

CITY OF PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS  
For the year ended June 30, 2017

**Wallen, Puckett, & Anderson, PSC**

CERTIFIED PUBLIC ACCOUNTANTS  
POST OFFICE BOX 1349  
PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY  
FINANCIAL STATEMENTS

TABLE OF CONTENTS  
June 30, 2017

	<u>PAGE #</u>
<u>GENERAL PURPOSE FINANCIAL STATEMENTS</u>	
Municipal Officials	1
Independent Auditor's Report	2-3
Management Discussion and Analysis	5-11
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds to the Statement of Activities	18
Proprietary Fund Financial Statements	
Fund Balance Sheets	19
Statement of Revenues, Expenses and Changes in Net Position	20
Statements of Cash Flows	21
Component Unit – SMG Food and Beverage, LLC	
Balance Sheet – SMG Food and Beverage, LLC	22
Statement of Income and Members' Equity – SMG Food and Beverage, LLC	23
Statement of Cash Flows – SMG Food and Beverage, LLC	24-25
Component Unit – City of Pikeville Exposition Center Corporation	
Statement of Net Position – City of Pikeville Exposition Center Corporation	26
Statement of Activities – City of Pikeville Exposition Center Corporation	27
Statement of Cash Flows – City of Pikeville Exposition Center Corporation	28-29
Notes to the Financial Statements	30-59
<u>INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS AND CERS</u>	
Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	61
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Coal Severance Tax	62
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Capital Projects - Projects Control	63
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Water	64
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Sewer	65
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Gas	66
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Sanitation	67
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Outside Water	68
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual – Outside Sewer	69
Schedule of the District's Proportionate Share of the Net Pension Liability County Employees Retirement System (CERS) Non-hazardous and Hazardous	70

CITY OF PIKEVILLE, KENTUCKY  
FINANCIAL STATEMENTS

TABLE OF CONTENTS  
June 30, 2017

COMBINING FINANCIAL STATEMENTS

Balance Sheet – Combining – Other Governmental Funds	72
Statement of Revenues, Expenditures and Changes in Fund Balances – Combining – Other Governmental Funds	73

REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	75-76
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	77-78
Schedule of Expenditures of Federal Awards	79
Notes to Schedule of Expenditures of Federal Awards	80
Schedule of Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	82

CITY OF PIKEVILLE, KENTUCKY

MUNICIPAL OFFICIALS

JUNE 30, 2017

	Office	Name	Term	
Elective	Mayor	James A Carter	01/01/2015	12/31/2018
	Commissioners	Patrick McNamee	01/01/2017	12/31/2018
		Bob Shurtleff	01/01/2017	12/31/2018
		Steve Hartsock	01/01/2017	12/31/2018
		Kim May-Downey	01/01/2017	12/31/2018
Appointed	City Manager	Philip R. Elswick		
	Finance Director	Tonya Taylor		
	<u>City Clerk</u>	Christy L. Billiter		
	<u>City Attorney</u>	Rusty R. Davis		

**Wallen, Puckett, & Anderson, psc**  
CERTIFIED PUBLIC ACCOUNTANTS

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106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA  
L. Kevin Puckett, CPA  
James K. Anderson, CPA  
Johnny C. Cornett, CPA  
Johnny K. White, CPA

606-432-8833  
FAX 606-432-8466

**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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-11 and 61-70 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 December 8, 2017, 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

December 8, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Management's Discussion and Analysis

### June 30, 2017

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, 2017. Please review in conjunction with 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 \$28,301,815 and Net Position of governmental activities was \$69,055,986.

- The current year's expense total was \$15,532,333 as compared to the \$19,460,738 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$16,092,336 as compared to the \$19,656,207 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, city revenues were \$8,607,788. Expenses were \$8,200,338. In the previous year, city revenues were \$7,858,225. Expenses were \$7,817,881.
- The annual cost of all city programs was \$23,732,671. The previous year's cost was \$23,910,217.

#### 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, 2017

**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, 2017

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:	17,149,908	16,736,885	6,945,587	7,307,357	24,095,495	24,044,242
Capital Assets:	62,771,508	60,702,634	30,104,118	29,516,159	92,875,626	90,218,793
Total Assets	79,921,416	77,439,519	37,049,705	36,823,516	116,971,121	114,263,035
Deferred Outflows of Resources	1,617,241	1,037,543	18,833	16,400	1,636,074	1,053,943
Long-term liabilities:	2,963,337	3,450,863	7,928,989	8,218,075	10,892,326	11,668,938
Other liabilities:	317,478	971,614	683,940	643,495	1,001,418	1,615,109
Pension Costs	8,960,559	7,995,872	153,794	122,535	9,114,353	8,118,407
Total Liabilities	12,241,374	12,418,349	8,766,723	8,984,105	21,008,097	21,402,454
Deferred Inflows of Resources	241,297	879,882	0	12,695	241,297	892,577
Net Assets:						
Invested in Capital Assets, net of related debt:	59,694,134	56,867,556	21,838,782	20,969,835	81,532,916	77,837,391
Restricted:	2,792,695	0	159,740	132,440	2,952,435	132,440
Unrestricted (deficit):	6,569,157	8,311,275	6,303,293	6,740,841	12,872,450	15,052,116
Total Net Assets	69,055,986	65,178,831	28,301,815	27,843,116	97,357,801	93,021,947

#### CITY AS A WHOLE

The city's combined Net Position from the previous year was \$93,021,947 as compared to \$97,357,801 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 \$69,055,986 this year as compared to \$65,178,831 last year. Unrestricted Net Position was \$8,311,275 last year as compared to \$6,569,157 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 \$28,301,815 this year as compared to 27,843,116 last year.

City revenues (excluding extraordinary items) for the current year were \$28,068,526 as compared to \$30,005,332 in the previous year. The total yearly cost of all programs and services was \$23,732,671 as compared to \$23,910,217 in the previous year.

Management's Discussion and Analysis  
June 30, 2017

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	102,004	103,673	7,749,940	7,803,569	7,851,944	7,907,242
Restricted Operating Grants	297,245	452,487	0	0	297,245	452,487
Restricted Capital Grants	3,621,629	4,767,661	792,264	2,490,900	4,413,893	7,258,561
Restricted Other	0	0	0	0	0	0
General Revenue			0	0	0	
Property Taxes	1,134,747	1,012,417	0	0	1,134,747	1,012,417
Other Taxes	12,307,390	11,127,874	0	0	12,307,390	11,127,874
Interest & Investment Income	106,978	89,309	33,251	24,479	140,229	113,788
Other General Revenues	1,890,745	2,102,786	32,333	30,177	1,923,078	2,132,963
Total Revenues	19,460,738	19,656,207	8,607,788	10,349,125	28,068,526	30,005,332
Program Expenses						
General Government	3,574,820	4,360,105	0	0	3,574,820	4,360,105
Public Safety	5,632,342	5,984,559	0	0	5,632,342	5,984,559
Public Works	0	0	0	0	0	0
Culture & Recreation	942,454	860,000	0	0	942,454	860,000
Interest on Long-Term Debt	97,742	111,714	0	0	97,742	111,714
Business Activities						
Water &/or Sewer	0	0	5,412,173	5,065,866	5,412,173	5,065,866
Other Utilities	0	0	2,788,165	2,752,015	2,788,165	2,752,015
Parking Facilities	96,841	106,244	0	0	96,841	106,244
Other Expenses	5,188,134	4,669,714	0	0	5,188,134	4,669,714
Total Expenses	15,532,333	16,092,336	8,200,338	7,817,881	23,732,671	23,910,217
Excess (deficiency) Before Extraord	3,928,405	3,563,871	407,450	2,531,244	4,335,855	6,095,115
Extraordinary Items & Transfers	(51,250)	340,767	51,250	(340,767)	0	0
Increase (Decrease) in Net Assets	3,877,155	3,904,638	458,700	2,190,477	4,335,855	6,095,115

Management's Discussion and Analysis  
June 30, 2017

**GOVERNMENTAL ACTIVITIES**

This year's governmental activities revenues were \$19,460,738 as compared to \$19,656,207 last year. The year's governmental activities cost was \$15,532,333 as compared to \$16,092,336 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

	<b>Total Cost of Services</b>	
	<u>Current Year</u>	<u>Previous Year</u>
Police Department	2,222,848	2,443,354
Fire Department	2,449,338	2,669,825
Public Works	0	0
Education	0	0
Parks and Recreation	728,517	860,000
All others	10,131,630	10,119,157
Totals	<u>15,532,333</u>	<u>16,092,336</u>

**BUSINESS-TYPE ACTIVITIES**

This year's Business-type activities revenues (see Table 2) were \$8,607,788 as compared to \$10,349,125 last year. This year's expenses were \$8,200,338 as compared to \$7,817,881 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 \$97,357,801 as compared to \$93,021,947 in the previous year.

Management's Discussion and Analysis  
June 30, 2017

**CAPITAL ASSETS**  
Table 4  
Capital Assets at Year-End  
(Net of Depreciation)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
Land	14,193,807	14,193,807	138,000	138,000	14,331,807	14,331,807
Buildings and Improvements	20,380,139	20,013,155			20,380,139	20,013,155
Equipment	2,246,632	2,386,603	1,672,936	1,041,327	3,919,568	3,427,930
Infrastructure	25,445,604	19,893,180	23,773,851	21,442,832	49,219,455	41,336,012
Other	505,326	4,215,889	4,519,331	6,894,000	5,024,657	11,109,889
<b>Totals</b>	<u>62,771,508</u>	<u>60,702,634</u>	<u>30,104,118</u>	<u>29,516,159</u>	<u>92,875,626</u>	<u>90,218,793</u>

At the close of the year, the city had invested \$92,875,626 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$90,218,793 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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
General obligation bonds (backed by the city)	2,370,000	2,740,000	1,757,085	1,918,324	4,127,085	4,658,324
Revenue bonds and notes (backed by specific tax and fee revenues)	0	0	6,221,000	6,280,000	6,221,000	6,280,000
Other bonds or outstanding obligations	808,365	1,142,580	287,252	348,000	1,095,617	1,490,580
<b>Totals</b>	<u>3,178,365</u>	<u>3,882,580</u>	<u>8,265,337</u>	<u>8,546,324</u>	<u>11,443,702</u>	<u>12,428,904</u>

#### DEBT MANAGEMENT

At the close of the year, the city had \$11,443,702 in outstanding bonds and notes as compared to \$12,428,904 in the previous year (see table 5).

