge
- Sewer Plant Improvements
- Vehicles for various departments.

Table 5

Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
General obligation bonds (backed by the city)	2,740,000	2,980,000	1,918,324	2,079,554	4,658,324	5,059,554
Revenue bonds and notes (backed by specific tax and fee revenues)	0	0	6,280,000	3,172,000	6,280,000	3,172,000
Other bonds or outstanding obligations	1,142,580	1,275,270	348,000	407,670	1,490,580	1,682,940
Totals	3,882,580	4,255,270	8,546,324	5,659,224	12,428,904	9,914,494

DEBT MANAGEMENT

At the close of the year, the city had \$12,428,904 in outstanding bonds and notes as compared to \$9,914,494 in the previous year (see table 5).

Management's Discussion and Analysis
June 30, 2016

GASB 68 IMPLEMENTATION

The implementation of GASB 68 "Accounting and Financial Reporting for Pensions" resulted in an addition to liabilities of \$6,127,932, deferred inflows of \$634,153 and to expenses in the Statement of Activities of \$480,905.

These were allocated to the government activities

Table 6
Pension Information

	Government Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Year	Year	Current Year	Previous Year
Deferred Outflow	\$ 1,037,543	\$ 0	\$ 16,400	\$ 0	\$ 1,053,943	\$ 0
Net Pension Liability	\$ 7,995,872	\$ 6,021,994	\$ 122,535	\$ 105,938	\$ 8,118,407	\$ 6,127,932
Deferred Inflows	\$ 840,034	\$ 622,328	\$ 12,695	\$ 11,824	\$ 852,729	\$ 634,152
Pension Expense	\$ 1,146,638	\$ 427,427	\$ 53,478	\$ 53,478	\$ 1,200,116	\$ 480,905

ECONOMIC ISSUES / UPCOMING YEARLY BUDGETS

City public officials considered many issues when establishing the upcoming year's budget, tax rates, and fees.

CONTACT INFORMATION

This report has been created to give our citizens, taxpayers, customers, investors and creditors a summary of city finances and to show how its revenues are used. If you have any questions regarding this report, or if you need additional financial information, please contact:

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Finance Director
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Pikeville, Kentucky 41501
Phone: 606 437 5103 Fax: 606 437 5106
tonya.taylor@pikevilleky.gov

BASIC FINANCIAL STATEMENTS

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business Type	Total	Component Unit
ASSETS				
Cash	\$ 9,526,277	\$ 3,143,731	\$ 12,670,008	\$ 395,519
Certificates of Deposit and Savings	4,490,743	2,697,434	7,188,177	0
Receivables (Net of Allowance for Uncollectibles)				
Taxes	11,718	0	11,718	0
Accounts	1,423,999	862,510	2,286,509	43,469
Other	0	0	0	20,551
Due From Other Funds	1,471	14,708	16,179	0
Inventories	0	0	0	51,409
Prepaid Expenses	11,997	1,616	13,613	17,585
Restricted Assets				
Cash	299,367	358,013	657,380	0
Certificates of Deposit	911,501	164,643	1,076,144	0
Other Receivables	0	0	0	0
Bond Issuance Costs	59,812	64,702	124,514	0
Capital Assets, Net				
Land	14,193,807	138,000	14,331,807	0
Other Capital Assets, Net	46,508,827	29,378,159	75,886,986	0
TOTAL ASSETS	<u>\$ 77,439,519</u>	<u>\$ 36,823,516</u>	<u>\$ 114,263,035</u>	<u>\$ 528,533</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,037,543</u>	<u>\$ 16,400</u>	<u>\$ 1,053,943</u>	<u>\$ 0</u>
LIABILITIES				
Accounts Payable	\$ 585,118	\$ 159,478	\$ 744,596	\$ 66,000
Accrued Expenses	0	77,877	77,877	47,725
Current Portion of Long-Term Debt	384,215	279,749	663,964	0
Customer's Deposit	2,200	61,793	63,993	0
Due To Other Funds	81	16,098	16,179	0
Net Pension Liability	7,995,872	122,535	8,118,407	0
Bonds Payable	2,442,498	7,979,324	10,421,822	0
Notes Payable	1,008,365	287,251	1,295,616	0
TOTAL LIABILITIES	<u>\$ 12,418,349</u>	<u>\$ 8,984,105</u>	<u>\$ 21,402,454</u>	<u>\$ 113,725</u>
DEFERRED INFLOWS OF RESOURCES				
Deferencs between projected and actual earnings onm pension plan	\$ 840,034	\$ 12,695	\$ 852,729	\$ 0
Uncollected Real Estate Taxes	39,848	0	39,848	0
Deferred Revenues	0	0	0	353,893
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 879,882</u>	<u>\$ 12,695</u>	<u>\$ 892,577</u>	<u>\$ 353,893</u>
NET POSITION				
Investment in Capital Assets, Net of Related Debt	56,867,556	20,969,835	77,837,391	0
Restricted For:				
Reserve for Depreciation	0	0	0	0
Sinking Fund Reserve	0	132,440	132,440	0
Reserve For Operation and Maintenance	0	0	0	0
Reserved for Revenue Bond Retirement	0	0	0	0
Debt Service	150,392	0	150,392	0
Unrestricted	8,160,883	6,740,841	14,901,724	60,915
TOTAL NET POSITION	<u>\$ 65,178,831</u>	<u>\$ 27,843,116</u>	<u>\$ 93,021,947</u>	<u>\$ 60,915</u>

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF ACTIVITIES
June 30, 2016

June 30, 2016

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Postion			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total	
Primary Government								
Governmental Activities								
General Government	\$ 4,471,819	\$ 0	\$ 0	\$ 0	\$ (4,471,819)		\$ (4,471,819)	
Public Safety	5,984,559	0	0	0	(5,984,559)		(5,984,559)	
Streets	2,665,815	0	0	0	(2,665,815)		(2,665,815)	
Parking Garage	106,244	0	0	0	(106,244)		(106,244)	
Recreation	860,000	0	0	0	(860,000)		(860,000)	
Tourism	375,752	0	0	0	(375,752)		(375,752)	
Lake Cleanup	62,185	0	0	0	(62,185)		(62,185)	
Landscape	101,596	0	0	0	(101,596)		(101,596)	
Grants / Loan Advances	1,464,366	0	0	0	(1,464,366)		(1,464,366)	
Other	0	0	0	0	0		0	
Total Governmental Funds	<u>\$ 16,092,336</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (16,092,336)</u>		<u>\$ (16,092,336)</u>	
Business-Type Activities								
Water	\$ 2,308,176	\$ 2,493,584	\$ 0	\$ 1,369,088		\$ 1,554,496	\$ 1,554,496	
Sewer	1,222,535	1,200,063	0	996,165		973,693	973,693	
Gas	1,474,802	1,368,536	0	0		(106,266)	(106,266)	
Sanitation	1,277,213	1,428,202	0	0		150,989	150,989	
Outside Water	860,992	689,007	0	84,955		(87,030)	(87,030)	
Outside Sewer	674,163	624,177	0	40,692		(9,294)	(9,294)	
Other	0	0	0	0		0	0	
Total Business-type Activities	<u>\$ 7,817,881</u>	<u>\$ 7,803,569</u>	<u>\$ 0</u>	<u>\$ 2,490,900</u>		<u>\$ 2,476,588</u>	<u>\$ 2,476,588</u>	
Total Primary Government	<u>\$ 23,910,217</u>	<u>\$ 7,803,569</u>	<u>\$ 0</u>	<u>\$ 2,490,900</u>				
Component Unit								
SMG Food and Beverage, LLC	<u>\$ 2,165,337</u>	<u>\$ 1,552,671</u>	<u>\$ 0</u>	<u>\$ 0</u>				(612,666)
General Revenues- - Detailed:								
Ad Valorem Taxes					\$ 1,012,417	\$ 0	\$ 1,012,417	\$
Franchise Taxes					592,208	0	592,208	
Occupational License Fees					8,939,339	0	8,939,339	
Other Taxes					1,596,327	0	1,596,327	
Permits and Fees					103,673	0	103,673	
Intergovernmental Revenue					5,128,384	0	5,128,384	
Other Grants					91,764	0	91,764	660,177
Interest Income					89,309	27,528	116,837	1,044
Other					1,222,239	24,479	1,246,718	
Royalties					0	2,399	2,399	
Tourism Contribution for Expo/Jenny Wiley					829,780	0	829,780	
Gain (loss) on disposal of assets					50,767	250	51,017	
Transfers					340,767	(340,767)	0	
Total General Revenues, Contributions, Special Items, and Transfers					<u>\$ 19,996,974</u>	<u>\$ (286,111)</u>	<u>\$ 19,710,863</u>	<u>\$ 661,221</u>
Change in Net Postion					<u>\$ 3,904,638</u>	<u>\$ 2,190,477</u>	<u>\$ 6,095,115</u>	<u>\$ 48,555</u>
Net Postion - Beginning					61,277,727	25,652,639	86,930,366	12,360
Prior Period Adjustments					(3,534)	0	(3,534)	0
Net Postion - Ending					<u>\$ 65,178,831</u>	<u>\$ 27,843,116</u>	<u>\$ 93,021,947</u>	<u>\$ 60,915</u>

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

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Coal Severance	Projects Control	Other Government Funds	Total
ASSETS					
Cash and Investments					
Cash	\$ 8,013,808	\$ 0	\$ 1,377,465	\$ 135,004	\$ 9,526,277
Certificates of Deposit and Savings	4,490,743	0	0	0	4,490,743
Receivables (Net of Allowance for Uncollectibles)					
Taxes	11,718	0	0	0	11,718
Miscellaneous	390,113	0	1,033,886	0	1,423,999
Due From Other Funds	1,471	0	0	0	1,471
Prepaid Expenses	11,997	0	0	0	11,997
Escrow - Commercial Air Service	0	0	0	0	0
Inventories	0	0	0	0	0
Restricted Assets					
Cash	0	148,975	0	150,392	299,367
Certificates of Deposit and Savings	0	911,501	0	0	911,501
TOTAL ASSETS	\$ 12,919,850	\$ 1,060,476	\$ 2,411,351	\$ 285,396	\$ 16,677,073
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 271,487	\$ 0	\$ 313,631	\$ 0	\$ 585,118
Accrued Expenses	0	0	0	0	0
Customer's Deposit	2,200	0	0	0	2,200
Due From Other Funds	0	0	0	81	81
TOTAL LIABILITIES	\$ 273,687	\$ 0	\$ 313,631	\$ 81	\$ 587,399
DEFERRED INFLOWS OF RESOURCES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Uncollected Real Estate Taxes	\$ 7,367	\$ 0	\$ 0	\$ 0	\$ 7,367
Deferred Revenues	0	0	0	39,848	39,848
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 7,367	\$ 0	\$ 0	\$ 39,848	\$ 47,215
FUND BALANCES					
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:					
Debt Service	0	0	0	150,392	150,392
Committed	0	0	0	0	0
Assigned To:					
Capital Projects	0	0	2,097,720	0	2,097,720
Other Purposes	0	0	0	64,485	64,485
Unrestricted	12,638,796	1,060,476	0	30,590	13,729,862
TOTAL FUND BALANCES	\$ 12,638,796	\$ 1,060,476	\$ 2,097,720	\$ 245,467	\$ 16,042,459
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,919,850	\$ 1,060,476	\$ 2,411,351	\$ 285,396	\$ 16,677,073

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

CITY OF PIKEVILLE, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2016

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 16,042,459
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Amounts reported for governmental activities in the statement of Net Position
are different because:

City's Proportionate Share of the Net Pension Liability	(7,790,996)
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Capital Assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.	60,702,634
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Long-Term Liabilities, including bonds payable, are not due and payable in the the current period and therefore are not reported in the funds.	(3,775,266)
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Total Net Position - Governmental Activities	<u>\$ 65,178,831</u>
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See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Coal Severance	Projects Control	Other Funds	Totals
REVENUES					
Ad Valorem Taxes	\$ 1,012,417	\$ 0	\$ 0	\$ 0	1,012,417
Franchise Taxes	592,208	0	0	0	592,208
Occupational License Fees	8,939,339	0	0	0	8,939,339
Other Taxes	1,596,327	0	0	0	1,596,327
Permits and Fees	103,673	0	0	0	103,673
Intergovernmental Revenue	736,817	264,051	4,030,844	96,672	5,128,384
Other Grants	91,764	0	0	0	91,764
Interest Income	77,267	5,208	5,747	1,087	89,309
Other Revenue	1,177,571	0	0	56,878	1,234,449
Total Revenues	<u>\$ 14,327,383</u>	<u>\$ 269,259</u>	<u>\$ 4,036,591</u>	<u>\$ 154,637</u>	<u>\$ 18,787,870</u>
EXPENDITURES					
CURRENT					
General Government	\$ 3,197,952	\$ 0	\$ 0	\$ 114,463	3,312,415
Public Safety	5,142,848	0	0	10,800	5,153,648
Streets	2,118,798	0	0	0	2,118,798
Parking Garage	106,244	0	0	0	106,244
Recreation	797,177	0	0	0	797,177
Tourism	380,488	0	0	0	380,488
Lake Cleanup	59,548	0	0	0	59,548
Landscape	101,596	0	0	0	101,596
Other	0	0	0	0	0
Capital Outlay	0	381,459	4,066,554	45,718	4,493,731
Debt Service					
Principal Retirement	0	0	0	373,140	373,140
Interest	0	0	0	111,714	111,714
Grants / Loan Advances	172,441	30,000	0	1,274,135	1,476,576
Total Expenditures	<u>\$ 12,077,092</u>	<u>\$ 411,459</u>	<u>\$ 4,066,554</u>	<u>\$ 1,929,970</u>	<u>\$ 18,485,075</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 2,250,291</u>	<u>\$ (142,200)</u>	<u>\$ (29,963)</u>	<u>\$ (1,775,333)</u>	<u>\$ 302,795</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	0
Proceeds from Sale of Fixed Assets	51,318	0	0	0	51,318
Tourism Contribution for Expo/Jenny Wiley/York House	829,780	0	0	0	829,780
Operating Transfers In	1,179	0	752,404	1,760,376	2,513,959
Operating Transfers Out	(2,117,676)	0	(54,337)	(1,179)	(2,173,192)
Total Other Financing Sources (Uses)	<u>\$ (1,235,399)</u>	<u>\$ 0</u>	<u>\$ 698,067</u>	<u>\$ 1,759,197</u>	<u>\$ 1,221,865</u>
NET CHANGE IN FUND BALANCES	\$ 1,014,892	\$ (142,200)	\$ 668,104	\$ (16,136)	\$ 1,524,660
FUND BALANCES - BEGINNING OF YEAR	11,623,904	1,202,676	1,429,616	265,135	14,521,331
Prior Period Adjustment	0	0	0	(3,534)	(3,534)
FUND BALANCES-END OF YEAR	<u>\$ 12,638,796</u>	<u>\$ 1,060,476</u>	<u>\$ 2,097,720</u>	<u>\$ 245,465</u>	<u>\$ 16,042,457</u>

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

CITY OF PIKEVILLE, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net change in fund balances - total governmental funds.	\$ 1,524,660
Amounts reported for the governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.	5,135,054
The cost of capital assets is allocated over their useful lives and reported as depreciation expense.	(1,975,437)
The net book value of assets sold	(551)
Proceeds from Long-Term Debt	0
Bond Issuance, Discount	(3,507)
Bond Issuance Costs	(2,085)
The repayment of debt principal is an expenditure of government funds, but the repayment reduces long-term debt in the statement of net	373,140
Pension	(1,146,636)
Change in net position of governmental activities	<u>\$ 3,904,638</u>

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

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2016

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	Total
ASSETS								
Cash	\$ 881,355	\$ 508,664	\$ 571,129	\$ 683,963	\$ 56,632	\$ 441,988	\$ 0	\$ 3,143,731
Certificates Of Deposit and Savings	302,545	333,831	1,285,228	536,380	239,068	382	0	2,697,434
Customer's Accounts Receivable	241,729	147,874	99,217	145,788	123,726	104,176	0	862,510
Prepaid Expenses	0	0	1,616	0	0	0	0	1,616
Due From Other Funds	25	12	15	15	9,850	1,228	3,563	14,708
Bond Issuance Cost	31,114	0	0	0	11,787	21,801	0	64,702
Property, Plant and Equipment	10,231,040	9,523,641	557,224	657,346	1,828,808	6,718,100	0	29,516,159
Restricted Assets:								
Cash	54,458	3,300	0	0	36,513	90,717	108,499	293,487
Certificates of Deposit and Savings	0	0	0	0	56,112	173,057	0	229,169
Other Receivables	0	0	0	0	0	0	0	0
TOTAL ASSETS	<u>\$ 11,742,266</u>	<u>\$ 10,517,322</u>	<u>\$ 2,514,429</u>	<u>\$ 2,023,492</u>	<u>\$ 2,362,496</u>	<u>\$ 7,551,449</u>	<u>\$ 112,062</u>	<u>\$ 36,823,516</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,268</u>	<u>\$ 2,512</u>	<u>\$ 2,726</u>	<u>\$ 2,991</u>	<u>\$ 1,513</u>	<u>\$ 1,390</u>	<u>\$ 0</u>	<u>\$ 16,400</u>
LIABILITIES AND NET POSITION								
LIABILITIES								
Accounts Payable	\$ 21,755	\$ 28,782	\$ 20,619	\$ 36,822	\$ 33,799	\$ 17,701	\$ 0	\$ 159,478
Accrued Interest	20,417	2,771	0	0	16,684	38,005	0	77,877
Due To Other Funds	13,021	1,221	385	0	0	1,471	0	16,098
Current Portion of Long-Term Debt	130,000	0	0	0	27,850	121,899	0	279,749
Customer's Deposits	0	0	0	0	0	0	61,793	61,793
Net pension liability	39,077	18,635	21,103	22,185	11,220	10,315	0	122,535
Notes Payable	0	0	0	0	0	287,251	0	287,251
Bonds Payable (Net of Discount)	3,305,468	633,200	0	0	1,185,562	2,855,094	0	7,979,324
Total Liabilities	<u>\$ 3,529,738</u>	<u>\$ 684,609</u>	<u>\$ 42,107</u>	<u>\$ 59,007</u>	<u>\$ 1,275,115</u>	<u>\$ 3,331,736</u>	<u>\$ 61,793</u>	<u>\$ 8,984,105</u>
DEFERRED INFLOWS OF RESOURCES								
Differences between projected and actual earnings on pension plan	\$ 4,048	\$ 1,930	\$ 2,095	\$ 2,298	\$ 1,162	\$ 1,162	\$ 0	\$ 12,695
Total Deferred Inflows of Resources	<u>\$ 4,048</u>	<u>\$ 1,930</u>	<u>\$ 2,095</u>	<u>\$ 2,298</u>	<u>\$ 1,162</u>	<u>\$ 1,162</u>	<u>\$ 0</u>	<u>\$ 12,695</u>
NET POSITION								
Invested in capital Assets, net of related debt	\$ 6,795,572	\$ 8,890,441	\$ 557,224	\$ 657,346	\$ 615,396	\$ 3,453,856	\$ 0	\$ 20,969,835
Sinking Fund Reserve	0	0	0	0	22,680	109,760	0	132,440
Unreserved	1,418,176	942,854	1,915,729	1,307,832	449,656	656,325	50,269	6,740,841
Total Net Position	<u>\$ 8,213,748</u>	<u>\$ 9,833,295</u>	<u>\$ 2,472,953</u>	<u>\$ 1,965,178</u>	<u>\$ 1,087,732</u>	<u>\$ 4,219,941</u>	<u>\$ 50,269</u>	<u>\$ 27,843,116</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 11,747,534</u>	<u>\$ 10,519,834</u>	<u>\$ 2,517,155</u>	<u>\$ 2,026,483</u>	<u>\$ 2,364,009</u>	<u>\$ 7,552,839</u>	<u>\$ 112,062</u>	<u>\$ 36,839,916</u>

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2016

	Water	Sewer	Gas	Sanitation	Outside Water	Outside Sewer	Utility Deposits	TOTAL
OPERATING REVENUES	\$ 2,493,584	\$ 1,200,063	\$ 1,368,536	\$ 1,428,202	\$ 689,007	\$ 624,177	\$ 0	\$ 7,803,569
OPERATING EXPENSES								
Personnel Costs	\$ 41,693	\$ 20,590	\$ 19,148	\$ 23,798	\$ 12,543	\$ 11,601	\$ 0	\$ 129,373
Gas Purchased	0	0	775,944	0	0	0	0	775,944
Contractual Services	1,305,770	426,362	523,326	588,343	525,700	190,038	0	3,559,539
Dumping Fees	0	0	0	387,466	0	0	0	387,466
Operational	466,518	259,623	33,627	59,592	148,630	103,467	0	1,071,457
Repairs and Maintenance	85,412	165,720	22,171	44,410	74,689	71,372	0	463,774
Bad Debts	(494)	(210)	(778)	33	(464)	(465)	0	(2,378)
Depreciation	378,658	347,679	100,979	173,571	65,705	215,197	0	1,281,789
Total Operating Expenses	\$ 2,277,557	\$ 1,219,764	\$ 1,474,417	\$ 1,277,213	\$ 826,803	\$ 591,210	\$ 0	\$ 7,666,964
Operating Income (Loss)	\$ 216,027	\$ (19,701)	\$ (105,881)	\$ 150,989	\$ (137,796)	\$ 32,967	\$ 0	\$ 136,605
NONOPERATING INCOME (EXPENSES)								
Royalties	\$ 0	\$ 0	\$ 2,399	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,399
Interest Income	5,011	3,805	9,199	5,370	1,637	2,506	0	27,528
Interest Rebate	0	0	0	0	7,054	17,425	0	24,479
Interest Expense	(30,619)	(2,771)	(385)	0	(34,189)	(82,953)	0	(150,917)
Gain (Loss) on Disposition of Fixed Assets	0	0	0	250	0	0	0	250
Grants	1,369,088	996,165	0	0	84,955	40,692	0	2,490,900
Total Nonoperating Income (Expense)	\$ 1,343,480	\$ 997,199	\$ 11,213	\$ 5,620	\$ 59,457	\$ (22,330)	\$ 0	\$ 2,394,639
NET INCOME (LOSS)(Before Transfers)	\$ 1,559,507	\$ 977,498	\$ (94,668)	\$ 156,609	\$ (78,339)	\$ 10,637	\$ 0	\$ 2,531,244
TRANSFERS								
Operating Transfers In	\$ 0	\$ 56,165	\$ 0	\$ 0	\$ 1,445	\$ 2,651	\$ 0	\$ 60,261
Operating Transfers (Out)	(306,903)	(94,125)	0	0	0	0	0	(401,028)
Total Transfers	\$ (306,903)	\$ (37,960)	\$ 0	\$ 0	\$ 1,445	\$ 2,651	\$ 0	\$ (340,767)
CHANGE IN NET POSITION	\$ 1,252,604	\$ 939,538	\$ (94,668)	\$ 156,609	\$ (76,894)	\$ 13,288	\$ 0	\$ 2,190,477
NET POSITION - BEGINNING OF YEAR	\$ 6,961,144	\$ 8,893,757	\$ 2,567,621	\$ 1,808,569	\$ 1,164,626	\$ 4,206,653	\$ 50,269	\$ 25,652,639
NET POSITION - END OF YEAR	\$ 8,213,748	\$ 9,833,295	\$ 2,472,953	\$ 1,965,178	\$ 1,087,732	\$ 4,219,941	\$ 50,269	\$ 27,843,116

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2016

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash Received from Customers	\$ 2,384,018	\$ 1,125,202	\$ 1,349,694	\$ 1,396,872	\$ 658,584	\$ 617,104	\$ 0	\$ 7,531,474
Cash Received from Other Operating Revenues	97,650	54,831	42,373	7,042	5,235	4,534	0	211,665
Miscellaneous Revenues	0	0	0	0	0	0	0	0
Cash Payments for Personnel Costs	(41,229)	(19,660)	(21,290)	(23,412)	(11,835)	(10,879)	0	(128,305)
Cash Payments for Gas Purchases	0	0	(775,944)	0	0	0	0	(775,944)
Cash Payments for Contractual Services	(1,305,770)	(426,362)	(523,326)	(588,343)	(525,700)	(190,038)	1,665	(3,557,874)
Cash Payments for Other Operating Expenses	(536,400)	(395,353)	(94,261)	(461,094)	(182,208)	(149,545)	0	(1,818,861)
Net Cash Provided by Operating Activities	\$ 598,269	\$ 338,658	\$ (22,754)	\$ 331,065	\$ (55,924)	\$ 271,176	\$ 1,665	\$ 1,462,155
Cash Flows from Non-Capital Financing Activities								
Operating Transfers In	\$ 0	\$ 56,165	\$ 0	\$ 0	\$ 1,445	\$ 2,651	\$ 0	\$ 60,261
Operating Transfers (Out)	(306,903)	(94,125)	0	0	0	0	0	(401,028)
Grants	1,369,088	996,165	0	0	84,955	40,692	0	2,490,900
Increase in Amounts Due To/From Other Funds	4,385	(264)	0	(15)	0	1,728	(3,563)	2,271
Other	0	0	0	0	0	0	0	0
Net Cash Flows from Non-Capital Financing Activities	\$ 1,066,570	\$ 957,941	\$ 0	\$ (15)	\$ 86,400	\$ 45,071	\$ (3,563)	\$ 2,152,404
Cash Flows from Capital Financing Activities								
Interest Expense	\$ (20,833)	\$ 0	\$ (385)	\$ 0	\$ (34,044)	\$ (83,689)	\$ 0	\$ (138,951)
Interest Rebate	0	0	0	0	7,054	17,425	0	24,479
Purchase \ Construction of Fixed Assets	(3,771,346)	(1,736,366)	(129,365)	(50,662)	0	(31,400)	0	(5,719,139)
Proceeds from Asset Dispositions	0	633,200	0	250	0	0	0	633,450
Bond Issuance Costs	4,750	0	0	0	0	0	0	4,750
Retirement of Principal	2,400,866	0	0	0	(26,646)	(120,320)	0	2,253,900
Net Cash Flows from Capital Financing Activities	\$ (1,386,563)	\$ (1,103,166)	\$ (129,750)	\$ (50,412)	\$ (53,636)	\$ (217,984)	\$ 0	\$ (2,941,511)
Cash Flows from Investing Activities								
Bond Issuance Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 781	\$ 0	\$ 781
Royalties	0	0	2,399	0	0	0	0	2,399
Interest Income	5,011	3,805	9,199	5,370	1,637	2,506	0	27,528
Net Cash Flows from Investing Activities	\$ 5,011	\$ 3,805	\$ 11,598	\$ 5,370	\$ 1,637	\$ 3,287	\$ 0	\$ 30,708
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 283,287	\$ 197,238	\$ (140,906)	\$ 286,008	\$ (21,523)	\$ 101,550	\$ (1,898)	\$ 703,756
Cash and Cash Equivalents at Beginning of Year	955,071	648,557	1,997,278	934,335	409,848	604,594	110,397	5,660,080
Cash and Cash Equivalents at End of Year	\$ 1,238,358	\$ 845,795	\$ 1,856,372	\$ 1,220,343	\$ 388,325	\$ 706,144	\$ 108,499	\$ 6,363,836
RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES								
Income (Loss) from Operations	\$ 216,027	\$ (19,701)	\$ (105,881)	\$ 150,989	\$ (137,796)	\$ 32,967	\$ 0	\$ 136,605
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:								
Depreciation and Amortization	378,658	347,679	100,979	173,571	65,705	215,197	0	1,281,789
(Increase) Decrease in Customer Accounts Receivable	(12,385)	(20,240)	14,139	(24,255)	(25,652)	(3,004)	0	(71,397)
(Increase) Decrease in Prepaid Expenses	25,394	34,584	8,614	28,459	8,973	11,388	0	117,412
(Increase) Decrease in Due From Other Funds	(25)	(12)	385	0	1,186	0	0	1,534
(Increase) Decrease in Deferred Outflows of Resources	(5,268)	(2,512)	(2,726)	(2,991)	(1,513)	(1,390)	0	(16,400)
Increase (Decrease) in Accounts Payable	(9,864)	(4,582)	(38,848)	1,915	30,952	13,906	0	(6,521)
Increase (Decrease) in Customer Deposits	0	0	0	0	0	0	1,665	1,665
Increase (Decrease) in Net Pension Liability	5,439	3,231	760	3,198	2,079	1,890	0	16,597
Increase (Decrease) in Deferred Inflows of Resources	293	211	(176)	179	142	222	0	871
Net Cash Provided by Operating Activities	\$ 598,269	\$ 338,658	\$ (22,754)	\$ 331,065	\$ (55,924)	\$ 271,176	\$ 1,665	\$ 1,462,155
Noncash Investing, Capital, and Financing Activities:								
Amortization of Bond Premium (Discount)	\$ 1,934	\$ 0	\$ 0	\$ 0	\$ (450)	\$ (254)	\$ 0	\$ 1,230
Total Noncash Investing, Capital, and Financing Activities	\$ 1,934	\$ 0	\$ 0	\$ 0	\$ (450)	\$ (254)	\$ 0	\$ 1,230