Management's Discussion and Analysis  
June 30, 2017

**GASB 68 IMPLEMENTATION**

The implementation of GASB 68 "Accounting and Financial Reporting for Pensions" resulted in an addition to liabilities of \$9,114,353, deferred outflows of \$1,636,074 deferred inflows of \$182,153.

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	<u>\$ 1,617,241</u>	<u>\$ 1,037,543</u>	<u>\$ 18,833</u>	<u>\$ 16,400</u>	<u>\$ 1,636,074</u>	<u>\$ 1,053,943</u>
Net Pension Liability	<u>\$ 8,960,559</u>	<u>\$ 7,995,872</u>	<u>\$ 153,794</u>	<u>\$ 122,535</u>	<u>\$ 9,114,353</u>	<u>\$ 8,118,407</u>
Deferred Inflows	<u>\$ 182,417</u>	<u>\$ 840,034</u>	<u>\$ 0</u>	<u>\$ 12,695</u>	<u>\$ 182,417</u>	<u>\$ 852,729</u>
Pension Expense	<u>\$ 1,126,918</u>	<u>\$ 1,146,638</u>	<u>\$ 16,131</u>	<u>\$ 53,478</u>	<u>\$ 1,143,049</u>	<u>\$ 1,200,116</u>

**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:

Tonya Taylor  
Finance Director  
243 Main Street  
Pikeville, Kentucky 41501  
Phone: 606 437 5103 Fax: 606 437 5106  
[tonya.taylor@pikevilleky.gov](mailto:tonya.taylor@pikevilleky.gov)

## BASIC FINANCIAL STATEMENTS

## CITY OF PIKEVILLE, KENTUCKY

## STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business Type	Total	Component Units
<b>ASSETS</b>				
Cash	\$ 10,717,204	\$ 2,777,471	\$ 13,494,675	\$ 620,797
Certificates of Deposit and Savings	4,681,056	2,572,671	7,253,727	0
Receivables (Net of Allowance for Uncollectibles)				
Taxes	9,992	0	9,992	0
Accounts	411,116	928,201	1,339,317	124,507
Other	0	0	0	0
Due From Other Funds	19,217	16,609	35,826	0
Inventories	0	0	0	34,710
Prepaid Expenses	7,998	9,245	17,243	57,816
Restricted Assets				
Cash	330,190	339,491	669,681	0
Certificates of Deposit	916,847	243,216	1,160,063	0
Other Receivables	0	0	0	0
Bond Issuance Costs	56,288	58,683	114,971	0
Capital Assets, Net				
Land	14,193,807	138,000	14,331,807	0
Other Capital Assets, Net	48,577,701	29,966,118	78,543,819	127,307
TOTAL ASSETS	<u>\$ 79,921,416</u>	<u>\$ 37,049,705</u>	<u>\$ 116,971,121</u>	<u>\$ 965,137</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,617,241</u>	<u>\$ 18,833</u>	<u>\$ 1,636,074</u>	<u>\$ 0</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 136,488	\$ 168,126	\$ 304,614	\$ 2,813
Accrued Expenses	0	97,292	97,292	141,632
Current Portion of Long-Term Debt	170,325	336,347	506,672	0
Customer's Deposit	3,600	53,413	57,013	38,895
Due To Other Funds	7,065	28,762	35,827	0
Net Pension Liability	8,960,559	153,794	9,114,353	0
Bonds Payable	2,190,297	7,703,585	9,893,882	0
Notes Payable	773,040	225,404	998,444	0
TOTAL LIABILITIES	<u>\$ 12,241,374</u>	<u>\$ 8,766,723</u>	<u>\$ 21,008,097</u>	<u>\$ 183,340</u>
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual experience	\$ 182,417	\$ 0	\$ 182,417	\$ 0
Uncollected Real Estate Taxes	4,970	0	4,970	0
Deferred Revenues	53,910	0	53,910	114,762
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 241,297</u>	<u>\$ 0</u>	<u>\$ 241,297</u>	<u>\$ 114,762</u>
<b>NET POSITION</b>				
Investment in Capital Assets, Net of Related Debt	59,694,134	21,838,782	81,532,916	127,307
Restricted For:				
Reserve for Depreciation	0	0	0	0
Sinking Fund Reserve	0	146,180	146,180	0
Reserve For Operation and Maintenance	0	0	0	0
Reserved for Revenue Bond Retirement	0	0	0	0
Capital Projects	1,853,593	0	1,853,593	0
Debt Service	89,947	0	89,947	0
Tourism	822,865	0	822,865	0
Other	26,290	0	26,290	0
Unrestricted	6,569,157	6,316,853	12,886,010	539,728
TOTAL NET POSITION	<u>\$ 69,055,986</u>	<u>\$ 28,301,815</u>	<u>\$ 97,357,801</u>	<u>\$ 667,035</u>



## CITY OF PIKEVILLE, KENTUCKY

## STATEMENT OF ACTIVITIES

June 30, 2017

June 30, 2017		Net (Expense) Revenue and Changes in Net Position						
Functions	Expenses	Program Revenues			Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General Government	\$ 3,672,562	\$ 0	\$ 0	\$ 0	\$ (3,672,562)		\$ (3,672,562)	
Public Safety	5,632,342	0	0	0	(5,632,342)		(5,632,342)	
Streets	3,000,374	0	0	0	(3,000,374)		(3,000,374)	
Parking Garage	96,841	0	0	0	(96,841)		(96,841)	
Recreation	942,454	0	0	0	(942,454)		(942,454)	
Tourism	280,807	0	0	0	(280,807)		(280,807)	
Lake Cleanup	55,293	0	0	0	(55,293)		(55,293)	
Landscape	90,574	0	0	0	(90,574)		(90,574)	
Grants / Loan Advances	1,761,086	0	0	0	(1,761,086)		(1,761,086)	
Other	0	0	0	0	0		0	
Total Governmental Funds	\$ 15,532,333	\$ 0	\$ 0	\$ 0	\$ (15,532,333)		\$ (15,532,333)	
<b>Business-Type Activities</b>								
Water	\$ 2,505,919	\$ 2,452,993	\$ 0	\$ 415,931		\$ 363,005	\$ 363,005	
Sewer	1,259,422	1,175,956	0	104,235		20,769	20,769	
Gas	1,423,502	1,295,399	0	0		(128,103)	(128,103)	
Sanitation	1,364,663	1,536,964	0	0		172,301	172,301	
Outside Water	1,002,757	674,034	0	80,019		(248,704)	(248,704)	
Outside Sewer	644,075	614,594	0	192,079		162,598	162,598	
Other	0	0	0	0		0	0	
Total Business-type Activities	\$ 8,200,338	\$ 7,749,940	\$ 0	\$ 792,264		\$ 341,866	\$ 341,866	
Total Primary Government	\$ 23,732,671	\$ 7,749,940	\$ 0	\$ 792,264				
Component Units	\$ 2,158,861	\$ 1,859,944	\$ 0	\$ 0				(298,917)
<b>General Revenues- - Detailed:</b>								
Ad Valorem Taxes					\$ 1,134,747	\$ 0	\$ 1,134,747	\$
Franchise Taxes					688,306	0	688,306	
Occupational License Fees					9,727,083	0	9,727,083	
Other Taxes					1,892,001	0	1,892,001	161,291
Permits and Fees					102,004	0	102,004	
Intergovernmental Revenue					3,908,805	0	3,908,805	
Other Grants					32,004	0	32,004	741,083
Interest Income					106,978	33,251	140,229	2,663
Other					1,248,476	23,997	1,272,473	
Royalties					0	1,436	1,436	
Tourism Contribution for Expo/Jenny Wiley					664,079	0	664,079	
Gain (loss) on disposal of assets					(43,745)	6,900	(36,845)	
Transfers					(51,250)	51,250	0	
Total General Revenues, Contributions, Special Items, and Transfers					\$ 19,409,488	\$ 116,834	\$ 19,526,322	\$ 905,037
Change in Net Position					\$ 3,877,155	\$ 458,700	\$ 4,335,855	\$ 606,120
Net Position - Beginning					65,178,831	27,843,115	93,021,946	60,915
Prior Period Adjustments					0	0	0	0
Net Position - Ending					\$ 69,055,986	\$ 28,301,815	\$ 97,357,801	\$ 667,035