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

SMG FOOD AND BEVERAGE LLC
Agent for the City of Pikeville, Kentucky
and the Eastern Kentucky Exposition Center Corporation

Balance Sheet
June 30, 2016

ASSETS

Current Assets

Cash on Hand and In Bank	\$	395,519
Accounts receivable - Trade		43,469
Accounts receivable - Other		20,551
Inventories		51,409
Prepaid Expenses		17,585
Total Current Assets	\$	528,533

Total Assets	\$	528,533
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	58,324
Accounts Payable - Other		7,676
Accrued Wages		35,464
Accrued Expenses		12,261
Advance Outlet Sales		225,934
Advance Deposits		9,150
Deferred Revenue		118,809
Total Current Liabilities	\$	467,618

Members' Equity

Contributed Capital:

Eastern Kentucky Exposition Center Corporation	2,486,542	
City of Pikeville, Kentucky	4,320,667	
Members' Equity	(6,746,294)	
Total Members' Equity		\$ 60,915
Total Liabilities and Members' Equity		\$ 528,533

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

SMG FOOD AND BEVERAGE LLC

STATEMENT OF INCOME AND CHANGES IN MEMBERS' EQUITY

For the Year Ended June 30, 2016

	Actual
REVENUES	
Rental	\$ 214,168
Food and Beverage Concessions	255,075
Food and Beverage Catering	302,342
Novelty & Other Sales	116,257
Club Seating	6,417
Advertising and Sponsorship	262,691
Tickets	120,302
Miscellaneous Income	377,719
TOTAL REVENUE	<u>\$ 1,654,971</u>
Cost of Good Sold	
Catering	\$ 18,843
Production Materials	0
Food / Beverage / other - Concessions	96,449
Direct Labor - Concessions	40,516
Other Direct Costs - Concessions	47,228
Food / Beverage / other - Catering	71,881
Direct Labor - Catering	28,941
Other Direct Costs - Catering	384
Novelty and Costs of Other Sales	6,581
Direct Labor - Novelty	6,862
Promoter Share	85,319
Ticket Service Charge Expense	5,713
Other event costs	128,723
Total Cost of Goods Sold	<u>\$ 537,440</u>
Gross Profit	<u>\$ 1,117,531</u>
OPERATING EXPENSES	
Personnel Costs	\$ 757,853
Contractual Service	35,305
Professional Services	14,277
Operational	279,442
Insurance	52,060
Advertising	22,884
Repairs and Maintenance	54,183
Supplies	45,483
Utilities	287,390
Management Fee	181,100
Total Operating Expenses	<u>\$ 1,729,977</u>
Operating Income (Loss)	<u>\$ (612,446)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	\$ 824
Total Nonoperating Revenues (Expenses)	<u>\$ 824</u>
NET INCOME (LOSS)	<u>\$ (611,622)</u>
MEMBERS EQUITY	
Beginning of Year	12,360
Contributions from:	
Eastern Kentucky Exposition Center Corporation	15,681
City of Pikeville, Kentucky	644,496
End of Year	<u>\$ 60,915</u>

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

SMG FOOD AND BEVERAGE LLC

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

Cash Flows from Operating Activities:

Cash Received from Rentals	\$	214,168
Cash Received from Food and Beverage		738,840
Cash Received from Ticket Sales / Seating		126,719
Cash Received from Advertising and Sponsorships		329,182
Cash Received from Other Operating Revenues		493,976
Cash Payments for Personnel Costs		(846,746)
Cash Payments for Contractual Services		(49,582)
Cash Payments for Materials and other direct Costs		(464,553)
Cash Payments for Other Operating Expenses		(961,788)
Net Cash Provided By Operating Activities	\$	<u>(419,784)</u>

Cash Flows From Investing Activities

Interest Income	\$	<u>824</u>	
Net Cash Flows From Investing Activities			824

Cash Flow From Financing Activities 0

Contributions from:

Eastern Kentucky Exposition Center Corporation	\$	15,681	
City of Pikeville, Kentucky		<u>644,496</u>	
Net Cash Used By Financing Activities			<u>660,177</u>
Net Increase In Cash	\$		<u>241,217</u>

Cash At Beginning of Year 154,302

Cash At End of Year \$ 395,519

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

SMG FOOD AND BEVERAGE LLC

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

RECONCILIATION OF INCOME (LOSS) FROM
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (612,446)
Adjustments to Reconcile Net Income to Net Cash Provided	
By Operating Activities:	
(Increase) Decrease in:	
Accounts receivable - Trade	66,491
Accounts receivable - Other	(3,707)
Inventory	(3,432)
Prepaid Expenses	1,965
Increase (Decrease) in:	
Accounts Payable	(44,193)
Accounts Payable - Other	1,062
Accrued Wages	(12,574)
Accrued Expenses	1,920
Advance Outlet Sales	164,910
Advance Deposits	7,750
Deferred Revenue	12,470
Net Cash Provided By Operating Activities	<u>\$ (419,784)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pikeville was established by Charter on June 5th 1893.

The City of Pikeville, Kentucky (City) operates under a Council-Manager form of government with four commissioners and a mayor. The mayor serves a four year term and the commissioners serve a two year term.

The City provides the following services as authorized by its charter: public safety (police and fire), highway and streets, water, sewer, gas, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

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

The more significant of the City's accounting policies are described below.

1 – Related Organizations

The accounts of the related entities listed below are not included because these entities are autonomous agencies operating independently from the City. Their elected or appointed board contracts independently for audits of their financial statements.

Pikeville Housing Authority
Industrial Development & Economic Authority (IDEA)
Hillbilly Days Board
Pikeville/Pike County Museum Board

Pikeville Scholar House
Pikeville Pike County Airport Board
East Kentucky Exposition Center Corporation
Pikeville/Pike County/Elkhorn City Joint Planning Commission
Pike TV, Inc.

2. Committees appointed by the Commissioners

Pikeville Technical Advisory Committee
Pikeville Board of Ethics
Pikeville Historical Preservation Board

Pikeville Board of Zoning Adjustments
Pikeville Tree Board
Pikeville Vacant Property Review Board

3 – Government-Wide and Fund Financial Statements

a) Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary governments are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3 – Government-Wide and Fund Financial Statements (concluded)

b) Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

4. Measurement Focus, Basis of Accounting, and financial statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), environmental fines and grants. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes and unassigned fund balances would be used as needed.

5 - Fund Types and Major Funds

The City reports the following major funds:

a) Governmental Funds

General Fund - the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Projects Control - is used to account for the construction of major capital facilities (other than those financed by proprietary funds). Principal sources of revenue are grants, City funding, and municipal long-term debt proceeds and interest income.

Debt Service Fund Types – accounts for funds used to pay debt service costs. Principal sources of revenue are City funding and interest income.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 - Fund Types and Major Funds (Concluded)

b) Proprietary Funds

The City reports the following major enterprise funds:

Water – accounts for the operating activities of the City’s water utilities service.

Sewer – accounts for the operating activities of the City’s sewer utilities service.

Gas – accounts for the operating activities of the City’s natural gas utilities service.

Sanitation – accounts for the operating activities of the City’s garbage collection service.

Outside Water – accounts for the operating activities of the City’s water utilities service to customers who are located outside the city limits.

Outside Sewer – accounts for the operating activities of the City’s sewer utilities service to customers who are located outside the city limits.

c) Other Fund Types

The City also reports the following fund type:

Agency – report fiduciary resources held by the City in a custodial capacity as an agent on behalf of others. The City’s agency fund is used to account for various deposits.

6 – Component Units

In accordance with GASB Statements No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units*, as amended, the City has included in its financial statements the departments the primary government along with its discretely presented Component Unit.

The Component Unit column in the government-wide financial statements includes the financial data of the City’s discretely presented component unit. It is reported in a separate column to emphasize that they are legally separate from the City. The following Component Unit is included in the reporting entity because the primary government is financially accountable for and is able to impose its will on the organization.

- a. The discretely presented component unit has a June 30 fiscal year end.

SMG Food and Beverage, LLC is a legally separate entity that operates the East Kentucky Exposition Center (Expo Center). It is shown as a discretely presented component unit because

- i. City is under contract with the Eastern Kentucky Exposition Center Corporation Board to operate it,
- ii. City enacted a restaurant tax to support the Expo Center,
- iii. The Expo Center receives oversight from the City of Pikeville Commission.

The complete financials of the SMG Food and Beverage, LLC can be requested.

- b. The blended component unit has a June 30 fiscal year end.

The Pikeville Main Street Program, Inc. is a not for profit corporation with the mission is to revitalize the Pikeville City Business District by utilizing a comprehensive strategy which includes organization, promotion, design, and economic restructuring, within the context of historic preservation.

- i. The City pays the salary of the director.
- ii. The City provides office space.
- iii. The Board of directors is partially appointed by the City Commission.
- iv. The entity is financially dependent on the City.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 - Fixed Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The City has complied with GASB 34 and included certain infrastructure assets in the government-wide financial statements. A listing of streets and their respective length, in feet, were provided by the city engineer with an estimated replacement cost per foot. The weighted-average age of the streets were used to determine the date in which to book the streets. The replacement cost per foot was discounted back to that date and applied to the Accumulated depreciation was calculated from that date to adoption. Also, the City's bridges were booked using same method on a "per square foot" basis.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decrease (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Utility plant	40 years
Machinery and Equipment	5-10 years

8 - Budgets and Budgetary Accounting

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

- a) In accordance with the City Charter, prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with actual for the current year and prior year budget. The City Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- b) Public hearings are conducted to obtain taxpayer comment.
- c) Prior to June 30, the budget is to be legally enacted through passage of an ordinance.
- d) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds.
- e) Budgets for the General, Debt Service, Special Revenue Funds, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- f) Appropriations lapse at the end of each fiscal year.
- g) The City Council may authorize supplemental appropriations during the year.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 - Investments Policy

With prior approval of the Mayor and City Commission the Finance Director may invest in obligations of the United States and its agencies and instrumentality.

Without prior approval of the Mayor and City Commission the Finance Director may invest in certificates of deposit issued by or other-interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes.

For the current fiscal year the City invested only in certificates of deposit and savings accounts. Investments are stated at cost or amortized cost approximates market.

10 - Restricted Assets

These assets consist of cash and short-term investments restricted for debt service.

11 - Reserves

The City is required by loan agreements to maintain reserves. The City records reserves to indicate that a portion of the retained earnings and fund balance is legally segregated for a specific future use. Following is a description of each reserve used by the City and a list of all reserves:

Reserve for Debt Service - An account used to segregate a portion of fund balance for debt service resources restricted to accumulate to the maximum amount of principal and interest that will become due in any subsequent twelve-month period per the bond covenants.

Reserve for Operation and Maintenance - An account used to segregate a portion of fund balance restricted for operating and maintaining the system. The reserve reflects amounts accumulated to a balance specified in the bond covenant.

Reserve for Sinking Fund - An account used to segregate a portion of fund balance for debt service resources restricted to the payment of long-term debt principal and interest amounts maturing in future years when sufficient amounts are not reserved in bond debt service accounts.

Reserve for depreciation - An account used to segregate a portion of fund balance for amortization of capital expenditures as required per bond covenant.

Reserve for Prior Sinking Fund - Per Bond ordinance for "City of Pikeville Water and Sewer System Revenue Bonds, Series 2007." Amount transferred from the revenue fund and deposited as required by prior bond ordinance.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)11 – Reserves (Concluded)

	<u>2016</u>	<u>2015</u>	
<u>A) Water-Sewer Fund</u>			
<u>B) Gas Fund</u>			
<u>C) Sewer Fund</u>			
<u>D) Outside Water</u>			
Taxable Series 2010S-2	<u>\$ 22,680</u>	<u>\$ 18,900</u>	
<u>E) Outside Sewer</u>			
Reserve for Sinking Fund			
Taxable Series 2010S-1	\$ 37,080	\$ 30,900	
Taxable Series 2010S-2	22,680	18,900	
KIA Loan # A00-03	50,000	50,000	
Total Outside Sewer	<u>\$ 109,760</u>	<u>\$ 99,800</u>	
Total Reserve for Sinking			
Fund Balance	<u>\$ 132,440</u>	<u>\$ 118,700</u>	
<u>Reserve Funding:</u>	<u>Required</u>	<u>Cash</u>	<u>Over (Under)</u>
A) Water-Sewer Fund	\$ 0	\$ 0	\$ 0
B) Gas Fund	0	0	0
C) Sewer Fund	0	0	0
D) Outside Water	22,680	56,111	33,431
E) Outside Sewer	109,760	173,058	63,298
	<u>\$ 132,440</u>	<u>\$ 229,169</u>	<u>\$ 96,729</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)12 - Revenue Recognition - Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for both real and personal property located in the City. The City adopts the county assessment of property situated within the city limits, for both real and personal property. The assessed value of the roll, upon which the levy for 2015 fiscal year was based, was \$471,555,350 real and \$91,289,817 tangible.

The tax rates assessed for the year ended June 30, 2016 were \$.150 per \$100 valuation for real estate and \$.150 per \$100 valuation for tangible personal property.

Taxes are due on November 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2016 were 97.803% of the tax levy. Property taxes on vehicles are assessed at January 1, and are billed when the vehicle is licensed. These funds are collected by the Pike County Court Clerk and remitted to the City. These amounts were not used in computing the above percentage.

All property tax revenues are recognized and recorded when they become measurable and available. Available means due, or past due and receivable within the current period and collected no longer than sixty days after the close of the current period.

Property taxes receivable as of June 30, 2016 and 2015 are composed of the following:

<u>Year of Levy</u>	<u>2016 Amount</u>	<u>2015 Amount</u>
2015	\$ 18,116	\$ 0
2014	5,264	11,196
2013	5,436	6,910
2012	3,463	4,820
2011	4,364	5,733
2010	3,456	3,946
2009	3,966	4,567
2008	3,758	3,782
2007	3,219	3,484
2006	3,761	3,761
2005	3,630	3,893
2004	5,528	5,759
2003	4,385	4,385
2002	5,212	5,226
2001	2,676	2,830
2000	5,733	6,010
1999	0	5,448
	<u>\$ 81,967</u>	<u>\$ 81,750</u>
Less: Allowance for doubtful accounts	70,249	68,924
Net Property Taxes Receivable	<u>\$ 11,718</u>	<u>\$ 12,826</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)13 - Receivables - Proprietary Funds

Receivables are recorded at net realizable value. Net realizable value is equal to gross receivables less an allowance for uncollectable accounts.

2016	Gas	Water	Sewer	Sanitation	Outside Water	Outside Sewer	TOTAL
Total Accounts Receivable	\$ 100,593	\$ 245,221	\$ 150,232	\$ 148,113	\$ 101,728	\$ 105,837	\$ 851,724
Less: Allowance for Doubtful Accounts	1,376	3,492	2,358	2,325	1,597	1,661	12,809
Net Receivables	<u>\$ 99,217</u>	<u>\$ 241,729</u>	<u>\$ 147,874</u>	<u>\$ 145,788</u>	<u>\$ 100,131</u>	<u>\$ 104,176</u>	<u>\$ 838,915</u>

2015	Gas	Water	Sewer	Sanitation	Outside Water	Outside Sewer	TOTAL
Total Accounts Receivable	\$ 115,510	\$ 233,330	\$ 130,202	\$ 123,825	\$ 100,135	\$ 103,298	\$ 806,300
Less: Allowance for Doubtful Accounts	2,154	3,986	2,568	2,292	2,061	2,126	15,187
Net Receivables	<u>\$ 113,356</u>	<u>\$ 229,344</u>	<u>\$ 127,634</u>	<u>\$ 121,533</u>	<u>\$ 98,074</u>	<u>\$ 101,172</u>	<u>\$ 791,113</u>

14 - Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is entitled to receive accrued vacation but not accrued sick leave. Accumulated vacation pay at June 30, 2016 and 2015, respectively was \$102,714 and \$112,978.

15 - Statement of Cash Flows

For purposes of the Statement of Cash Flows; the Gas Fund, Water and Sewer Fund, and the Sanitation Fund; all highly liquid investments (including restricted assets) were considered to be cash equivalents. Highly liquid investments are defined as investments that (a) are readily convertible to known amounts of cash and/or (b) are near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

16 - Utility Deposits

The City requires a deposit be made before services will be provided for those customers who are tenants. Those deposits are for gas (\$75.00) and water (\$25.00). When the customer has services disconnected the deposit plus interest accrued is applied to their last bill and the remainder being refunded. Interest is accrued at the rate of 6.0 % per annually.

17 - Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

18 - Long-term Debt and Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the outstanding interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources or other financing uses, respectively, and issuance costs are reported as debt service expenditures.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19 - Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is classified, rescinded or modified pursuant to ordinances passed by City Commission, City's highest level of decision making authority.
- Assigned – includes amounts that City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Finance Director under the authorization of the Mayor's Office.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. City reports all amounts that meet the unrestricted General Fund Balance Policy as unassigned.

20 - Date of Managements Review

Subsequent events were evaluated through November 30, 2016, which is the date the financial statements were available for review.

NOTE B – DEFERRED OUTFLOW OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement provides financial reporting guidance for deferred outflows of resources, which are consumptions of net position by the government that is applicable to a future reporting period and deferred inflows of resources which are acquisitions of net position by the government that is applicable to a future reporting period.

Statement No. 63 amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The adoption of Statement No. 63 resulted in a change in the presentation of the *Statement of Net Assets* to what is now referred to as the *Statement of Net Position* and the term "net assets" is changed to "net position" throughout the financial statements. Statement No. 63 also amends the reporting of the "net investment in capital assets" component of net position. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are now required to be included in this component of net position.

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE C - LONG-TERM DEBT

The following is a summary of bonds and notes payable of the City for the year ended June 30, 2016.

CHANGES IN LONG-TERM DEBT:

<u>DESCRIPTION</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Bonds	\$ 5,065,000	\$ 0	\$ 400,000	\$ 4,665,000
Plus: Premium	14,602	0	1,934	12,668
Less: Discount	(20,048)	0	(704)	(19,344)
Revenue Bonds	3,172,000	3,166,000	58,000	6,280,000
Notes Payable	1,683,389	0	192,809	1,490,580
Total	<u>\$ 9,914,943</u>	<u>\$ 3,166,000</u>	<u>\$ 652,039</u>	<u>\$ 12,428,904</u>

N/P = Note Payable CL = Capitalized Lease

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE C - LONG-TERM DEBT (Continued)

Bonds and Notes Payable at June 30, 2016 are comprised of the following:

General Obligation Bonds

\$1,440,000 Series 2003 maturing through 2018, with interest at 3.100% Maturing in June 2018 and is secured by system revenues. This bond was paid off in October 2016. \$ 235,000

Bank of New York \$3,025,000 Series 2012A (Jenny Wiley) with varying interest of 0.60% to 3.125% which is an effective rate of 2.9%, with the balance of principal due April 1, 2032. This loan is secured by system revenues. Payments due are \$31,113.13 (2017); \$166,113.13 (2017); \$30,100.63 (2018) and \$165,100.63 (2018). 2,505,000

Bank of New York \$1,170,000 Series 2012B (Refinancing), with varying interest of 0.90% to 4.00% with the balance of principal due January 1, 2042. This loan is secured by system revenues. Payments due are \$17,017.50 (2017); \$47,017.50 (2017); \$16,762.50 (2018) and \$46,762.50 (2018). 1,035,000

Bank of New York \$1,405,000 Series 2012C (Refinancing) maturing though January 1, 2023, with varying interest of 1.00% to 2.250% with the balance of principal due January 1, 2023. This loan is secured system revenues. Payments due are \$9,331.25 (2017); \$139,331.25 (2017); \$8,031.25 (2018) and \$143,031.25 (2018). 890,000

Total General Obligation Bonds \$ 4,665,000

Plus: Premiums 12,668

Less: Discounts (19,344)

Net General Obligation Bonds Payable \$ 4,658,324

Revenue Bonds

USDA Rural Development \$1,500,000 Build America Bonds, Taxable Series 2010S-1 maturing through January 1, 2050, with interest at 2.25% and is secured by system revenues. Payments of \$15,750.00 (2017); \$42,250.00 (2017); \$15,541.88 (2018) and \$42,951.88 (2018). \$ 1,400,000

USDA Rural Development \$1,837,000 Build America Bonds, Taxable Series 2010S-2 maturing through January 1, 2050, with interest at 2.50% and is secured by system revenues. Payments in the amount of \$21,425.00 (2017); \$53,925.00 (2017); \$21,018.75 (2018) and \$54,518.75 1,714,000

USDA Rural Development \$3,166,000 Water and Sewer Revenue Bonds Series 2016A maturing through January 1, 2055, with interest at 2.25% and is secured by system revenues. Payments in the amount of \$13,856.67 (2017); \$35,910.25 (2017); \$35,324.76 (2018) and 3,166,000

Total Revenue Bonds \$ 6,280,000

Total Bonds Payable \$ 10,938,324

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE C - LONG-TERM DEBT (Continued)

Notes Payable and Capital Leases

KENTUCKY INFRASTRUCTURE AUTHORITY – This loan in the amount of \$848,416.47 was assumed from the Mountain Water District when the City assumed operation of the Mossy Bottom Sewage System. The loan is for a term of 14.5 years, at an interest rate of 1.80%, with the last installment due in December 2021 and is secured by system revenues. Semi Annual Payments are due in the amounts \$33,718.22 (2017); \$33,687.98 (2017); \$33,657.47 (2018) and \$33,626.69 (2018).

	\$	348,000
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COMMUNITY TRUST BANK - Fire station construction loan in the amount of \$900,000 with a term of four (4) years with a rate of 3.14%, payments of \$5,054.69 to be made monthly with the first payment due on October 25, 2014 and the last installment due on September 25, 2018 to include unpaid principal (\$768,214.16) plus interest. Total monthly payments are due in 2017 are \$60,656.28, 2018 are \$60,656.28 and 2019 are \$60,656.28 of principal and interest

	842,580
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US Bank - Riverfill Seating construction in the amount of \$500,000 with a term of five years with a rate of 2.85% to paid semi-annually with the first payment due December 1, 2014 and the last payment due on December 1, 2018. December payments are to be \$100,000 principal plus interest with interest only payments due in June. Payments are due in 2017 of \$104,275.00 and \$2,850.00 and in 2018 of \$102,850 and \$1,425.00.

	300,000
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Total \$	<u>12,428,904</u>
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CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE C - LONG-TERM DEBT (Continued)CURRENT MATURITIES

The maturities of the Bonds Payable are as follows:

Principal Portion

	General Obligation	General Obligation / Revenue Bonds				Business Type	Total
		Water	Sewer	Outside Sewer	Outside Water		
2017	\$ 250,000	\$ 130,000	\$ 0	\$ 61,150	\$ 27,850	\$ 219,000	\$ 469,000
2018	255,000	173,800	9,700	62,650	28,350	274,500	529,500
2019	135,000	179,600	9,900	63,650	28,850	282,000	417,000
2020	140,000	180,800	10,200	63,800	29,700	284,500	424,500
2021	140,000	187,000	10,500	70,200	30,300	298,000	438,000
2022-2026	755,000	428,000	57,000	373,700	164,300	1,023,000	1,778,000
2027-2031	875,000	260,400	65,100	416,600	187,400	929,500	1,804,500
2032-2036	190,000	298,000	74,500	478,250	217,750	1,068,500	1,258,500
2037-2041	0	341,600	85,400	518,300	206,700	1,152,000	1,152,000
2042-2046	0	391,200	97,800	448,500	159,000	1,096,500	1,096,500
2047-2051	0	448,000	112,000	372,000	140,000	1,072,000	1,072,000
2052-2056	0	404,400	101,100	0	0	505,500	505,500
	<u>\$ 2,740,000</u>	<u>\$ 3,422,800</u>	<u>\$ 633,200</u>	<u>\$ 2,928,800</u>	<u>\$ 1,220,200</u>	<u>\$ 8,205,000</u>	<u>\$ 10,945,000</u>

Interest Portion

	General	General Obligation / Revenue Bonds			
	Obligation		Outside	Outside	
	Bonds	Water	Sewer	Water	Total
2017	\$ 69,511	\$ 75,651	\$ 108,385	\$ 33,179	\$ 286,726
2018	63,921	72,614	106,466	32,575	275,576
2019	57,839	69,032	104,500	31,960	263,331
2020	55,139	65,328	102,498	31,331	254,296
2021	52,339	61,596	100,321	30,625	244,881
2022-2026	212,396	259,988	322,527	141,225	936,136
2027-2031	109,831	226,823	272,140	117,534	726,328
2032-2036	5,938	195,458	213,055	88,640	503,091
2037-2041	0	159,525	142,743	53,429	355,697
2042-2046	0	118,377	74,722	29,625	222,724
2047-2051	0	71,235	22,000	8,781	102,016
2052-2056	0	8,003	0	0	8,003
Total	\$ 626,914	\$ 1,383,630	\$ 1,569,357	\$ 598,904	\$ 4,178,805

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE C - LONG-TERM DEBT (Concluded)

CURRENT MATURITIES (continued)

The maturities of the Notes Payable and Capital Leases are as follows:

	General Long- Term Debt	Proprietary Funds	Total Principal	Interest	Total
2017	\$ 134,215	\$ 60,749	\$ 194,964	\$ 39,558	\$ 234,522
2018	135,325	61,847	197,172	34,499	231,671
2019	873,040	62,965	936,005	9,312	945,317
2020	0	64,104	64,104	2,637	66,741
2021	0	98,335	98,335	1,478	99,813
2022-2026	0	0	0	298	298
2027-2031	0	0	0	0	0
Total	<u>\$ 1,142,580</u>	<u>\$ 348,000</u>	<u>\$ 1,490,580</u>	<u>\$ 87,782</u>	<u>\$1,578,362</u>

NOTE D - LEASE COMMITMENTS

Eastern Kentucky Exposition Center Corporation - A 99 year lease of the Eastern Kentucky Exposition Center for \$1 per year with the right to terminate the lease upon the City giving the EKECC a one year notice.

PITNEY BOWES - A three year lease for a postage machines for city hall, fire station and the police station. Quarterly payments are in the amounts of \$892.50, \$138.00 and \$117. Lease is cancelable by either party upon ninety days written notice.

Dilco Development Company - leases the Dils Cemetery located adjacent to the Pikeville Bypass Road and Chloe Creek Road for \$1.00 per year. The lease is for a term of fifteen years, automatically renewed for successive one-year terms under the same terms and conditions, termination can be by either party upon giving 180 days' notice prior to the end of the term.

Appalachian News-Express - lease property on Second Street for the City to construct public seating area with tables and chairs for consideration of \$1 and full of terms of lease starting June 30, 2014 and renew for successive one year terms unless either party notifies the other in writing of its intent not to renew 30 days prior to the expiration.

Jubilee Christian Assembly of God, Inc. - A twenty year lease of land to be used as a boat ramp and parking. Payments are in the amount of \$1 and the agreement to seal the church's parking lot every two years for ten years.

Branch Banking and Trust Company - Property located at the intersection of Pike Street and Main Street portion of the Parking Lot. Lease shall begin on March 1, 2013 and shall continue for five (5) years until February 28, 2018. So long as Lessee complies with all of the terms and conditions of this Lease the Lessee shall not be required to pay rent for its use of the premises.

The related future minimum lease payments are as follows:

	Payments
2017	\$ 4,621
2018	4,621
2019	499
2020	3
2021	3
2022-2026	15
2027-2031	15
	<u>\$ 9,777</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE E – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2016.