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

## CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	General	Coal Severance	Projects Control	Other Government Funds	Total
<b>ASSETS</b>					
Cash and Investments					
Cash	\$ 8,952,964	\$ 0	\$ 1,693,332	\$ 70,908	\$ 10,717,204
Certificates of Deposit and Savings	4,681,056	0	0	0	4,681,056
Receivables (Net of Allowance for Uncollectibles)					
Taxes	9,992	0	0	0	9,992
Miscellaneous	250,855	0	160,261	0	411,116
Due From Other Funds	19,217	0	0	0	19,217
Prepaid Expenses	7,998	0	0	0	7,998
Escrow - Commercial Air Service	0	0	0	0	0
Inventories	0	0	0	0	0
Restricted Assets					
Cash	0	240,243	0	89,947	330,190
Certificates of Deposit and Savings	0	916,847	0	0	916,847
TOTAL ASSETS	<u>\$ 13,922,082</u>	<u>\$ 1,157,090</u>	<u>\$ 1,853,593</u>	<u>\$ 160,855</u>	<u>\$ 17,093,620</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 136,367	\$ 0	\$ 0	\$ 121	\$ 136,488
Accrued Expenses	0	0	0	0	0
Customer's Deposit	3,600	0	0	0	3,600
Due From Other Funds	6,900	0	0	165	7,065
TOTAL LIABILITIES	<u>\$ 146,867</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 286</u>	<u>\$ 147,153</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Uncollected Real Estate Taxes	\$ 4,970	\$ 0	\$ 0	\$ 0	\$ 4,970
Deferred Revenues	30,002	0	0	23,908	53,910
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 34,972</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,908</u>	<u>\$ 58,880</u>
<b>FUND BALANCES</b>					
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:					
Debt Service	0	0	0	89,947	89,947
Tourism	822,865	0	0	0	822,865
Committed	0	0	0	0	0
Assigned To:					
Capital Projects	0	0	1,853,593	0	1,853,593
Other Purposes	0	0	0	19,701	19,701
Unrestricted	12,917,378	1,157,090	0	27,013	14,101,481
TOTAL FUND BALANCES	<u>\$ 13,740,243</u>	<u>\$ 1,157,090</u>	<u>\$ 1,853,593</u>	<u>\$ 136,661</u>	<u>\$ 16,887,587</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 13,922,082</u>	<u>\$ 1,157,090</u>	<u>\$ 1,853,593</u>	<u>\$ 160,855</u>	<u>\$ 17,093,620</u>

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, 2017

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 16,887,587

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

City's Proportionate Share of the Net Pension Liability (7,525,735)

Capital Assets used in governmental activities are not financial resources  
and therefore are not reported in the fund statements. 62,771,508

Long-Term Liabilities, including bonds payable, are not due and payable in the  
the current period and therefore are not reported in the funds. (3,077,374)

Total Net Position - Governmental Activities \$ 69,055,986

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, 2017

	General	Coal Severance	Projects Control	Other Funds	Totals
<b>REVENUES</b>					
Ad Valorem Taxes	\$ 1,134,747	\$ 0	\$ 0	\$ 0	1,134,747
Franchise Taxes	688,306	0	0	0	688,306
Occupational License Fees	9,727,083	0	0	0	9,727,083
Other Taxes	1,892,001	0	0	0	1,892,001
Permits and Fees	102,004	0	0	0	102,004
Intergovernmental Revenue	463,556	204,261	3,202,351	38,637	3,908,805
Other Grants	32,004	0	0	0	32,004
Interest Income	90,601	6,477	8,849	1,051	106,978
Other Revenue	1,218,493	0	0	29,983	1,248,476
Total Revenues	<u>\$ 15,348,795</u>	<u>\$ 210,738</u>	<u>\$ 3,211,200</u>	<u>\$ 69,671</u>	<u>\$ 18,840,404</u>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
General Government	\$ 3,427,745	\$ 0	\$ 0	\$ 35,946	3,463,691
Public Safety	5,447,753	0	0	252	5,448,005
Streets	2,258,011	0	0	0	2,258,011
Parking Garage	96,841	0	0	0	96,841
Recreation	728,517	0	0	0	728,517
Tourism	290,189	0	0	0	290,189
Lake Cleanup	63,423	0	0	0	63,423
Landscape	90,574	0	0	0	90,574
Other	0	0	0	0	0
Capital Outlay	0	84,124	3,454,078	83,427	3,621,629
Debt Service					
Principal Retirement	0	0	0	704,215	704,215
Interest	0	0	0	97,742	97,742
Grants / Loan Advances	177,956	30,000	0	1,553,130	1,761,086
Total Expenditures	<u>\$ 12,581,009</u>	<u>\$ 114,124</u>	<u>\$ 3,454,078</u>	<u>\$ 2,474,712</u>	<u>\$ 18,623,923</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 2,767,786</u>	<u>\$ 96,614</u>	<u>\$ (242,878)</u>	<u>\$ (2,405,041)</u>	<u>\$ 216,481</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	0
Proceeds from Sale of Fixed Assets	15,818	0	0	0	15,818
Tourism Contribution for Expo/Jenny Wiley/York House	664,079	0	0	0	664,079
Operating Transfers In	0	0	570,166	2,296,235	2,866,401
Operating Transfers Out	(2,346,235)	0	(571,416)	0	(2,917,651)
Total Other Financing Sources (Uses)	<u>\$ (1,666,338)</u>	<u>\$ 0</u>	<u>\$ (1,250)</u>	<u>\$ 2,296,235</u>	<u>\$ 628,647</u>
NET CHANGE IN FUND BALANCES	\$ 1,101,448	\$ 96,614	\$ (244,128)	\$ (108,806)	\$ 845,128
FUND BALANCES - BEGINNING OF YEAR	12,638,795	1,060,476	2,097,721	245,467	16,042,459
Prior Period Adjustment	0	0	0	0	0
FUND BALANCES-END OF YEAR	<u>\$ 13,740,243</u>	<u>\$ 1,157,090</u>	<u>\$ 1,853,593</u>	<u>\$ 136,661</u>	<u>\$ 16,887,587</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, 2017

Net change in fund balances - total governmental funds.	\$ 845,128
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.	4,243,509
The cost of capital assets is allocated over their useful lives and reported as depreciation expense.	(2,167,000)
The net book value of assets sold	(59,563)
Proceeds from Long-Term Debt	0
Bond Issuance, Discount	(2,799)
Bond Issuance Costs	(3,524)
The repayment of debt principal is an expenditure of government funds, but the repayment reduces long-term debt in the statement of net	704,215
Pension	317,189
Change in net position of governmental activities	<u>\$ 3,877,155</u>

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

## CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET  
PROPRIETARY FUNDS  
June 30, 2017

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	Total
<b>ASSETS</b>								
Cash	\$ 803,368	\$ 373,152	\$ 354,578	\$ 730,308	\$ 83,960	\$ 432,105	\$ 0	\$ 2,777,471
Certificates Of Deposit and Savings	304,320	335,789	1,292,765	539,526	99,887	384	0	2,572,671
Customer's Accounts Receivable	263,782	149,645	121,904	166,443	102,798	104,421	0	908,993
Prepaid Expenses	9,245	0	0	0	0	0	0	9,245
Due From Other Funds	469	24	69	31	14,598	1,418	0	16,609
Bond Issuance Cost	26,328	0	0	0	11,319	21,036	0	58,683
Property, Plant and Equipment	10,514,337	9,723,997	638,008	862,464	1,780,202	6,585,110	0	30,104,118
Restricted Assets:								
Cash	89,129	11,983	0	0	40,518	93,660	104,201	339,491
Certificates of Deposit and Savings	0	0	0	0	59,892	183,324	0	243,216
Other Receivables	0	0	0	0	19,208	0	0	19,208
<b>TOTAL ASSETS</b>	<b>\$ 12,010,978</b>	<b>\$ 10,594,590</b>	<b>\$ 2,407,324</b>	<b>\$ 2,298,772</b>	<b>\$ 2,212,382</b>	<b>\$ 7,421,458</b>	<b>\$ 104,201</b>	<b>\$ 37,049,705</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,271</b>	<b>\$ 3,150</b>	<b>\$ 4,943</b>	<b>\$ 4,057</b>	<b>\$ 1,786</b>	<b>\$ 1,626</b>	<b>\$ 0</b>	<b>\$ 18,833</b>
<b>LIABILITIES AND NET POSITION</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 41,540	\$ 22,623	\$ 28,136	\$ 48,357	\$ 10,909	\$ 16,561	\$ 0	\$ 168,126
Accrued Interest	36,525	7,124	0	0	16,374	37,269	0	97,292
Due To Other Funds	7,630	1,405	0	0	19,208	0	519	28,762
Current Portion of Long-Term Debt	173,800	9,700	0	0	28,350	124,497	0	336,347
Customer's Deposits	0	0	0	0	0	0	53,413	53,413
Net pension liability	46,214	23,708	28,016	28,775	14,075	13,006	0	153,794
Notes Payable	0	0	0	0	0	225,404	0	225,404
Bonds Payable (Net of Discount)	3,129,719	623,500	0	0	1,157,481	2,792,885	0	7,703,585
<b>Total Liabilities</b>	<b>\$ 3,435,428</b>	<b>\$ 688,060</b>	<b>\$ 56,152</b>	<b>\$ 77,132</b>	<b>\$ 1,246,397</b>	<b>\$ 3,209,622</b>	<b>\$ 53,932</b>	<b>\$ 8,766,723</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Differences between projected and actual earnings on pension plan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Deferred Inflows of Resources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>NET POSITION</b>								
Invested in capital Assets, net of related debt	\$ 7,210,818	\$ 9,090,797	\$ 638,008	\$ 862,464	\$ 594,371	\$ 3,442,324	\$ 0	\$ 21,838,782
Reserve for Depreciation	0	0	0	0	0	0	0	0
Sinking Fund Reserve	0	0	0	0	26,460	119,720	0	146,180
Reserve for Operation and Maintenance	0	0	0	0	0	0	0	0
Reserve for Revenue Bond Retirement, et al	0	0	0	0	0	0	0	0
Unreserved	1,368,003	818,883	1,718,107	1,363,233	346,940	651,418	50,269	6,316,853
<b>Total Net Position</b>	<b>\$ 8,578,821</b>	<b>\$ 9,909,680</b>	<b>\$ 2,356,115</b>	<b>\$ 2,225,697</b>	<b>\$ 967,771</b>	<b>\$ 4,213,462</b>	<b>\$ 50,269</b>	<b>\$ 28,301,815</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 12,014,249</b>	<b>\$ 10,597,740</b>	<b>\$ 2,412,267</b>	<b>\$ 2,302,829</b>	<b>\$ 2,214,168</b>	<b>\$ 7,423,084</b>	<b>\$ 104,201</b>	<b>\$ 37,068,538</b>