CHANGES IN FIXED ASSETS – GOVERNMENTAL ACTIVITIESASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	\$ 30,397,878	\$ 234,338	\$ 0	\$ 30,632,216
Land	13,895,364	298,443	0	14,193,807
Vehicles	5,161,052	296,530	11,250	5,446,332
Equipment	4,261,815	421,311	90,258	4,592,868
Infrastructure	44,391,300	5,544,550	0	49,935,850
Construction In Progress	5,876,006	4,559,561	6,219,678	4,215,889
TOTALS	<u>\$ 103,983,415</u>	<u>\$ 11,354,733</u>	<u>\$ 6,321,186</u>	<u>\$ 109,016,962</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 9,798,946	\$ 820,115	\$ 0	\$ 10,619,061
Vehicles	3,988,005	323,123	11,250	4,299,878
Equipment	3,154,958	287,503	89,742	3,352,719
Infrastructure	29,497,974	544,696	0	30,042,670
TOTALS	<u>\$ 46,439,883</u>	<u>\$ 1,975,437</u>	<u>\$ 100,992</u>	<u>\$ 48,314,328</u>
NET FIXED ASSETS	<u>\$ 57,543,532</u>			<u>\$ 60,702,634</u>

Depreciation expense was charged to Governmental Activities

General Government	\$ 777,901
Public Safety	298,431
Streets	693,363
Recreation and Parks	205,742
Total Depreciation Expense Governmental Activities	<u>\$ 1,975,437</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the Property, Plant and Equipment of the Enterprise Funds as of June 30, 2016.

CHANGES IN FIXED ASSETS - GAS FUNDASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Land	\$ 138,000	\$ 0	\$ 0	\$ 138,000
Plant and Distribution System	2,203,893	60,230	0	2,264,123
Equipment	265,890	76,162	564	341,488
Vehicles	224,563	19,000	0	243,563
Construction in Progress	26,028	34,202	60,230	0
TOTALS	<u>\$ 2,858,374</u>	<u>\$ 189,594</u>	<u>\$ 60,794</u>	<u>\$ 2,987,174</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 1,998,255	\$ 57,574	\$ 0	\$ 2,055,829
Equipment	217,659	9,706	564	226,801
Vehicles	113,622	33,698	0	147,320
TOTALS	<u>\$ 2,329,536</u>	<u>\$ 100,978</u>	<u>\$ 564</u>	<u>\$ 2,429,950</u>
NET FIXED ASSETS	<u>\$ 528,838</u>			<u>\$ 557,224</u>

CHANGES IN FIXED ASSETS - WATERASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 16,324,474	\$ 397,067	\$ 0	\$ 16,721,541
Equipment	413,199	10,200	0	423,399
Vehicles	209,261	31,638	0	240,899
Construction in Process	504,414	3,695,780	363,339	3,836,855
TOTALS	<u>\$ 17,451,348</u>	<u>\$ 4,134,685</u>	<u>\$ 363,339</u>	<u>\$ 21,222,694</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 10,057,608	\$ 355,200	\$ 0	\$ 10,412,808
Equipment	407,756	3,704	0	411,460
Vehicles	147,632	19,754	0	167,386
TOTALS	<u>\$ 10,612,996</u>	<u>\$ 378,658</u>	<u>\$ 0</u>	<u>\$ 10,991,654</u>
NET FIXED ASSETS	<u>\$ 6,838,352</u>			<u>\$ 10,231,040</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Continued)

CHANGES IN FIXED ASSETS – SEWERASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 15,928,267	\$ 113,323	\$ 0	\$ 16,041,590
Equipment	347,533	0	0	347,533
Vehicles	143,567	31,638	0	175,205
Construction In Progress	1,465,740	1,591,405	0	3,057,145
TOTALS	<u>\$ 17,885,107</u>	<u>\$ 1,736,366</u>	<u>\$ 0</u>	<u>\$ 19,621,473</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 9,321,936	\$ 324,109	\$ 0	\$ 9,646,045
Equipment	284,651	19,878	0	304,529
Vehicles	143,566	3,692	0	147,258
TOTALS	<u>\$ 9,750,153</u>	<u>\$ 347,679</u>	<u>\$ 0</u>	<u>\$ 10,097,832</u>
NET FIXED ASSETS	<u>\$ 8,134,954</u>			<u>\$ 9,523,641</u>

CHANGES IN FIXED ASSETS - SANITATIONASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property and Plant	\$ 457,627	\$ 0	\$ 0	\$ 457,627
Equipment	427,987	50,662	0	478,649
Vehicles	1,074,112	0	0	1,074,112
TOTALS	<u>\$ 1,959,726</u>	<u>\$ 50,662</u>	<u>\$ 0</u>	<u>\$ 2,010,388</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property and Plant	\$ 91,694	\$ 16,292	\$ 0	\$ 107,986
Equipment	345,433	32,182	0	377,615
Vehicles	742,343	125,098	0	867,441
TOTALS	<u>\$ 1,179,470</u>	<u>\$ 173,572</u>	<u>\$ 0</u>	<u>\$ 1,353,042</u>
NET FIXED ASSETS	<u>\$ 780,256</u>			<u>\$ 657,346</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Concluded)CHANGES IN FIXED ASSETS – OUTSIDE WATER

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 2,134,766	\$ 0	\$ 0	\$ 2,134,766
Equipment	68,245	0	0	68,245
Vehicles	79,518	0	0	79,518
Construction in progress	0	0	0	0
TOTALS	\$ 2,282,529	\$ 0	\$ 0	\$ 2,282,529

ACCUMULATED DEPRECIATION

Description	Beginning	Additions	Deletions	Ending
Distribution System	\$ 275,368	\$ 53,368	\$ 0	\$ 328,736
Equipment	58,745	3,799	0	62,544
Vehicles	53,903	8,538	0	62,441
TOTALS	\$ 388,016	\$ 65,705	\$ 0	\$ 453,721
NET FIXED ASSETS	\$ 1,894,513			\$ 1,828,808

CHANGES IN FIXED ASSETS – OUTSIDE SEWER

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 7,566,531	\$ 22,500	\$ 0	\$ 7,589,031
Equipment	151,925	91,069	0	242,994
Vehicles	36,825	0	0	36,825
Construction in progress	82,169	8,900	91,069	0
TOTALS	\$ 7,837,450	\$ 122,469	\$ 91,069	\$ 7,868,850

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Distribution System	\$ 804,186	\$ 191,544	\$ 0	\$ 995,730
Equipment	94,542	23,653	0	118,195
Vehicles	36,825	0	0	36,825
TOTALS	\$ 935,553	\$ 215,197	\$ 0	\$ 1,150,750
NET FIXED ASSETS	\$ 6,901,897			\$ 6,718,100

Net Fixed Assets

Fund	Beginning	Ending
Gas	\$ 528,838	\$ 557,224
Water	6,838,352	10,231,040
Sewer	8,134,954	9,523,641
Sanitation	780,256	657,346
Outside Water	1,894,513	1,828,808
Outside Sewer	6,901,897	6,718,100
	\$ 25,078,810	\$ 29,516,159

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE G - COMMITMENTS AND CONTINGENCIES

LITIGATION - Various claims and lawsuits are pending against the City. In the opinion of the City attorney, the potential loss on all claims will not be significant to the City's Financial Statements.

FEDERAL GRANT PROGRAMS - In the course of operations, the City receives grant funds from various federal and state government agencies to be used for designated purpose only. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions surrounding the granting of funds. If a grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the City for its expenditures. In management's opinion, any liability for any refunds or reimbursements which may arise as a result of audits of grant funds would not have a material impact on the financial position of the City. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

Construction Commitments - The City has active construction projects as of June 30, 2016 and have committed to other projects that will begin in fiscal year end June 30, 2016.

NOTE H - MANAGEMENT CONTRACT

The City contracted with the UMG to manage the Street, Parks, Water and Sewer, Gas, and Garbage departments of the City. The contract went into effect on December 2006.

UMG is paid a monthly fee and in turn they pay certain expenses relating to the operation of the above departments.

The City bills and collects all utility charges and related fees.

NOTE I - HELLIER MANOR APARTMENTS, LTD (HDG GRANT)

In 1984 the City received a Housing Development Grant (HDG) from the U. S. Department of Housing and Urban Development in the amount of \$1,430,002. The City loaned the grant proceeds to Hellier Manor Apartments, Ltd. (HMA) who used the funds, in addition to bond proceeds, to construct the Ridge Cliff Apartments.

These funds are to be repaid over a twenty-year period that will commence when the bonds are paid and is to be paid from profits in excess of a 10% return on investment.

Due to the length of time between the origination of the loan and the commencement of payment, and the possibility of unforeseen conditions, the likelihood of collection is such that it cannot be predicted, thus this loan receivable is not recorded.

The City has filed suit in this case.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - RETIREMENT PLAN

KENTUCKY RETIREMENT SYSTEM - County Employees Retirement System (CERS)

Plan descriptions: All employees are covered under the County Employees' Retirement System (CERS). CERS is a cost sharing, multi-employer, defined benefit, and public employers' retirement system administered by the Kentucky Retirement Systems. The plan covers substantially all regular fulltime members employed in non-hazardous and hazardous duty positions of each county, city and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS operates on a fiscal year ending on June 30 and issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kvret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The benefits of all vested members are based on years of service and final compensation. Annual benefits are computed based on 2.2% of Final Compensation multiplied by Years of Service as defined under the plan. The Plan provides for benefits upon early retirement based on the number of years of service and age. Additional details can be found in the Plan.

Tier 1: Nonhazardous: This tier is for members who began participation on or before December 31, 2009. Retirement benefits are based upon a 5-High Final Compensation. When Final Compensation is based on the 5-High, it must include at least 48 months and a minimum of five fiscal years. The years used do not have to be full (12 month) years.

Tier 2: Nonhazardous: This tier is for members who began participation on or after January 1, 2010. Retirement benefits are based upon your last 5 years' salaries. When Final Compensation is based on the last five salaries, it must include 60 months - the years used must be full (12 month) years.

Tier 3: Cash Balance Plan: This new benefit tier is for members who began participation on or after January 1, 2014. A Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. A Cash Balance Plan resembles a defined contribution plan because it determines the value of benefits for each participant based on individual accounts. However, the assets of the plan remain in a single investment pool like a traditional defined benefit plan. A Cash Balance Plan resembles a defined benefit plan since it uses a specific formula to determine benefits. The Hybrid Cash Balance plan was established as part of Senate Bill 2, which was enacted by the Kentucky General Assembly during its 2013 Regular Session.

For hazardous members, final compensation is the average of the three fiscal years during which the member had the highest average monthly salary. A hazardous member must have a minimum of 24 months in the final compensation. If the three fiscal years with highest earnings contain fewer than 24 months, additional fiscal years will be added to the calculation.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - RETIREMENT PLAN (Continued)

Contributions: Employers contribute at the rate determined by the Board of Trustees, of the Kentucky Retirement Systems, to be necessary for the actuarial soundness of the systems as required by KRS 61.565. The employer rate is reviewed annually following the valuation by a consulting actuary. *Employer contributions are not deposited to member accounts.* Employer contributions are deposited to the Retirement Allowance Account and are used to pay monthly benefits and the expenses of the systems. Funding for this Plan is provided through payroll withholdings from the employee's total compensation subject to contribution. All required contributions were made. Covered wages and contribution percentages and amounts of contributions required for CERS are shown on the previous page.

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

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. As the City is only one of several employers participating in the Plan, it is not practicable to determine the City's portion of the unfunded past service cost or the vested benefits of the City's portion of the Plan assets.

At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2015. At June 30, 2015, the City's proportion was 0.075184% non-hazardous and 0.318219% hazardous.

For the year ended June 30, 2016, the City recognized pension expense of \$869,877. At June 30, 2016, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$845,267, plus deferred outflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$1,053,943 totaling \$1,795,928 and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$0.

City contributions subsequent to the measurement date of \$845,267 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as shown:

Covered Payroll and Contribution Data					
Rate – Non-hazardous			Amount		
Year	Employee	Employer	Covered Wages	Employee	Employer
2016	5.00%	17.06%	\$ 1,962,589	\$ 106,981	\$ 334,818
2015	5.00%	17.67%	1,786,555	96,828	315,839
2014	5.00%	18.89%	1,732,512	92,820	326,563
2013	5.00%	19.55%	1,662,726	87,320	325,063

Rate – Hazardous			Amount		
Year	Employee	Employer	Covered Wages	Employee	Employer
2016	8.00%	32.95%	\$ 1,549,162	\$ 123,933	\$ 510,449
2015	8.00%	34.30%	1,627,210	130,176	558,296
2014	8.00%	35.70%	1,589,779	127,182	567,551
2013	8.00%	37.60%	1,613,136	129,050	606,539

Total Amount			
Year	Covered Wages	Employee	Employer
2016	\$ 3,511,751	\$ 230,914	\$ 845,267
2015	3,413,765	227,004	874,135
2014	3,322,291	220,002	894,114
2013	3,275,862	216,370	931,602

Year	Pension Expense
2017	\$ 282,341
2018	282,341
2019	282,341
2020	285,531
Thereafter	0
	<u>\$ 1,053,943</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2015. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008- June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females) for all healthy retired members and beneficiaries. The RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. These assumptions are used to measure the probabilities of each benefit payment being made after retirement. These assumptions contain margin for mortality improvements.

Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the table Asset Class:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44.00%	5.40%
Combined Fixed Income	19.00%	1.50%
Real Return (Diversified Inflation Strategies)	10.00%	3.50%
Real Estate	5.00%	4.50%
Absolute Return (Diversified Hedge Funds)	10.00%	4.25%
Private Equity	10.00%	8.50%
Cash Equilavent	2.00%	-25.00%
	<u>100.00%</u>	

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - RETIREMENT PLAN (concluded)

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2015, is based on the June 30, 2015, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

City's proportionate share of the net pension liability:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Non-Hazardous	\$ 4,126,734	\$ 3,232,536	\$ 2,466,735
Hazardous	6,252,955	4,884,991	3,751,607
Total	<u>\$ 10,379,689</u>	<u>\$ 8,117,527</u>	<u>\$ 6,218,342</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2016 the City had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

NOTE K – DEFERRED COMPENSATION PLAN

The City of Pikeville adopted Plan I and Plan II under the Kentucky Public Employees Deferred Compensation Authority allowing eligible employees to defer a portion of their compensation under Internal Revenue Code sections 457 and 401 (k). The plan was adopted for payroll ending October 16, 1998.

Funding for these plans is provided through payroll withholdings that are set by the employees. The City of Pikeville elected not to match any contribution to these funds for any employee. The contributions, by employees, to the 457 and 401 (k) are as follows:

Year	457	401 (k)
2016	\$ 20,910	\$ 10,380
2015	\$ 22,792	\$ 12,955
2014	\$ 20,615	\$ 9,490
2013	\$ 18,485	\$ 4,105
2012	\$ 19,377	\$ 5,470

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE L - RETIREMENT BENEFITS ORDINANCE

The City Board of Commissioners adopted ordinance no. 0-98-001 establishing parameters for certain retirement benefits. The ordinance establishes benefits for employees that meet the following criteria:

1. Were employed by the City of Pikeville on August 25, 1975;
2. Have completed at least 25 years of employment with the City of Pikeville; and
3. Retired from employment for the City of Pikeville.

The pension shall be \$500.00 per month payable from general funds, but there shall be a dollar for dollar offset for any other pension or retirement benefits received from any other source other than Social Security or SSI. The pension is payable only to the employee for and during his natural life. No disability plan or fund is established. No policemen or firemen are eligible to participate in this retirement plan.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits estimated to be payable in the future. This obligation could not be computed as information as to the number employees who are eligible, life expectancy, and the amount of other pensions or retirement benefits being received by those eligible. Due to the inability to compute the liability, no conclusions as to the materiality can be ascertained.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE M - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2016, the carrying amount of the City's deposits with financial institutions was \$21,591,709 and the bank balance, per statements, was \$22,510,238. The bank balance is categorized as follows:

Amount insured by the FDIC:	\$ 759,771
Amount collateralized with an FHLB letter of credit:	21,750,467
Amount collateralized with securities held by third party in the City's name:	0
Uncollateralized (\$ 0 of this amount is collateralized with securities held by the pledging financial institution):	0
Total Bank Balance	<u>\$ 22,510,238</u>

Note N – CERTIFICATES OF DEPOSITS/SAVINGS ACCOUNTS

The City maintains various interest bearing accounts as listed below.

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Unrestricted			
General	1 Year	0.50%	\$ 11,075,584
General	1 Year	0.40%	554,368
General	1 Year	0.01%	894,964
Projects Control	1 Year	0.50%	1,377,351
Gas	1 Year	0.50%	1,967,904
Water	1 Year	0.50%	1,183,900
Sanitation	1 Year	0.50%	1,220,343
Sewer	1 Year	0.50%	939,516
Outside Water	1 Year	0.50%	68,111
Outside Water	1 Year	0.50%	239,068
Outside Sewer	1 Year	0.50%	444,337
Restricted			
Coal Severance	1 Year	0.50%	948,929
Police Case Funds	1 Year	0.50%	64,485
Debt Service	1 Year	0.50%	89,385
Debt Service	1 Year	0.20%	59,682
Water	1 Year	0.10%	104,177
Outside Water	1 Year	0.50%	38,015
Outside Sewer	1 Year	0.50%	93,247
			<u>\$ 21,363,366</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE O - LEASE AGREEMENTS

South East Kentucky Chamber of Commerce, Inc. – Leases the building at 178 College Street. The lease is for a term of five (5) years, with the Lessor having the right to cancel upon 90 days written notice during the first three years of the lease if the City desires to sell the premises. Either party to the lease may cancel the lease upon 90 days written notice in the last two years of the lease term. Rent will be in the amount of \$400 per month.

Pikeville Area Family YMCA, Inc. - YMCA leases several properties:

a - Land located in Bob Amos Park for consideration of \$1.00 per year for a term of fifty years. This agreement is dated December 31, 1991.

b - Teen Center Building located in the Hambley Athletic Complex for consideration of \$450.00 per month.

c - Softball Field located in Bob Amos Park for consideration of \$1.00 per year for a period of one year and the right to renew for five additional one year terms. Either party has the right to cancel by giving thirty days written notice of the parties' intent to terminate this lease or renewal thereof.

d - For the Operation of the Pool from May 1, 2015 through September 30, 2015 the City agrees to pay \$25,000.

Model City Day Care Center, Inc. - Leases daycare facilities located on Bank Street in Pikeville, Kentucky for \$1.00 per year. The lease is for a term of two years ending on December 31, 1992, renewable for two consecutive two year terms under the same terms and conditions, upon on written notice by Model City Day Care Center, Inc. of its intent to renew 180 days prior to the end of the term of the lease or any renewal thereof. Any renewal is contingent on the Model City Day Care Center, Inc. being in substantial compliance with this agreement.

As amended on December 14, 2009 the term of the lease is extended to include the period of January 1, 2010 to December 31, 2012 and is extendable for two consecutive two year terms by written notification 180 days prior to the end of the term.

Channel 51 - Leases the land located on Hambley Boulevard for consideration of \$10,917.43 a year.

Pikeville Independent Board of Education - Use of the Hambley Athletic Complex for consideration of \$20,000 per year for the life of the general obligation bonds; \$1,000 per month for the Maintenance and Operation rental Fee. The Board is billed monthly \$2,667.

University of Pikeville – Use of Hambley complex \$2,084.00 per month.

East Kentucky Broadcasting, DBA EKB-TV – Use of equipment, fiber and assets for the use in general business practice in TV or Radio broadcasting studio for a period of five (5) years with one five (5) year rollover term unless lessee or lessor terminates with 60 days prior to end of term. Rent shall be \$3,000 per month commencing July 1, 2014.

Texas Roadhouse – Use of land on Thompson Road for construction of a restaurant. Lease is for a term of fifteen (15) years with annual rental of \$80,000 for the first five years and \$83,200 for remainder of original term. Tenant has the right to renew for three successive and additional five year periods

Jenny Wiley Drama Association (JWT) – Property located 224 Second Street developed as a permanent regional professional theater building. JWT agrees to locate and have an operating office and agrees to produce a minimum of five (5) productions per year for year round professional, children and dinner theatre shows. The initial term of the lease will be twenty (20) years and the City may, at its option, a five (5) year extension term. JWT agrees to pay one dollar (\$1) annually. Lease started May 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

O - LEASE AGREEMENTS (concluded)

James and Michelle Sword – Real estate at 787 Hambley Blvd to be used as a gourmet café, sandwich and sweets business. The term of lease is five (5) years commencing January 24, 2014 and ending January 24, 2019, with two additional five (5) year automatic renewals unless lessee terminates lease by submitting in writing within 60 days prior to the end of the term of the lease. Rent payments of one dollar (\$1) are payable annually for the first 5 years, after which rent will be paid in the amount of 5% of monthly profit up to \$1,000 or 5% of yearly profit up to \$12,000.

Betty Tackett DBA Dreamz Stables – Real estate in Bob Amos Park known as the "Pikeville City Equestrian Barn" for the purpose of the operation of an equine facility. Lease began January 15, 2014 a period of one (1) year. The lease will automatically renew for two (2) additional one (1) year periods unless lessee terminates lease by submitting in writing within 30 days prior to termination date. Lessee agrees to pay one dollar (\$1) per year.

Betty Tackett DBA White Lightning Zip Line – tract or parcel of land located within the Bob Amos Park commonly known as the "The parks building, White Lighting Zip Line attraction & the old skate park building & grounds". The term of this lease is for a period of one (1) year starting April 11, 2016, and will automatically be renewed each year thereafter unless the lessor submits in writing to the lessee with 90 days of the anniversary date intent to terminate said lease.

Baily Hotel, LLC – The right to the use of parking spaces on the ramp leading to the fourth floor of the parking garage, but not exceeding 180 parking spaces. Lease dated January 10, 2011 and renewed January 10, 2012. The term of the lease is twenty years from the day the hotel opens. There is a twenty year extension with the lessee giving the lessor a note of extension at least 90 days before the end of the original term. The lessee agrees to pay monthly three dollars (\$3) per night per rented room in the lessee two (2) hotels or three percent (3%) of the gross monthly room receipts whichever is greater.

Rustic Roots on Second Street, LLC – buildings located at 237 Second Street Suite 4, Pikeville, KY 41501 to be used solely as an artisan/cultural retail business. The term of the lease is for a period of five (5) years commencing on October 14, 2014 and has two (2) automatic five (5) year roll over of terms unless lessee terminates the lease in writing within 60 days prior to the end of the lease. Lessee agrees to pay one dollar (\$1) annually for the first five (5) years, then rent will be as set forth in the lease.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE P – INTER FUND TRANSFERS

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Football Field	Debt Service	\$ 120,735
General	Jenny Wiley	Debt Service	193,527
General	Fire Station	Debt Service	60,657
General	River Fill Seating	Debt Service	109,975
General	Projects Control	Fixed Assets	357,300
General	Tourism	Operating	1,275,482
Projects Control	Water	Fixed Assets	0
Projects Control	Sewer	Fixed Assets	54,337
Water	Projects Control	Fixed Assets	0
Sewer	Projects Control	Fixed Assets	94,125
Sewer	Outside Sewer	Operating	1,445
Outside Sewer	Sewer	Operating	823
STATE POLICE CASE	General	Operating	1,179
			<u>\$ 2,269,585</u>

NOTE Q – INTER FUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2016:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Purpose</u>	<u>Amount</u>
General	Outside Sewer	Operating	\$ 1,471
Utility Deposits	Water	Operating	2,805
Utility Deposits	Outside Water	Operating	373
Utility Deposits	Gas	Operating	385
Sanitation	Cashflow	Operating	15
Gas	Cashflow	Operating	15
Water Sewer	Cashflow	Operating	25
Sewer	Cashflow	Operating	12
Outside Water	Cashflow	Operating	7
Outside Water	Water	Operating	10,216
Outside Sewer	Cashflow	Operating	7
Outside Sewer	Sewer	Operating	1,221
	Total All Funds		<u>\$ 16,552</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE R – PLEDGED REVENUE COVERAGE

Fiscal Year	Revenue Bonds and Notes Payable			
	Gross Revenue	Debt Service Principal	Interest	Coverage
2002	\$ 4,620,257	\$ 567,537	\$ 407,874	4.74
2003	5,040,960	576,461	387,744	5.23
2004	5,391,881	616,787	381,534	5.40
2005	4,769,404	871,390	437,375	3.64
2006	5,612,167	584,498	331,730	6.13
2007	5,126,124	770,672	292,404	4.82
2008	6,063,199	553,948	314,241	6.98
2009	7,554,997	570,439	327,950	8.41
2010	7,446,899	1,394,763	301,648	4.39
2011	6,693,360	432,848	349,203	8.56
2012	7,115,680	2,291,527	361,955	2.68
2013	7,079,499	426,256	162,841	12.02
2014	7,020,728	1,507,434	234,396	4.03
2015	6,969,259	270,110	124,765	17.65
2016	5,727,154	277,670	147,534	13.47

NOTE S - SUBSEQUENT EVENTS

The City of Pikeville has canceled its contract with SMG Food and Beverage, LLC for the operation of the East Kentucky Exposition Center as of December 31, 2016.

The City will create a special district to assume operations of the East Kentucky Exposition Center as of January 1, 2017. The board of directors of the new entity will be the members of the Board of Commissioners of the City of Pikeville, Kentucky.

NOTE T - PRIOR PERIOD ADJUSTMENTS

State Police Case – This fund is a special revenue fund that accounts for moneys seized and held until a disposition from the appropriate court is issued. This comes after the case has been resolved. The court will forfeit the money to the seizing agency, return the money to the defendant, or set other guidelines for the money such as attorney fee, or fine payment.

The prior period adjustment is moneys received in 2015 that were reported as revenue, \$3,534 of funds shown as revenue in 2015 still had not been released.

INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS
AND
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY - COUNTY EMPLOYEE RETIREMENT SYSTEM

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 964,500	\$ 969,993	\$ 1,012,417	\$ 42,424
Franchise Taxes	572,328	533,941	592,208	58,267
Occupational License Fees	7,600,000	8,870,000	8,939,339	69,339
Other Taxes	1,420,000	1,582,100	1,596,327	14,227
Permits and Fees	81,200	102,000	103,673	1,673
Intergovernmental Revenue	471,121	1,355,919	348,265	(1,007,654)
Grants - State	698,866	398,254	388,552	(9,702)
Other Grants	0	0	91,764	91,764
Interest Income	51,000	51,000	77,267	26,267
Other Revenue	924,825	1,013,218	1,177,571	164,353
Total Revenues	<u>\$ 12,783,840</u>	<u>\$ 14,876,425</u>	<u>\$ 14,327,383</u>	<u>\$ (549,042)</u>
EXPENDITURES				
CURRENT				
General Government	\$ 3,360,015	\$ 4,601,244	\$ 3,197,950	\$ 1,403,294
Public Safety				
Police	2,222,400	2,222,400	2,099,689	122,711
Fire	2,479,600	2,481,134	2,293,895	187,239
Ambulance Service	117,000	117,000	101,154	15,846
Dispatch Service	448,110	453,110	397,524	55,586
Codes	173,855	234,155	213,129	21,026
911	37,900	37,900	27,457	10,443
Emergency Shelter	10,000	10,000	10,000	0
Streets	1,719,360	2,194,638	2,118,798	75,840
Parking Garage	94,400	114,400	106,244	8,156
Recreation	884,192	891,109	797,177	93,932
Tourism	400,535	427,090	380,488	46,602
Lake Cleanup	77,800	77,800	59,548	18,252
Landscape	114,707	110,707	101,596	9,111
Grants / Loan Advances	150,000	179,500	172,441	7,059
Total Expenditures	<u>\$ 12,289,874</u>	<u>\$ 14,152,187</u>	<u>\$ 12,077,090</u>	<u>\$ 2,075,097</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 493,966</u>	<u>\$ 724,238</u>	<u>\$ 2,250,293</u>	<u>\$ (1,526,055)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Fixed Assets	\$ 0	\$ 51,317	\$ 51,318	\$ 1
East Kentucky Exposition Center / Tourism	219,771	271,146	829,780	558,634
Operating Transfers In	0	0	1,179	1,179
Operating Transfers (Out)	(1,596,394)	(2,118,694)	(2,117,676)	1,018
Total Other Financing Sources (Uses)	<u>\$ (1,376,623)</u>	<u>\$ (1,796,231)</u>	<u>\$ (1,235,399)</u>	<u>\$ 560,832</u>
Net Change In Fund Balance	\$ (882,657)	\$ (1,071,993)	\$ 1,014,894	\$ 2,086,887
FUND BALANCES - BEGINNING OF YEAR	883,008	1,072,771	11,623,902	10,551,131
FUND BALANCES-END OF YEAR	<u>\$ 351</u>	<u>\$ 778</u>	<u>\$ 12,638,796</u>	<u>\$ 12,638,018</u>