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

## CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For The Fiscal Year Ended June 30, 2017

	Water	Sewer	Gas	Sanitation	Outside Water	Outside Sewer	Utility Deposits	TOTAL
OPERATING REVENUES	\$ 2,452,993	\$ 1,175,956	\$ 1,295,399	\$ 1,536,964	\$ 674,034	\$ 614,594	\$ 0	\$ 7,749,940
OPERATING EXPENSES								
Personnel Costs	\$ 39,622	\$ 19,512	\$ 20,274	\$ 25,126	\$ 11,057	\$ 10,073	\$ 0	\$ 125,664
Gas Purchased	0	0	719,037	0	0	0	0	719,037
Contractual Services	1,308,185	433,721	510,212	620,104	513,584	186,497	0	3,572,303
Dumping Fees	0	0	0	405,411	0	0	0	405,411
Operational	501,625	243,653	28,701	97,301	142,371	90,903	0	1,104,554
Repairs and Maintenance	169,709	152,469	32,690	39,790	234,940	65,132	0	694,730
Bad Debts	1,158	555	656	915	404	372	0	4,060
Depreciation	414,518	395,265	111,932	176,016	67,096	210,617	0	1,375,444
Total Operating Expenses	\$ 2,434,817	\$ 1,245,175	\$ 1,423,502	\$ 1,364,663	\$ 969,452	\$ 563,594	\$ 0	\$ 8,001,203
Operating Income (Loss)	\$ 18,176	\$ (69,219)	\$ (128,103)	\$ 172,301	\$ (295,418)	\$ 51,000	\$ 0	\$ (251,263)
NONOPERATING INCOME (EXPENSES)								
Royalties	\$ 0	\$ 0	\$ 1,436	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,436
Interest Income	6,166	4,366	9,830	8,199	1,422	3,268	0	33,251
Interest Rebate	0	0	0	0	6,915	17,082	0	23,997
Interest Expense	(71,102)	(14,247)	0	0	(33,305)	(80,481)	0	(199,135)
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	6,900	0	0	6,900
Grants	415,931	104,235	0	80,019	192,079	0	0	792,264
Total Nonoperating Income (Expense)	\$ 350,995	\$ 94,354	\$ 11,266	\$ 88,218	\$ 174,011	\$ (60,131)	\$ 0	\$ 658,713
NET INCOME (LOSS)(Before Transfers)	\$ 369,171	\$ 25,135	\$ (116,837)	\$ 260,519	\$ (121,407)	\$ (9,131)	\$ 0	\$ 407,450
TRANSFERS								
Operating Transfers In	\$ 415,931	\$ 155,485	\$ 0	\$ 0	\$ 1,446	\$ 2,652	\$ 0	\$ 575,514
Operating Transfers (Out)	(420,029)	(104,235)	0	0	0	0	0	(524,264)
Total Transfers	\$ (4,098)	\$ 51,250	\$ 0	\$ 0	\$ 1,446	\$ 2,652	\$ 0	\$ 51,250
CHANGE IN NET POSITION	\$ 365,073	\$ 76,385	\$ (116,837)	\$ 260,519	\$ (119,961)	\$ (6,479)	\$ 0	\$ 458,700
NET POSITION - BEGINNING OF YEAR	\$ 8,213,748	\$ 9,833,295	\$ 2,472,952	\$ 1,965,178	\$ 1,087,732	\$ 4,219,941	\$ 50,269	\$ 27,843,115
NET POSITION - END OF YEAR	\$ 8,578,821	\$ 9,909,680	\$ 2,356,115	\$ 2,225,697	\$ 967,771	\$ 4,213,462	\$ 50,269	\$ 28,301,815

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

## CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
June 30, 2017

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Cash Received from Customers	\$ 2,381,204	\$ 1,132,081	\$ 1,243,294	\$ 1,507,801	\$ 688,953	\$ 609,315	\$ 0	\$ 7,562,648
Cash Received from Other Operating Revenues	48,134	39,921	30,378	7,593	5,605	4,662	0	136,293
Miscellaneous Revenues	0	1,628	0	0	0	0	0	1,628
Cash Payments for Personnel Costs	(34,536)	(17,007)	(17,673)	(21,900)	(9,637)	(8,780)	0	(109,533)
Cash Payments for Gas Purchases	0	0	(719,037)	0	0	0	0	(719,037)
Cash Payments for Contractual Services	(1,308,185)	(433,721)	(510,212)	(620,104)	(513,584)	(186,497)	0	(3,572,303)
Cash Payments for Other Operating Expenses	(660,794)	(402,293)	(54,313)	(530,967)	(385,741)	(157,175)	(8,380)	(2,199,663)
Net Cash Provided by Operating Activities	\$ 425,823	\$ 320,609	\$ (27,563)	\$ 342,423	\$ (214,404)	\$ 261,525	\$ (8,380)	\$ 1,100,033
<b>Cash Flows from Non-Capital Financing Activities</b>								
Operating Transfers In	\$ 415,931	\$ 155,485	\$ 0	\$ 0	\$ 1,446	\$ 2,652	\$ 0	\$ 575,514
Operating Transfers (Out)	(420,029)	(104,235)	0	0	0	0	0	(524,264)
Grants	415,931	104,235	0	80,019	192,079	0	0	792,264
Increase in Amounts Due To/From Other Funds	(5,391)	184	0	(16)	0	(1,661)	4,082	(2,802)
Other	0	0	(1)	0	0	0	0	(1)
Net Cash Flows from Non-Capital Financing Activities	\$ 406,442	\$ 155,669	\$ (1)	\$ 80,003	\$ 193,525	\$ 991	\$ 4,082	\$ 840,711
<b>Cash Flows from Capital Financing Activities</b>								
Interest Expense	\$ (54,994)	\$ (9,894)	\$ 0	\$ 0	\$ (33,147)	\$ (81,217)	\$ 0	\$ (179,252)
Interest Rebate	0	0	0	0	6,915	17,082	0	23,997
Purchase \ Construction of Fixed Assets	(697,815)	(595,621)	(192,716)	(381,134)	(18,490)	(77,627)	0	(1,963,403)
Proceeds from Asset Dispositions	0	0	0	0	6,900	0	0	6,900
Bond Issuance Costs	4,786	0	0	0	0	0	0	4,786
Retirement of Principal	(131,949)	0	0	0	(27,581)	(121,458)	0	(280,988)
Net Cash Flows from Capital Financing Activities	\$ (879,972)	\$ (605,515)	\$ (192,716)	\$ (381,134)	\$ (65,403)	\$ (263,220)	\$ 0	\$ (2,387,960)
<b>Cash Flows from Investing Activities</b>								
Bond Issuance Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 765	\$ 0	\$ 765
Royalties	0	0	1,436	0	0	0	0	1,436
Interest Income	6,166	4,366	9,830	8,199	1,422	3,268	0	33,251
Net Cash Flows from Investing Activities	\$ 6,166	\$ 4,366	\$ 11,266	\$ 8,199	\$ 1,422	\$ 4,033	\$ 0	\$ 35,452
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (41,541)	\$ (124,871)	\$ (209,014)	\$ 49,491	\$ (84,860)	\$ 3,329	\$ (4,298)	\$ (411,764)
Cash and Cash Equivalents at Beginning of Year	1,238,358	845,795	1,856,357	1,220,343	388,325	706,144	108,499	6,363,821
Cash and Cash Equivalents at End of Year	\$ 1,196,817	\$ 720,924	\$ 1,647,343	\$ 1,269,834	\$ 303,465	\$ 709,473	\$ 104,201	\$ 5,952,057
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>								
Income (Loss) from Operations	\$ 18,176	\$ (69,219)	\$ (128,103)	\$ 172,301	\$ (295,418)	\$ 51,000	\$ 0	\$ (251,263)
<b>Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:</b>								
Depreciation and Amortization	414,518	395,265	111,932	176,016	67,096	210,617	0	1,375,444
(Increase) Decrease in Customer Accounts Receivable	(22,053)	(1,771)	(22,687)	(20,655)	20,928	(245)	0	(46,483)
(Increase) Decrease in Prepaid Expenses	(9,245)	0	1,616	0	0	0	0	(7,629)
(Increase) Decrease in Due From Other Funds	(444)	(12)	(439)	0	(4,748)	0	0	(5,643)
(Increase) Decrease in Deferred Outflows of Resources	1,997	(638)	(2,217)	(1,066)	(273)	(236)	0	(2,433)
Increase (Decrease) in Accounts Payable	19,785	(6,159)	7,517	11,535	(22,890)	(1,140)	0	8,648
Increase (Decrease) in Due To Other Funds	0	0	0	0	19,208	0	0	19,208
Increase (Decrease) in Customer Deposits	0	0	0	0	0	0	(8,380)	(8,380)
Increase (Decrease) in Net Pension Liability	7,137	5,073	6,913	6,590	2,855	2,691	0	31,259
Increase (Decrease) in Deferred Inflows of Resources	(4,048)	(1,930)	(2,095)	(2,298)	(1,162)	(1,162)	0	(12,695)
Net Cash Provided by Operating Activities	\$ 425,823	\$ 320,609	\$ (27,563)	\$ 342,423	\$ (214,404)	\$ 261,525	\$ (8,380)	\$ 1,100,033
<b>Noncash Investing, Capital, and Financing Activities:</b>								
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



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

Balance Sheet  
 June 30, 2017

ASSETS

Current Assets

Cash on Hand and In Bank	\$	0
Accounts receivable - Trade		0
Accounts receivable - Other		0
Inventories		0
Prepaid Expenses		0
Total Current Assets	\$	<u>0</u>