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

CITY OF PIKEVILLE, KENTUCKY

Coal Severance

STATEMENT OF REVENUES AND EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
For The Year End June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenue	\$ 503,000	\$ 264,048	\$ 264,051	\$ 3
Other Grants	0	0	0	0
Interest Income	4,400	4,400	5,208	808
Other Revenue	0	0	0	0
TOTAL REVENUES	<u>\$ 507,400</u>	<u>\$ 268,448</u>	<u>\$ 269,259</u>	<u>\$ 811</u>
EXPENDITURES				
Current				
General Government	\$ 0	\$ 0	\$ 0	\$ 0
Grants / Loan Advances				
Animal Shelter	0	0	0	0
Big Sandy Heritage Center	0	0	0	0
Senior Citizens Center	30,000	30,000	30,000	0
Capital Outlay	477,300	477,300	381,459	95,841
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
TOTAL EXPENDITURES	<u>\$ 507,300</u>	<u>\$ 507,300</u>	<u>\$ 411,459</u>	<u>\$ 95,841</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 100</u>	<u>\$ (238,852)</u>	<u>\$ (142,200)</u>	<u>\$ (95,030)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCE	<u>\$ 100</u>	<u>\$ (238,852)</u>	<u>\$ (142,200)</u>	<u>\$ (95,030)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>0</u>	<u>238,952</u>	<u>1,202,676</u>	<u>963,724</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 100</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ 1,060,476</u></u>	<u><u>\$ 868,694</u></u>

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

CITY OF PIKEVILLE, KENTUCKY

CAPITAL PROJECTS - PROJECTS CONTROL
 STATEMENT OF REVENUES AND EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$ 15,066,147	\$ 5,078,642	\$ 0	\$ (5,078,642)
State Grants	25,265	12,194,339	4,030,844	(8,163,495)
Other Grants	0	0	0	0
Interest	0	50	5,747	5,697
Miscellaneous	0	0	0	0
Total Revenues	<u>\$ 15,091,412</u>	<u>\$ 17,273,031</u>	<u>\$ 4,036,591</u>	<u>\$ (13,236,440)</u>
EXPENDITURES				
Miscellaneous	\$ 0	\$ 50	\$ 0	\$ 50
Capital Outlay	16,532,729	17,823,444	4,066,553	13,756,891
Debt Service				
Principal	0	0	0	0
Interest	50,450	23,700	0	23,700
Total Expenditures	<u>\$ 16,583,179</u>	<u>\$ 17,847,194</u>	<u>\$ 4,066,553</u>	<u>\$ 13,780,641</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,491,767)</u>	<u>\$ (574,163)</u>	<u>\$ (29,962)</u>	<u>\$ (27,017,081)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Bond Issuance, Discount	0	0	0	0
Operating Transfers In	0	357,300	752,404	395,104
Operating Transfers (Out)	0	0	(54,337)	(54,337)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 357,300</u>	<u>\$ 698,067</u>	<u>\$ 340,767</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,491,767)</u>	<u>\$ (216,863)</u>	<u>\$ 668,105</u>	<u>\$ (26,676,314)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,491,767</u>	<u>216,863</u>	<u>1,429,616</u>	<u>1,212,753</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,097,721</u></u>	<u><u>\$ (25,463,561)</u></u>

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

CITY OF PIKEVILLE, KENTUCKY

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$ 2,515,000	\$ 2,339,000	\$ 2,395,934	\$ 56,934
Service Charges	10,000	23,000	24,048	1,048
Penalties and Services	23,000	11,000	11,067	67
Water Tap Fees	15,000	58,000	62,535	4,535
Miscellaneous	0	0	0	0
TOTAL REVENUE	\$ 2,563,000	\$ 2,431,000	\$ 2,493,584	\$ 62,584
OPERATING EXPENSES				
Personnel Costs	\$ 47,260	\$ 47,270	\$ 41,693	\$ 5,577
Contractual Service	1,275,551	1,327,964	1,305,770	22,194
Operational	633,200	508,640	466,518	42,122
Repairs and Maintenance	197,255	138,655	85,412	53,243
Provision For Bad Debts	3,000	3,000	(494)	3,494
Depreciation	396,953	412,453	378,658	33,795
Total Operating Expenses	\$ 2,553,219	\$ 2,437,982	\$ 2,277,557	\$ 160,425
Operating Income (Loss)	\$ 9,781	\$ (6,982)	\$ 216,027	\$ 223,009
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 3,543	\$ 3,543	\$ 5,011	\$ 1,468
Interest Expense	(19,963)	(92,852)	(30,619)	62,233
Grants	0	0	1,369,088	1,369,088
Gain (Loss) on Disposition	0	0	0	0
Total Nonoperating Revenues (Expenses)	\$ (16,420)	\$ (89,309)	\$ 1,343,480	\$ 1,432,789
NET INCOME (LOSS)(Before Transfers)	\$ (6,639)	\$ (96,291)	\$ 1,559,507	\$ 1,655,798
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	(4,500)	0	(306,903)	306,903
Total Transfers	\$ (4,500)	\$ 0	\$ (306,903)	\$ 306,903
CHANGE IN NET POSITION	\$ (11,139)	\$ (96,291)	\$ 1,252,604	\$ 1,962,701
NET POSITION - BEGINNING OF YEAR	141,389	227,289	6,961,144	(6,733,855)
NET POSITION - END OF YEAR	\$ 130,250	\$ 130,998	\$ 8,213,748	\$ (4,771,154)

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

CITY OF PIKEVILLE, KENTUCKY

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sewer Service Charges	\$ 1,143,825	\$ 1,129,825	\$ 1,145,232	\$ 15,407
Penalties and Services	6,000	6,000	6,831	831
Water and Sewer Tap Fees	29,000	43,000	48,000	5,000
Miscellaneous Revenues	0	0	0	0
TOTAL REVENUE	\$ 1,178,825	\$ 1,178,825	\$ 1,200,063	\$ 21,238
OPERATING EXPENSES				
Personnel Costs	\$ 24,560	\$ 29,560	\$ 20,590	\$ 8,970
Contractual Service	435,152	439,252	426,362	12,890
Operational	284,950	291,000	259,622	31,378
Repairs and Maintenance	269,625	301,975	165,720	136,255
Provision For Bad Debts	3,300	3,300	(210)	3,510
Depreciation	380,650	350,650	347,679	2,971
Total Operating Expenses	\$ 1,398,237	\$ 1,415,737	\$ 1,219,763	\$ 195,974
Operating Income (Loss)	\$ (219,412)	\$ (236,912)	\$ (19,700)	\$ 217,212
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 3,000	\$ 3,000	\$ 3,805	\$ 805
Interest Expense	0	(17,413)	(2,771)	14,642
Grants	0	0	996,165	996,165
Total Nonoperating Revenues (Expenses)	\$ 3,000	\$ (14,413)	\$ 997,199	\$ 1,011,612
NET INCOME (LOSS) Before Transfers	\$ (216,412)	\$ (251,325)	\$ 977,499	\$ 1,228,824
TRANSFERS				
Operating Transfers In	\$ 0	\$ 13,000	\$ 56,165	\$ 43,165
Operating Transfers (Out)	(4,500)	0	(94,125)	(94,125)
Total Transfers	\$ (4,500)	\$ 13,000	\$ (37,960)	\$ (50,960)
CHANGE IN NET POSITION	\$ (220,912)	\$ (238,325)	\$ 939,539	\$ 1,177,864
NET POSITION - BEGINNING OF YEAR	220,977	238,577	8,893,757	8,655,180
NET POSITION - END OF YEAR	\$ 65	\$ 252	\$ 9,833,296	\$ 9,833,044

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

CITY OF PIKEVILLE, KENTUCKY

GAS FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Sales	\$ 1,558,500	\$ 1,311,500	\$ 1,334,777	\$ 23,277
Penalties & Service Charges	3,800	3,800	5,469	1,669
Tap Fees	5,000	27,000	28,290	1,290
Miscellaneous	0	0	0	0
TOTAL REVENUES	\$ 1,567,300	\$ 1,342,300	\$ 1,368,536	\$ 26,236
OPERATING EXPENSES				
Personnel Costs	26,100	30,100	\$ 19,148	10,952
Gas Purchased	1,092,000	867,000	775,944	91,056
Contractual Services	508,308	532,208	523,326	8,882
Operational	38,200	38,800	33,627	5,173
Repairs and Maintenance	94,705	68,455	22,171	46,284
Bad Debts	2,300	2,300	(778)	3,078
Depreciation	117,174	117,174	100,979	16,195
Total Operating Expenses	\$ 1,878,787	\$ 1,656,037	\$ 1,474,417	\$ 181,620
Operating Income	\$ (311,487)	\$ (313,737)	\$ (105,881)	\$ 207,856
NONOPERATING REVENUES (EXPENSES)				
Royalties	\$ 2,200	\$ 2,200	\$ 2,399	\$ 199
Interest Revenue	10,300	10,300	9,199	(1,101)
Interest Expense	0	(2,250)	(385)	1,865
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	\$ 12,500	\$ 10,250	\$ 11,213	\$ 963
NET INCOME (LOSS) Before Transfers	\$ (298,987)	\$ (303,487)	\$ (94,668)	\$ 208,819
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	(4,500)	0	0	0
Total Transfers	\$ (4,500)	\$ 0	\$ 0	\$ 0
CHANGE IN NET POSITION	\$ (303,487)	\$ (303,487)	\$ (94,668)	\$ 208,819
NET POSITION - BEGINNING OF YEAR	303,687	303,687	2,567,621	2,263,934
NET POSITION - END OF YEAR	\$ 200	\$ 200	\$ 2,472,953	\$ 2,472,753

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

CITY OF PIKEVILLE, KENTUCKY

SANITATION FUND

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Garbage Fees	\$ 1,327,000	\$ 1,356,000	\$ 1,421,160	\$ 65,160
Penalties	6,000	6,000	7,042	1,042
Miscellaneous	0	0	0	0
Total Revenues	<u>\$ 1,333,000</u>	<u>\$ 1,362,000</u>	<u>\$ 1,428,202</u>	<u>\$ 66,202</u>
EXPENSES				
Personnel Costs	\$ 28,600	\$ 33,600	\$ 23,798	\$ 9,802
Contractual Services	655,262	618,137	588,343	29,794
Operational	68,050	74,775	59,592	15,183
Repairs and Maintenance	96,000	94,600	44,410	50,190
Dumping Fees	365,000	395,000	387,466	7,534
Bad Debts	1,400	1,400	33	1,367
Depreciation	172,287	173,587	173,571	16
Total Expenses	<u>\$ 1,386,599</u>	<u>\$ 1,391,099</u>	<u>\$ 1,277,213</u>	<u>\$ 113,886</u>
Operating Income	<u>\$ (53,599)</u>	<u>\$ (29,099)</u>	<u>\$ 150,989</u>	<u>\$ 180,088</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 4,900	\$ 4,900	\$ 5,370	\$ 470
Interest Expense	0	0	0	0
Gain (Loss) on Disposition	0	0	250	250
Grant	0	0	0	0
Total Nonoperating Revenues	<u>\$ 4,900</u>	<u>\$ 4,900</u>	<u>\$ 5,620</u>	<u>\$ 720</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (48,699)</u>	<u>\$ (24,199)</u>	<u>\$ 156,609</u>	<u>\$ 180,808</u>
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	(4,500)	0	0	0
Total Transfers	<u>\$ (4,500)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
CHANGE IN NET POSITION	<u>\$ (53,199)</u>	<u>\$ (24,199)</u>	<u>\$ 156,609</u>	<u>\$ 180,808</u>
NET POSITION - BEGINNING OF YEAR	53,257	24,257	1,808,569	1,784,312
NET POSITION - END OF YEAR	<u>\$ 58</u>	<u>\$ 58</u>	<u>\$ 1,965,178</u>	<u>\$ 1,965,120</u>

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

CITY OF PIKEVILLE, KENTUCKY

OUTSIDE WATER

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$ 713,400	\$ 680,400	\$ 683,772	\$ 3,372
Penalties & Service Charges	5,500	5,500	5,235	(265)
Tap Fees	0	0	0	0
Miscellaneous	0	0	0	0
TOTAL REVENUES	\$ 718,900	\$ 685,900	\$ 689,007	\$ 3,107
OPERATING EXPENSES				
Personnel Costs	\$ 11,800	\$ 14,300	\$ 12,543	\$ 1,757
Contractual Services	552,088	552,088	525,700	26,388
Operational	156,671	158,921	148,630	10,291
Repairs and Maintenance	90,150	372,789	74,689	298,100
Bad Debts	500	500	(464)	964
Depreciation	74,983	70,983	65,705	5,278
Total Operating Expenses	\$ 886,192	\$ 1,169,581	\$ 826,803	\$ 342,778
Operating Income	\$ (167,292)	\$ (483,681)	\$ (137,796)	\$ 345,885
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	\$ 1,090	\$ 1,090	\$ 1,637	\$ 547
Interest Rebate	0	0	7,054	7,054
Grants	0	318,827	84,955	(233,872)
Interest Expense	(33,858)	(36,108)	(34,189)	1,919
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	\$ (32,768)	\$ 283,809	\$ 59,457	\$ (224,352)
NET INCOME (LOSS) Before Transfers	\$ (200,060)	\$ (199,872)	\$ (78,339)	\$ 121,533
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 1,445	\$ 1,445
Operating Transfers (Out)	0	0	0	0
Total Transfers	\$ 0	\$ 0	\$ 1,445	\$ 1,445
CHANGE IN NET POSITION	\$ (200,060)	\$ (199,872)	\$ (76,894)	\$ 122,978
NET POSITION - BEGINNING OF YEAR	230,844	230,844	1,164,626	933,782
NET POSITION - END OF YEAR	\$ 30,784	\$ 30,972	\$ 1,087,732	\$ 1,056,760