Total Assets

\$ 0

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	0
Accounts Payable - Other		0
Accrued Wages		0
Accrued Expenses		0
Advance Outlet Sales		0
Advance Deposits		0
Deferred Revenue		0
Total Current Liabilities	\$	<u>0</u>

Members' Equity

Contributed Capital:

Eastern Kentucky Exposition Center Corporation	2,486,542
City of Pikeville, Kentucky	4,586,687
Members' Equity	<u>(7,073,229)</u>

Total Members' Equity	\$	<u>0</u>
Total Liabilities and Members' Equity	\$	<u>0</u>

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, 2017

## REVENUES

Rental	\$ 155,755
Food and Beverage Concessions	81,490
Food and Beverage Catering	81,173
Novelty & Other Sales	65,444
Club Seating	2,625
Advertising and Sponsorship	110,202
Tickets	42,669
Miscellaneous Income	152,890
<b>TOTAL REVENUE</b>	<b>\$ 692,248</b>

## Cost of Good Sold

Catering	\$ 2,329
Production Materials	0
Food / Beverage / other - Concessions	24,586
Direct Labor - Concessions	13,190
Other Direct Costs - Concessions	18,402
Food / Beverage / other - Catering	25,206
Direct Labor - Catering	7,179
Other Direct Costs - Catering	108
Novelty and Costs of Other Sales	3,721
Direct Labor - Novelty	984
Promoter Share	52,177
Ticket Service Charge Expense	1,520
Other event costs	75,624
<b>Total Cost of Goods Sold</b>	<b>\$ 225,026</b>
<b>Gross Profit</b>	<b>\$ 467,222</b>

## OPERATING EXPENSES

Personnel Costs	\$ 335,188
Contractual Service	15,834
Professional Services	4,802
Operational	105,426
Insurance	27,501
Advertising	18,695
Repairs and Maintenance	28,425
Supplies	23,280
Utilities	152,949
Management Fee	83,606
<b>Total Operating Expenses</b>	<b>\$ 795,706</b>
<b>Operating Income (Loss)</b>	<b>\$ (328,484)</b>

## NONOPERATING REVENUES (EXPENSES)

Interest Income	\$ 1,548
Sales Tax Rebate	\$ 0
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 1,548</b>
<b>NET INCOME (LOSS)</b>	<b>\$ (326,936)</b>

## MEMBERS EQUITY

Beginning of Year	60,915
Contributions from:	
Eastern Kentucky Exposition Center Corporation	0
City of Pikeville, Kentucky	266,021
<b>End of Year</b>	<b>\$ 0</b>

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, 2017

Cash Flows from Operating Activities:

Cash Received from Rentals	\$	155,755
Cash Received from Food and Beverage		(170,679)
Cash Received from Ticket Sales / Seating		45,294
Cash Received from Advertising and Sponsorships		153,672
Cash Received from Other Operating Revenues		218,334
Cash Payments for Personnel Costs		(392,005)
Cash Payments for Contractual Services		(20,636)
Cash Payments for Materials and other direct Costs		(152,264)
Cash Payments for Other Operating Expenses		(500,558)
Net Cash Provided By Operating Activities	\$	<u>(663,087)</u>

Cash Flows From Investing Activities

Interest Income	\$	1,548
Other		<u>(1)</u>
Net Cash Flows From Investing Activities		1,547

Cash Flow From Financing Activities

Contributions from:		0
Eastern Kentucky Exposition Center Corporation	\$	0
City of Pikeville, Kentucky		<u>266,021</u>
Net Cash Used By Financing Activities		266,021
Net Increase In Cash	\$	<u>(395,519)</u>

Cash At Beginning of Year		395,519
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Cash At End of Year	\$	<u><u>0</u></u>
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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, 2017

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

Operating Income (Loss)	\$ (328,484)
Adjustments to Reconcile Net Income to Net Cash Provided	
By Operating Activities:	
Allowance For Doubtful Accounts	0
(Increase) Decrease in:	
Accounts receivable - Trade	43,470
Accounts receivable - Other	20,551
Inventory	51,409
Prepaid Expenses	17,585
Increase (Decrease) in:	
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)
Net Cash Provided By Operating Activities	<u>\$ (663,087)</u>

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

# CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

## Statement of Net Position

June 30, 2017

### ASSETS

#### Current Assets

Cash on Hand and In Bank	\$	620,797
Accounts receivable - Trade		27,596
Accounts receivable - Other		96,910
Inventories		34,710
Prepaid Expenses		57,816
Total Current Assets	\$	837,829

#### Property and Equipment

Leasehold Improvements	\$	5,871
Machinery & Equipment		117,536
Other Assets		7,083
Total Fixed Assets	\$	130,490
Less Accumulated Depreciation		(3,183)
Net Fixed Assets		127,307

Total Assets	\$	965,136
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### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts Payable	\$	56,072
Accrued Payroll and Related Expenses		20,607
Accrued Sales Tax		67,533
Accrued Expenses		232
Advance Outlet Sales		29,314
Advance Deposits		9,581
Deferred Revenue		114,762
Total Current Liabilities	\$	298,101

#### Net Assets

Unrestricted	\$	30,682
Temporarily Restricted		636,353
Permanently Restricted		0
Total Net Assets	\$	667,035
Total Liabilities and Net Assets	\$	965,136

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

## CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>UNRESTRICTED NET ASSETS</b>				
<b>Revenues, Gains and Other Support</b>				
Rental	\$ 159,185	\$ 0	\$ 0	\$ 159,185
Food and Beverage Concessions	284,488	0	0	284,488
Food and Beverage Catering	90,488	0	0	90,488
Novelty & Other Sales	190,929	0	0	190,929
Club Seating	500	0	0	500
Advertising and Sponsorship	130,960	0	0	130,960
Tickets	144,584	0	0	144,584
Miscellaneous Income	166,562	0	0	166,562
Total Unrestricted Revenues and Gains	\$ 1,167,696	\$ 0	\$ 0	\$ 1,167,696
Net Assets Released From Restrictions	0	0	0	0
Total Revenues, Gains and Other Support	\$ 1,167,696	\$ 0	\$ 0	\$ 1,167,696
<b>Expenses</b>				
<b>Cost of Good Sold</b>				
Catering	\$ 8,139	\$ 0	\$ 0	\$ 8,139
Production Materials	0	0	0	0
Food / Beverage / other - Concessions	68,114	0	0	68,114
Direct Labor - Concessions	19,787	0	0	19,787
Other Direct Costs - Concessions	23,518	0	0	23,518
Food / Beverage / other - Catering	48,514	0	0	48,514
Direct Labor - Catering	10,091	0	0	10,091
Other Direct Costs - Catering	0	0	0	0
Novelty and Costs of Other Sales	11,279	0	0	11,279
Direct Labor - Novelty	1,751	0	0	1,751
Promoter Share	155,002	0	0	155,002
Ticket Service Charge Expense	7,038	0	0	7,038
Other event costs	100,176	0	0	100,176
Total Cost of Goods Sold	\$ 453,409	\$ 0	\$ 0	\$ 453,409
Gross Profit	\$ 714,287	\$ 0	\$ 0	\$ 714,287
<b>OPERATING EXPENSES</b>				
Personnel Costs	\$ 244,873	\$ 0	\$ 0	\$ 244,873
Contractual Service	28,785	0	0	28,785
Professional Services	103,489	0	0	103,489
Operational	34,021	0	0	34,021
Insurance	23,160	0	0	23,160
Advertising	28,307	0	0	28,307
Repairs and Maintenance	15,087	0	0	15,087
Supplies	30,110	0	0	30,110
Utilities	173,705	0	0	173,705
Depreciation	3,183	0	0	3,183
Total Operating Expenses	\$ 684,720	\$ 0	\$ 0	\$ 684,720
<b>Non Operating Revenues and Gains</b>				
City of Pikeville, Kentucky	\$ 0	\$ 475,062	\$ 0	\$ 475,062
Interest Income	1,115	0	0	1,115
Hotel Tax	0	74,177	0	74,177
Sales Tax Rebate	0	87,114	0	87,114
Total Non Operating Revenues and Gains	\$ 1,115	\$ 636,353	\$ 0	\$ 637,468
Increase (Decrease) in Net Assets	\$ 30,682	\$ 636,353	\$ 0	\$ 667,035
<b>NET ASSETS</b>				
Beginning of Year	0	0	0	0
End of Year	\$ 30,682	\$ 636,353	\$ 0	\$ 667,035

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

# CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

## STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

### Cash Flows from Operating Activities:

Cash Received from Rentals	\$	159,185
Cash Received from Food and Beverage		434,906
Cash Received from Ticket Sales / Seating		145,084
Cash Received from Advertising and Sponsorships		103,364
Cash Received from Other Operating Revenues		357,491
Cash Payments for Personnel Costs		(208,969)
Cash Payments for Contractual Services		(132,274)
Cash Payments for Materials and other direct Costs		(456,490)
Cash Payments for Other Operating Expenses		(288,478)
Net Cash Provided (Used) By Operating Activities	\$	<u>113,819</u>

### Cash Flows From Investing Activities

Acquisition of Fixed Assets	\$	(130,490)
Net Cash Flows Provided (Used) Investing Activities		(130,490)

### Cash Flow From Financing Activities

Interest Income	\$	1,115
Sales Tax Rebate		87,114
Motel Tax Collected		74,177
Contributions from:		
City of Pikeville, Kentucky		<u>475,062</u>
Net Cash Provided (Used) By Financing Activities		<u>637,468</u>
Net Increase In Cash and Cash Equivalents	\$	<u>620,797</u>

Cash At Beginning of Year 0

Cash At End of Year \$ 620,797

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

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

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

Increase (Decrease) in Net Assets	\$ 667,035
Adjustments to Reconcile Net Income to Net Cash Provided	
By Operating Activities:	
Depreciation Expense	3,183
Non Operating Revues	(637,468)
(Increase) Decrease in:	
Accounts receivable - Trade	(27,596)
Accounts receivable - Other	(96,910)
Inventory	(34,710)
Prepaid Expenses	(57,816)
Increase (Decrease) in:	
Accounts Payable	56,072
Accrued Payroll and Related Expenses	20,607
Accrued Sales Tax	67,533
Accrued Expenses	232
Advance Outlet Sales	29,314
Advance Deposits	9,581
Deferred Revenue	114,762
Net Cash Provided (Used) By Operating Activities	<u>\$ 113,819</u>

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



NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pikeville was established by Charter on June 5<sup>th</sup> 1893.

The City of Pikeville, Kentucky (City) operates under a City Manager-Commission 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, 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

*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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 units have 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.

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.

**City of Pikeville Exposition Center Corporation** 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. All City Commissioners are on the board of directors,
- ii. City is under contract with the Eastern Kentucky Exposition Center Corporation Board to operate it,
- iii. City enacted a restaurant tax to support the Expo Center,

The complete financials of the City of Pikeville Exposition Center Corporation (a not for profit organization) 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, 2017

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, 2017

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 tourism, debt service and other grants.

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, 2017

## NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 11 – Reserves (Concluded)

	2017	2016	
<u>A) Water-Sewer Fund</u>			
Marions Branch	\$ 0	\$ 0	
<u>B) Gas Fund</u>	\$ 0	\$ 0	
<u>C) Sewer Fund</u>			
Marions Branch	\$ 0	\$ 0	
<u>D) Outside Water</u>			
Taxable Series 2010S-2	\$ 26,460	\$ 22,680	
<u>E) Outside Sewer</u>			
Reserve for Sinking Fund			
Taxable Series 2010S-1	\$ 43,260	\$ 37,080	
Taxable Series 2010S-2	26,460	22,680	
KIA Loan # A00-03	50,000	50,000	
Total Outside Sewer	\$ 119,720	\$ 109,760	
Total Reserve for Sinking			
Fund Balance	\$ 146,180	\$ 132,440	
<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	26,460	129,899	103,439
E) Outside Sewer	119,720	217,379	97,659
	\$ 146,180	\$ 347,278	\$ 201,098

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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 2017 fiscal year was based, was \$501,527,919 real and \$95,587,269 tangible.

The tax rates assessed for the year ended June 30, 2017 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, 2017 were 97.995% 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, 2017 and 2016 are composed of the following:

<u>Year of Levy</u>	<u>2017 Amount</u>	<u>2016 Amount</u>
2015	\$ 18,633	\$ 0
2015	7,388	18,116
2014	4,402	5,264
2013	3,020	5,436
2012	2,503	3,463
2011	3,718	4,364
2010	3,247	3,456
2009	3,846	3,966
2008	3,758	3,758
2007	3,131	3,219
2006	3,761	3,761
2005	3,630	3,630
2004	5,366	5,528
2003	4,385	4,385
2002	5,003	5,212
2001	2,502	2,676
2000	0	5,733
	<u>\$ 78,293</u>	<u>\$ 81,967</u>
Less: Allowance for doubtful accounts	68,301	70,249
Net Property Taxes Receivable	<u>\$ 9,992</u>	<u>\$ 11,718</u>



NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

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.

<u>2017</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Outside Water</u>	<u>Outside Sewer</u>	<u>TOTAL</u>
Total Accounts Receivable	\$ 123,936	\$ 268,432	\$ 152,558	\$ 169,683	\$ 104,799	\$ 106,453	\$ 925,861
Less: Allowance for							
Doubtfull Accounts	<u>2,032</u>	<u>4,650</u>	<u>2,913</u>	<u>3,240</u>	<u>2,001</u>	<u>2,033</u>	<u>16,869</u>
Net Receivables	<u>\$ 121,904</u>	<u>\$ 263,782</u>	<u>\$ 149,645</u>	<u>\$ 166,443</u>	<u>\$ 102,798</u>	<u>\$ 104,420</u>	<u>\$ 908,992</u>

  

<u>2016</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Outside Water</u>	<u>Outside Sewer</u>	<u>TOTAL</u>
Total Accounts Receivable	\$ 100,593	\$ 245,221	\$ 150,232	\$ 148,113	\$ 101,728	\$ 105,837	\$ 851,724
Less: Allowance for							
Doubtful Accounts	<u>1,376</u>	<u>3,492</u>	<u>2,358</u>	<u>2,325</u>	<u>1,597</u>	<u>1,661</u>	<u>12,809</u>
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>

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, 2017 and 2016, respectively was \$110,761 and \$102,714.

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 set annual by the Public Service Commission.

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, 2017

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:

- Nond spendable – 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 December 8, 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE C - LONG-TERM DEBT

The following is a summary of bonds and notes payable of the City for the year ended June 30, 2017.

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	\$ 4,665,000	\$ 0	\$ 530,000	\$ 4,135,000
Plus: Premium	12,668	0	1,949	10,719
Less: Discount	(66,846)	0	(3,509)	(63,337)
Revenue Bonds	6,280,000	0	59,000	6,221,000
Notes Payable	1,490,580	0	394,964	1,095,616
Total	<u>\$ 12,381,402</u>	<u>\$ 0</u>	<u>\$ 982,404</u>	<u>\$ 11,398,998</u>

N/P = Note Payable CL = Capitalized Lease

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE C - LONG-TERM DEBT (Continued)

Bonds and Notes Payable at June 30, 2017 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. \$ 0

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 \$30,100.63 (2018); \$165,100.63 (2018); \$28,919.38 (2019) and \$163,919.38 (2019). 2,370,000

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 \$16,762.50 (2018); \$46,762.50 (2018); \$16,507.50 (2019) and \$46,507.50 (2019). 1,005,000

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 revenes. Payments due are \$8,031.25 (2018); \$143,031.25 (2018); \$6,681.25 (2019) and \$146,681.25 (2019). 760,000

Total General Obligation Bonds \$ 4,135,000

Plus: Premiums 10,719  
Less: Discounts (63,337)

Net General Obligation Bonds Payable \$ 4,082,382

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 \$15,541.88 (2018); \$42,951.88 (2018); \$15,142.50 (2019) and \$43,142.50 (2019). \$ 1,373,500

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 \$21,018.75 (2018); \$54,518.75 (2018); \$20,600.00 (2019) and \$55,100.00 1,681,500

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 \$35,324.76 (2018); \$84,117.50 (2018); \$35,071.88 (2019) and \$84,571.88 (2019). 3,166,000

Total Revenue Bonds \$ 6,221,000

Total Bonds Payable \$ 10,303,382

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$33,657.47 (2018); \$33,626.69 (2018); \$33,595.62 (2019) and \$33,564.28 (2019). \$ 287,251

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 2018 are \$60,656.28, 2019 are \$60,656.28 and 2020 are \$60,656.28 of principal and interest 808,365

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. Note was Paid off in 2017. 0

Total \$ 11,398,998

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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

The maturities of the Bonds Payable are as follows:

Principal Portion

	General Obligation / Revenue Bonds						
	General Obligation	Water	Sewer	Ouside Sewer	Outside Water	Business Type	Total
2018	\$ 135,000	\$ 173,800	\$ 9,700	\$ 62,650	\$ 28,350	\$ 274,500	\$ 409,500
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	145,000	188,200	10,800	70,800	31,200	301,000	446,000
2023-2027	775,000	289,000	58,500	383,700	168,300	899,500	1,674,500
2028-2032	900,000	267,600	66,900	425,750	193,250	953,500	1,853,500
2033-2037	0	306,400	76,600	492,150	224,850	1,100,000	1,100,000
2038-2042	0	350,800	87,700	524,200	188,800	1,151,500	1,151,500
2043-2047	0	402,000	100,500	429,000	163,000	1,094,500	1,094,500
2048-2052	0	460,400	115,100	281,750	105,750	963,000	963,000
2053-2057	0	307,200	76,800	0	0	384,000	384,000
	<u>\$ 2,370,000</u>	<u>\$ 3,292,800</u>	<u>\$ 633,200</u>	<u>\$ 2,867,650</u>	<u>\$ 1,192,350</u>	<u>\$ 7,986,000</u>	<u>\$ 10,356,000</u>

Interest Portion

	General Obligation Bonds	General Obligation / Revenue Bonds			
		Water	Outside Sewer	Outside Water	Total
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	49,259	57,375	97,988	29,905	234,527
2023-2027	194,719	250,290	313,071	136,831	894,911
2028-2032	84,187	220,883	261,235	112,287	678,592
2033-2037	0	188,658	199,684	82,012	470,354
2038-2042	0	151,736	128,126	47,269	327,131
2043-2047	0	109,453	63,708	26,650	199,811
2048-2052	0	6,015	13,280	5,281	24,576
2053-2057	0	0	0	0	0
Total	\$ 557,403	\$ 1,252,980	\$ 1,490,877	\$ 566,726	\$ 3,867,986

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

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
2018	\$ 35,325	\$ 61,847	\$ 97,172	\$ 34,499	\$ 131,671
2019	773,040	62,965	836,005	9,312	845,317
2020	0	64,104	64,104	2,637	66,741
2021	0	65,263	65,263	1,478	66,741
2022	0	33,073	33,073	298	33,371
Total	<u>\$ 808,365</u>	<u>\$ 287,252</u>	<u>\$ 1,095,617</u>	<u>\$ 48,224</u>	<u>\$1,143,841</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 machine for city hall, and fire station. Quarterly payments are in the amounts of \$892.47, and \$117.00. Lease is cancelable by either party upon ninety days written notice.