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

CITY OF PIKEVILLE, KENTUCKY

OUTSIDE SEWER

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL

For The Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Sewer Service Charges	\$ 644,500	\$ 612,500	\$ 619,643	\$ 7,143
Penalties & Service Charges	4,800	4,800	4,534	(266)
Water and Sewer Tap Fees	500	500	0	(500)
Miscellaneous Revenues	0	0	0	0
Total Revenues	<u>\$ 649,800</u>	<u>\$ 617,800</u>	<u>\$ 624,177</u>	<u>\$ 6,377</u>
EXPENSES				
Personnel Costs	\$ 10,660	\$ 14,661	\$ 11,601	\$ 3,060
Contractual Services	194,156	199,684	190,038	9,646
Operational	110,031	114,670	103,467	11,203
Repairs and Maintenance	131,675	130,675	71,372	59,303
Bad Debts	2,000	2,000	(465)	2,465
Depreciation	217,985	217,985	215,197	2,788
Total Expenses	<u>\$ 666,507</u>	<u>\$ 679,675</u>	<u>\$ 591,210</u>	<u>\$ 88,465</u>
Operating Income	<u>\$ (16,707)</u>	<u>\$ (61,875)</u>	<u>\$ 32,967</u>	<u>\$ 94,842</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 2,092	\$ 2,092	\$ 2,506	\$ 414
Interest Rebate	0	0	17,425	17,425
Grants	0	40,692	40,692	0
Interest Expense	(83,238)	(83,238)	(82,953)	285
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	<u>\$ (81,146)</u>	<u>\$ (40,454)</u>	<u>\$ (22,330)</u>	<u>\$ 18,124</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (97,853)</u>	<u>\$ (102,329)</u>	<u>\$ 10,637</u>	<u>\$ 112,966</u>
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 2,651	\$ 2,651
Operating Transfers (Out)	(4,500)	0	0	0
Total Transfers	<u>\$ (4,500)</u>	<u>\$ 0</u>	<u>\$ 2,651</u>	<u>\$ 2,651</u>
CHANGE IN NET POSITION	<u>\$ (102,353)</u>	<u>\$ (102,329)</u>	<u>\$ 13,288</u>	<u>\$ 115,617</u>
NET POSITION - BEGINNING OF YEAR	233,620	233,660	4,206,653	3,972,993
NET POSITION - END OF YEAR	<u><u>\$ 131,267</u></u>	<u><u>\$ 131,331</u></u>	<u><u>\$ 4,219,941</u></u>	<u><u>\$ 4,088,610</u></u>

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

CITY OF PIKEVILLE, KENTUCKY
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees Retirement System Non-Hazardous and Hazardous
For The Year Ended June 30, 2016

Last Ten Fiscal Years **

		2015-16	2014-15
Schedule of the City's Proportionate Share of the Net Pension Liability			
City's proportion of the net pension liability	Non Hazardous	0.07518%	0.07309%
	Hazardous	0.31822%	0.31257%
City's proportionate share of the net pension liability	Non Hazardous	\$ 3,232,536	2,371,374
	Hazardous	4,884,991	3,756,558
		<u>\$ 8,117,527</u>	<u>\$ 6,127,932</u>
City's covered-employee payroll		\$ 3,834,023	\$ 3,669,926
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		211.72348%	166.97699%
Plan fiduciary net position as a percentage of the total pension liability		211.72348%	166.97699%

Schedule of Contributions

	2015-16	2014-15
Contractually required contribution	\$ 845,267	\$ 874,135
Contributions in relation to the contractually required contribution	845,267	874,135
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
City's covered payroll	3,834,023	3,669,926
Contributions as a percentage of covered-employee payroll	22.0465%	23.8189%

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

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

COMBINING FINANCIAL STATEMENTS

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET - COMBINING
OTHER GOVERNMENTAL FUNDS
June 30, 2016

	Debt Service - Football	Debt Service Jenny Wiley Construction	Fire Station Debt Service	River Fill Seating Debt Service	Tourism / Conventio	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Total Other Governmental Funds
ASSETS										
Cash and Investments										
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,669	\$ 63,160	\$ 41,173	\$ 9,783	\$ 13,219	\$ 135,004
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0	0	0
Receivables (Net of Allowance for Uncollectibles)										
Taxes	0	0	0	0	0	0	0	0	0	0
Accounts	0	0	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	0	0	0	0
Prepaid Expenses	0	0	0	0	0	0	0	0	0	0
Escrow - Commercial Air Service	0	0	0	0	0	0	0	0	0	0
Inventories	0	0	0	0	0	0	0	0	0	0
Restricted Assets										
Cash	1,325	65,484	23,901	59,682	0	0	0	0	0	150,392
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	\$ 1,325	\$ 65,484	\$ 23,901	\$ 59,682	\$ 7,669	\$ 63,160	\$ 41,173	\$ 9,783	\$ 13,219	\$ 285,396
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
LIABILITIES										
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Customer's Deposit	0	0	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	0	0	81	81
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81	\$ 81
DEFERRED INFLOWS OF RESOURCES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Uncollected Real Estate Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Deferred Revenues	0	0	0	0	0	0	39,848	0	0	39,848
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,848	\$ 0	\$ 0	\$ 39,848
FUND BALANCES										
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:										
Debt Service	1,325	65,484	23,901	59,682	0	0	0	0	0	150,392
Committed	0	0	0	0	0	0	0	0	0	0
Assigned To:										
Capital Projects	0	0	0	0	0	0	0	0	0	0
Other Purposes	0	0	0	0	0	63,160	1,325	0	0	64,485
Unrestricted	0	0	0	0	7,669	0	0	9,783	13,138	30,590
TOTAL FUND BALANCES	\$ 1,325	\$ 65,484	\$ 23,901	\$ 59,682	\$ 7,669	\$ 63,160	\$ 1,325	\$ 9,783	\$ 13,138	\$ 245,467
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,325	\$ 65,484	\$ 23,901	\$ 59,682	\$ 7,669	\$ 63,160	\$ 41,173	\$ 9,783	\$ 13,219	\$ 285,396

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - COMBINING
OTHER GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	Football Debt Service	Debt Service Jenny Wiley Construction	Fire Station Debt Service	River Hill Seating Debt Service	Tourism / Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Totals
REVENUES										
Ad Valorem Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Franchise Taxes	0	0	0	0	0	0	0	0	0	0
Occupational License Fees	0	0	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0	0	0
Permits and Fees	0	0	0	0	0	0	0	0	0	0
Intergovernmental Revenue	0	0	0	0	0	95,493	1,179	0	0	96,672
Other Grants	0	0	0	0	0	0	0	0	0	0
Interest Income	0	388	160	193	57	282	7	0	0	1,087
Other Revenue	0	0	0	0	0	0	0	56,878	0	56,878
Total Revenues	<u>\$ 0</u>	<u>\$ 388</u>	<u>\$ 160</u>	<u>\$ 193</u>	<u>\$ 57</u>	<u>\$ 95,775</u>	<u>\$ 1,186</u>	<u>\$ 56,878</u>	<u>\$ 0</u>	<u>\$ 154,637</u>
EXPENDITURES										
CURRENT										
General Government	\$ 40	\$ 0	\$ 0	\$ 0	\$ 141	\$ 0	\$ 0	\$ 114,282	\$ 0	\$ 114,463
Public Safety	0	0	0	0	0	10,800	0	0	0	10,800
Streets	0	0	0	0	0	0	0	0	0	0
Parking Garage	0	0	0	0	0	0	0	0	0	0
Recreation	0	0	0	0	0	0	0	0	0	0
Tourism	0	0	0	0	0	0	0	0	0	0
Lake Cleanup	0	0	0	0	0	0	0	0	0	0
Landscape	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	45,718	0	0	0	45,718
Debt Service										
Principal Retirement	110,000	130,000	33,140	100,000	0	0	0	0	0	373,140
Interest	10,695	63,526	27,518	9,975	0	0	0	0	0	111,714
Grants / Loan Advances	0	0	0	0	1,274,135	0	0	0	0	1,274,135
Total Expenditures	<u>\$ 120,735</u>	<u>\$ 193,526</u>	<u>\$ 60,658</u>	<u>\$ 109,975</u>	<u>\$ 1,274,276</u>	<u>\$ 56,518</u>	<u>\$ 0</u>	<u>\$ 114,282</u>	<u>\$ 0</u>	<u>\$ 1,929,970</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (120,735)</u>	<u>\$ (193,138)</u>	<u>\$ (60,498)</u>	<u>\$ (109,782)</u>	<u>\$ (1,274,219)</u>	<u>\$ 39,257</u>	<u>\$ 1,186</u>	<u>\$ (57,404)</u>	<u>\$ 0</u>	<u>\$ (1,775,333)</u>
OTHER FINANCING SOURCES (USES)										
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0	0	0
Bond Issuance, Discount	0	0	0	0	0	0	0	0	0	0
Operating Transfers In	120,735	193,527	60,657	109,975	1,275,482	0	0	0	0	1,760,376
Operating Transfers Out	0	0	0	0	0	0	(1,179)	0	0	(1,179)
Total Other Financing Sources (Uses)	<u>\$ 120,735</u>	<u>\$ 193,527</u>	<u>\$ 60,657</u>	<u>\$ 109,975</u>	<u>\$ 1,275,482</u>	<u>\$ 0</u>	<u>\$ (1,179)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,759,197</u>
NET CHANGE IN FUND BALANCES	<u>\$ 0</u>	<u>\$ 389</u>	<u>\$ 159</u>	<u>\$ 193</u>	<u>\$ 1,263</u>	<u>\$ 39,257</u>	<u>\$ 7</u>	<u>\$ (57,404)</u>	<u>\$ 0</u>	<u>\$ (16,136)</u>
FUND BALANCES - BEGINNING OF YEAR	1,325	65,095	23,740	59,489	6,406	23,903	4,852	67,187	13,138	265,135
Prior Period Adjustment	0	0	0	0	0	0	(3,534)	0	0	(3,534)
FUND BALANCES-END OF YEAR	<u>\$ 1,325</u>	<u>\$ 65,484</u>	<u>\$ 23,899</u>	<u>\$ 59,682</u>	<u>\$ 7,669</u>	<u>\$ 63,160</u>	<u>\$ 1,325</u>	<u>\$ 9,783</u>	<u>\$ 13,138</u>	<u>\$ 245,465</u>

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

REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Wallen, Puckett, & Anderson, psc
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Commissioners
City of Pikeville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Pikeville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Pikeville, Kentucky's major federal programs for the year ended June 30, 2016. City of Pikeville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Pikeville, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pikeville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Pikeville, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Pikeville, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

To the Board of Commissioners
City of Pikeville, Kentucky

Page 2

Report on Internal Control over Compliance

Management of the City of Pikeville, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Pikeville, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Pikeville, Kentucky's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants

Pikeville, Kentucky

November 30, 2016

Wallen, Puckett, & Anderson, psc
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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
City of Pikeville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Pikeville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Pikeville, Kentucky's major federal programs for the year ended June 30, 2016. City of Pikeville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Pikeville, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pikeville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Pikeville, Kentucky's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Pikeville, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City of Pikeville, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Pikeville, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Pikeville, Kentucky's internal control over compliance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants

Pikeville, Kentucky

November 30, 2016

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>PASSED THROUGH RURAL DEVELOPMENT</u>			
Loan # 92-15	10.760	N/A	1,400,000
Loan # 93-18	10.760	N/A	1,714,000
Loan #93-22	10.760	N/A	3,166,000
Grant	10.760	N/A	330,366
Total U.S. Department of Agriculture			<u>\$ 6,610,366</u>
<u>US Army Corps of Engineers</u>			
Sewer Plant Upgrade - PRIDE	12.000	N/A	\$ 290,342
Thompson Road Lift Station	12.000	N/A	163,010
Total US Army Corps Of Engineers			<u>\$ 453,352</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Small Community Air Service Grant	20.930 *		\$ 34,450
Kentucky Department of Transportation			
Highway Safety Grant	20.600	PT-1645	23,893
Total U. S. Department of Transportation			<u>\$ 58,343</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
HIDTA Taskforce	95.001	GP16AP0001A	\$ 13,699
Equitable Sharing Program	16.922	N/A	56,518
Total U. S. Department of Justice			<u>\$ 70,217</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Federal Emergency Management Agency</u>			
<u>Kentucky Division of Emergency Management</u>			
FEMA 4216 PW-109	97.036 *	CPBES02	\$ 30,112
FEMA 4216 PW-00137	97.036	CPEES04	8,749
FEMA 4216 PW 028	97.036 *	CPBES01	26,895
FEMA 4216 PW143	97.036 **	CPEES03	3,749
FEMA 4216 PW208	97.036 *	CPEES05	6,043
FEMA - 4217 PW282	97.036	CPCKJ04	14,563
FEMA 4218 PW201	97.036 *	CPBES01	3,312
FEMA 4218 PW288	97.036 *	CPAES05	3,232
FEMA 4218 PW354	97.036 *	CPFES07	20,485
FEMA 4218 PW247	97.036	CPFES06	12,058
FEMA 4218 PW400	97.036 *	CPBES04	43,691
FEMA 4218 PW366	97.036	CPCES08	27,719
FEMA 4218 PW404	97.036	CPFJK03	20,340
FEMA 4218 PW421	97.036	CPCJK01	144,878
			<u>\$ 365,826</u>
FEMA - 4196 Hazard Mitigation	97.039	PA-04-KY	12,361
FEMA 4216 PW-00137 Hazard Mitigation	97.039	CPEES04	4,287
			<u>\$ 16,648</u>
Total U.S. Department of Homeland Security			<u>\$ 382,474</u>
			<u>\$ 7,574,752</u>

* Funds expended in prior year

** Some funds expended in prior year

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Pikeville, Kentucky under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Pikeville, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Pikeville, Kentucky.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The City of Pikeville, Kentucky has not currently elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – LOAN BALANCES

Loans from the US Department of Agriculture, Kentucky Rural Water Finance Corporation.

Taxable Series 2010s-1 Build America Bonds	\$ 1,400,000.00
Non Taxable Series 2010s-2 Build America Bonds	1,714,000.00
Marion's Branch Water Sewer	3,166,000.00

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of City of Pikeville, Kentucky were prepared in accordance with GAAP.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of City of Pikeville, Kentucky were disclosed during the audit.
4. No significant deficiency in internal control over major federal award programs disclosed during the audit. No material weaknesses are reported.
5. The auditor’s report on compliance for the major federal award programs for City of Pikeville, Kentucky expresses an unmodified opinion on all major federal programs.
6. No Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs included:

Name	CFDA #
Federal Emergency Management Agency	90.036
Federal Emergency Management Agency	90.039
US Department of Agriculture	10.760
US Army Corp of Engineers	12.000

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. City of Pikeville, Kentucky was determined to be a low risk auditee.

SECTION II – FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS
AND QUESTIONED COSTS

There were no findings or questioned costs.

CITY OF PIKEVILLE, KENTUCKY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

There were no Findings on the City's prior audit report.