PITNEY BOWES - A five year lease for a postage machine for the police Department. Quarterly payments are in the amounts of \$157.62. 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.

Kinzer Business Realty, LTD - property located along Thompson Road for a term of two (2) years beginning March 1, 2017. The lessee agrees to pay one dollar and complete property improvements as described in the agreement.

The related future minimum lease payments are shown in table.

Minimum Lease Payments		
2018	\$	4,672
2019		1,102
2020		633
2021		3
2022		3
2023-2027		15
2028-2032		15
	<u>\$</u>	<u>6,444</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE E – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2017.

CHANGES IN FIXED ASSETS – GOVERNMENTAL ACTIVITIESASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	\$ 30,632,216	\$ 1,221,866	\$ 5,832	\$ 31,848,250
Land	14,193,807	0	0	14,193,807
Vehicles	5,446,332	236,863	71,241	5,611,954
Equipment	4,592,868	339,282	299,175	4,632,975
Infrastructure	49,935,850	6,207,989	42,500	56,101,339
Construction In Progress	4,215,889	3,317,480	7,028,043	505,326
TOTALS	<u>\$ 109,016,962</u>	<u>\$ 11,323,480</u>	<u>\$ 7,446,791</u>	<u>\$ 112,893,651</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 10,619,061	\$ 851,171	\$ 2,121	\$ 11,468,111
Vehicles	4,299,878	332,433	71,241	4,561,070
Equipment	3,352,719	327,831	243,323	3,437,227
Infrastructure	30,042,670	655,565	42,500	30,655,735
TOTALS	<u>\$ 48,314,328</u>	<u>\$ 2,167,000</u>	<u>\$ 359,185</u>	<u>\$ 50,122,143</u>
NET FIXED ASSETS	<u>\$ 60,702,634</u>			<u>\$ 62,771,508</u>

Depreciation expense was charged to Governmental Activities

General Government	\$ 842,513
Public Safety	293,797
Streets	811,224
Recreation and Parks	219,466
Total Depreciation Expense Governmental Activities	<u>\$ 2,167,000</u>



NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017.

CHANGES IN FIXED ASSETS - GAS FUNDASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Land	\$ 138,000	\$ 0	\$ 0	\$ 138,000
Plant and Distribution System	2,264,123	75,000	0	2,339,123
Equipment	341,488	90,433	0	431,921
Vehicles	243,563	27,283	0	270,846
Construction in Progress	0	0	0	0
TOTALS	\$ 2,987,174	\$ 192,716	\$ 0	\$ 3,179,890

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 2,055,829	\$ 60,462	\$ 0	\$ 2,116,291
Equipment	226,801	14,509	0	241,310
Vehicles	147,320	36,961	0	184,281
TOTALS	\$ 2,429,950	\$ 111,932	\$ 0	\$ 2,541,882
NET FIXED ASSETS	\$ 557,224			\$ 638,008

CHANGES IN FIXED ASSETS - WATERASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 16,721,541	\$ 1,569,882	\$ 0	\$ 18,291,423
Equipment	423,399	301,280	0	724,679
Vehicles	240,899	0	0	240,899
Construction in Process	3,836,855	415,930	1,589,567	2,663,218
TOTALS	\$ 21,222,694	\$ 2,287,092	\$ 1,589,567	\$ 21,920,219

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 10,412,808	\$ 376,134	\$ 0	\$ 10,788,942
Equipment	411,460	15,704	0	427,164
Vehicles	167,386	22,390	0	189,776
TOTALS	\$ 10,991,654	\$ 414,228	\$ 0	\$ 11,405,882
NET FIXED ASSETS	\$ 10,231,040			\$ 10,514,337

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

## 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	\$ 16,041,590	\$ 1,752,411	\$ 0	\$ 17,794,001
Equipment	347,533	0	0	347,533
Vehicles	175,205	99,274	0	274,479
Construction In Progress	3,057,145	384,853	1,640,917	1,801,081
TOTALS	\$ 19,621,473	\$ 2,236,538	\$ 1,640,917	\$ 20,217,094

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 9,646,045	\$ 367,908	\$ 0	\$ 10,013,953
Equipment	304,529	17,720	0	322,249
Vehicles	147,258	9,637	0	156,895
TOTALS	\$ 10,097,832	\$ 395,265	\$ 0	\$ 10,493,097
NET FIXED ASSETS	\$ 9,523,641			\$ 9,723,997

CHANGES IN FIXED ASSETS - SANITATIONASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property and Plant	\$ 238,915	\$ 0	\$ 0	\$ 238,915
Equipment	478,650	79,456	0	558,106
Vehicles	1,292,823	301,679	0	1,594,502
TOTALS	\$ 2,010,388	\$ 381,135	\$ 0	\$ 2,391,523

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property and Plant	\$ 107,986	\$ 16,292	\$ 0	\$ 124,278
Equipment	377,615	39,800	0	417,415
Vehicles	867,441	119,925	0	987,366
TOTALS	\$ 1,353,042	\$ 176,017	\$ 0	\$ 1,529,059
NET FIXED ASSETS	\$ 657,346			\$ 862,464

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

## 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	18,490	22,000	64,735
Vehicles	79,518	0	0	79,518
Construction in progress	0	0	0	0
TOTALS	\$ 2,282,529	\$ 18,490	\$ 22,000	\$ 2,279,019

## ACCUMULATED DEPRECIATION

Description	Beginning	Additions	Deletions	Ending
Distribution System	\$ 328,736	\$ 53,370	\$ 0	\$ 382,106
Equipment	62,544	5,187	22,000	45,731
Vehicles	62,441	8,539	0	70,980
TOTALS	\$ 453,721	\$ 67,096	\$ 22,000	\$ 498,817
NET FIXED ASSETS	\$ 1,828,808			\$ 1,780,202

## CHANGES IN FIXED ASSETS – OUTSIDE SEWER

## ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 7,589,031	\$ 0	\$ 0	\$ 7,589,031
Equipment	242,994	22,595	0	265,589
Vehicles	36,825	0	0	36,825
Construction in progress	0	55,032	0	55,032
TOTALS	\$ 7,868,850	\$ 77,627	\$ 0	\$ 7,946,477

## ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Distribution System	\$ 995,730	\$ 192,108	\$ 0	\$ 1,187,838
Equipment	118,195	18,509	0	136,704
Vehicles	36,825	0	0	36,825
TOTALS	\$ 1,150,750	\$ 210,617	\$ 0	\$ 1,361,367
NET FIXED ASSETS	\$ 6,718,100			\$ 6,585,110

## Net Fixed Assets

Fund	Beginning	Ending
Gas	\$ 557,224	\$ 638,008
Water	10,231,040	10,514,337
Sewer	9,523,641	9,723,997
Sanitation	657,346	862,464
Outside Water	1,828,808	1,780,202
Outside Sewer	6,718,100	6,585,110
	\$ 29,516,159	\$ 30,104,118

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017 and has committed to other projects that will begin in fiscal year end June 30, 2017.

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, 2017

NOTE J - RETIREMENT PLAN

**KENTUCKY RETIREMENT SYSTEM - County Employees Retirement System (CERS)**

Plan descriptions: All eligible full time 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 September 1, 2008. 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 September 1, 2008 and January 1, 2014. 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.

Hazardous retirement benefits are based upon a 3-High Final Compensation. When Final Compensation is based on the 3-High, it must include at least 24 months and a minimum of three fiscal years. The years used do not have to be full (12 month) years.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

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, 2017, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2016 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, 2016. At June 30, 2016, the City's proportion was 0.080985% non-hazardous and 0.298783% hazardous.

For the year ended June 30, 2017, the City recognized pension expense of \$1,143,049. At June 30, 2017, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$891,593, 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 \$1,636,074 totaling \$2,524,666 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 \$182,417.

Covered Payroll and Contribution Data					
Year	Rate – Non-hazardous		Amount		
	Employee	Employer	Covered Wages	Employee	Employer
2017	5.00%	18.68%	\$ 2,165,430	\$ 106,711	\$ 404,502
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

  

Year	Rate – Hazardous		Amount		
	Employee	Employer	Covered Wages	Employee	Employer
2017	8.00%	31.06%	\$ 1,568,223	\$ 125,458	\$ 487,090
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

  

Year	Total Amount				
	Covered Wages		Employee	Employer	
2017	\$ 3,733,653		\$ 232,169	\$ 891,592	
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	

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE J - RETIREMENT PLAN (Continued)

City contributions subsequent to the measurement date of \$891,593 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as shown:

Year	Pension Expense
2018	\$ 210,164
2019	283,112
2020	97,206
2021	0
Thereafter	0
	<u>\$ 590,482</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008- June 30, 2013
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2017

**NOTE J - RETIREMENT PLAN (concluded)**

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%
	100.00%	

**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.

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, 2016, is based on the June 30, 2016, 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	\$ 4,968,960	\$ 3,987,411	\$ 3,146,028
Hazardous	6,440,934	5,126,942	4,043,126
Total	<u>\$ 11,409,894</u>	<u>\$ 9,114,353</u>	<u>\$ 7,189,154</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, 2017 the City had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.



NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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:

<u>Year</u>	<u>457</u>	<u>401 (k)</u>
2017	\$ 22,060	\$ 7,440
2016	\$ 20,910	\$ 10,380
2015	\$ 22,792	\$ 12,955
2014	\$ 20,615	\$ 9,490
2013	\$ 18,485	\$ 4,105

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE M - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2017, the carrying amount of the City's deposits with financial institutions was \$22,509,367 and the bank balance, per statements, was \$23,113,653. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 755,187
Amount collateralized with an FHLB letter of credit:	20,900,000
Amount collateralized with securities held by third party in the City's name:	1,458,466
Uncollateralized (\$ 0 of this amount is collateralized with securities held by the pledging financial institution):	0
Total Bank Balance	<u>\$ 23,113,653</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%	\$ 11,114,038
General	1 year	0.40%	556,434
General	1 year	0.01%	1,127,407
Coal Severance	1 year	0.50%	1,157,090
Projects Control	1 year	0.50%	1,693,182
Gas	1 year	0.50%	1,647,344
Water	1 year	0.50%	1,107,688
Sanitation	1 year	0.50%	1,269,834
Sewer	1 year	0.50%	802,754
Sandy Valley	1 year	0.50%	94,348
Mossy Bottom	1 year	0.50%	434,554
Restricted			
General	1 year	0.50%	\$ 848,975
Debt Service	1 year	0.50%	89,947
Projects Control	1 year	0.01%	10,315
Dective Arrest - Federal	1 year	0.50%	9,297
Water	1 year	0.10%	153,835
Sandy Valley	1 year	0.50%	34,862
Sandy Valley	1 year	0.50%	99,887
Mossy Bottom	1 year	0.50%	97,256
			<u>\$ 22,349,047</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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 one (1) year. Rent will be in the amount of \$650 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, 2017 through September 30, 2017 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.

Appalachian Antiques & , LLC – Property located at 123 Second Street for use as a retail store. The initial term of the lease will be five (5) years and automatically rollover to a five (5) year additional term, unless lessor/lessee terminates in writing within 60 days prior to the end of the term. Rent is \$1 per year for the first 3 years, \$750 per month for year four and \$950 per month for years five through ten.

Pikeville Farmer's Market Inc. – Property located at 130 Adams Lane known as the Pikeville Pavilion for the purpose of offering their locally produced goods for sale to the general public. The term of this lease is month to month, and both parties may at their discretion terminate this agreement at any time in writing. Lessee agrees to pay one dollar (\$1) annually.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE O - LEASE AGREEMENTS (concluded)

Roasted Appalachia, LLC – 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. Lessee agrees to pay one dollar (\$1) per year.

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 – building 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.

East Kentucky Network, LLC D/B/A Appalachian Wireless – Use of a portion of the parking garage to construct, maintain and operate telephone and power service lines property for service of the Licensee's equipment and facilities. Term of the agreement is five (5) years unless either party provides written notice that it does not wish to renew within 60 days prior to the end of the then-current term. Lessee agrees to pay \$250 per month.

Pikeville Medical Center, Inc. – Tract of land located on Chloe Road and Baily Blvd contiguous to the current Fire Station #1. Lease begins July 31, 2017 for an initial term of 10 years, with automatic renewals for consecutive five (5) year terms unless either party provides written notice of non-renewal at least 90 days prior to the end of the then current term. PMC agrees to pay \$15,000 per year, with the City having the right to increase the rent on August 20, 2020 by no more than 2.5% of previous annual rent once every three (3) years.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE P – INTER FUND TRANSFERS

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Football Field	Debt Service	\$ 236,204
General	Jenny Wiley	Debt Service	197,227
General	Fire Station	Debt Service	60,657
General	River Fill Seating	Debt Service	246,718
General	Projects Control	Fixed Assets	50,000
General	Tourism	Operating	1,555,429
Projects Control	Water	Fixed Assets	415,931
Projects Control	Sewer	Fixed Assets	155,485
Water	Projects Control	Fixed Assets	415,931
Water	Outside Water	Debt Service	1,447
Water	Outside Sewer	Debt Service	2,651
Sewer	Projects Control	Fixed Assets	104,235
			<u>\$ 3,441,915</u>

NOTE Q – INTER FUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2017:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Purpose</u>	<u>Amount</u>
General	Cashflow	Operating	\$ 9
General	Outside Water	Operating	19,208
Gas	Cashflow	Operating	26
Gas	Utility Deposits	Operating	43
Water	Cashflow	Operating	49
Water	Utility Deposits	Operating	421
Garbage	Cashflow	Operating	31
Sewer	Cashflow	Operating	24
Outside Water	Cashflow	Operating	13
Outside Water	Utility Deposits	Operating	55
Outside Water	General	Operating	6,900
Outside Water	Water	Operating	7,630
Outside Sewer	Cashflow	Operating	12
Outside Sewer	Sewer	Operating	1,405
	Total All Funds		<u>\$ 35,826</u>

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

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	6,375,367	277,670	147,534	14.99
2017	6,211,082	279,749	200,366	12.94

NOTE S - SUBSEQUENT EVENTS

On June 26, 2017 the City made a resolution accepting the best and only bid received for the purchase of \$5,500,000 principal amount of City of Pikeville, Kentucky Water and Sewer System Revenue Bonds, Series 2017A, as authorized by ordinance.

On June 26, 2017 the City made a resolution accepting the best and only bid received for the purchase of \$5,000,000 principal amount of City of Pikeville, Kentucky Water and Sewer System Revenue Bonds, Series 2017B, as authorized by ordinance.

On December 6, 2017 the City of Pikeville, Kentucky sold General Obligation Bonds, Series 2017, in the amount of \$3,770,000 for the purpose of providing funds necessary to pay the costs of (i) renovation of certain facilities within the City's Hambley Athletic Complex; (ii) the acquisition and installation of a new electronic wireless metering system for the City's municipal water system; and (iii) the acquisition, construction, installation, and equipping of certain improvements to the City's municipal sewage treatment facilities.

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

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 953,500	\$ 1,005,000	\$ 1,134,747	\$ 129,747
Franchise Taxes	589,327	568,327	688,306	119,979
Occupational License Fees	7,800,000	9,395,000	9,727,083	332,083
Other Taxes	1,560,000	1,898,200	1,892,001	(6,199)
Permits and Fees	110,200	101,900	102,004	104
Grants - Federal	1,042,000	1,278,258	68,228	(1,210,030)
Grants - State	364,922	380,437	395,328	14,891
Other Grants	32,004	32,004	32,004	0
Interest Income	48,000	48,000	90,601	42,601
Other Revenue	888,836	1,096,713	1,218,493	121,780
Total Revenues	<u>\$ 13,388,789</u>	<u>\$ 15,803,839</u>	<u>\$ 15,348,795</u>	<u>\$ (455,044)</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government	\$ 3,981,666	\$ 4,828,430	\$ 3,427,745	\$ 1,400,685
Public Safety				
Police	2,307,700	2,401,475	2,222,848	178,627
Fire	2,524,700	2,559,195	2,449,338	109,857
Ambulance Service	127,300	130,300	120,757	9,543
Dispatch Service	449,730	338,422	295,278	43,144
Codes	221,820	255,120	201,271	53,849
911	41,800	172,204	148,261	23,943
Emergency Shelter	10,000	10,000	10,000	0
Streets	2,331,638	2,461,638	2,258,011	203,627
Parking Garage	91,950	97,450	96,841	609
Recreation	805,491	951,646	728,517	223,129
Fiber	0	257,571	0	257,571
Tourism	367,800	373,300	290,189	83,111
Lake Cleanup	81,800	81,920	63,423	18,497
Landscape	103,374	103,374	90,574	12,800
Capital Outlay	0	0	0	0
Debt Service	0	0	0	0
Principal Retirement	0	0	0	0
Interest	0	0	0	0
Grants / Loan Advances	150,000	178,000	177,956	44
Total Expenditures	<u>\$ 13,596,769</u>	<u>\$ 15,200,045</u>	<u>\$ 12,581,009</u>	<u>\$ 2,619,036</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (207,980)</u>	<u>\$ 603,794</u>	<u>\$ 2,767,786</u>	<u>\$ (2,163,992)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Fixed Assets	0	22,621	15,818	(6,803)
East Kentucky Exposition Center / Tourism	391,039	540,996	664,079	123,083
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	(1,766,894)	(2,436,722)	(2,346,235)	90,487
Total Other Financing Sources (Uses)	<u>\$ (1,375,855)</u>	<u>\$ (1,873,105)</u>	<u>\$ (1,666,338)</u>	<u>\$ 206,767</u>
Net Change In Fund Balance	\$ (1,583,835)	\$ (1,269,311)	\$ 1,101,448	\$ 2,370,759
FUND BALANCES - BEGINNING OF YEAR	1,584,200	1,269,879	12,638,796	11,368,917
FUND BALANCES-END OF YEAR	<u>\$ 365</u>	<u>\$ 568</u>	<u>\$ 13,740,244</u>	<u>\$ 13,739,676</u>

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

**Wallen, Puckett, & Anderson • CERTIFIED PUBLIC ACCOUNTANTS • PIKEVILLE, KENTUCKY 41502**



## CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES AND EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COAL SEVERANCE  
For The Year End June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenue	\$ 120,000	\$ 120,000	\$ 204,261	\$ 84,261
Other Grants	0	0	0	0
Interest Income	1,500	1,500	6,477	4,977
Other Revenue	0	0	0	0
TOTAL REVENUES	<u>\$ 121,500</u>	<u>\$ 121,500</u>	<u>\$ 210,738</u>	<u>\$ 89,238</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	91,400	91,400	84,124	7,276
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
TOTAL EXPENDITURES	<u>\$ 121,400</u>	<u>\$ 121,400</u>	<u>\$ 114,124</u>	<u>\$ 7,276</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 96,614</u>	<u>\$ 81,962</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	\$ 100	\$ 100	\$ 96,614	\$ 81,962
FUND BALANCE - BEGINNING OF YEAR	0	0	1,060,476	1,060,476
FUND BALANCE - END OF YEAR	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 1,157,090</u>	<u>\$ 1,142,438</u>

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

## CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - CAPITAL PROJECTS - PROJECTS CONTROL  
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal Grants	\$ 21,926,183	\$ 26,379,259	\$ 334,388	\$ (26,044,871)
State Grants	5,278,587	5,278,587	2,867,963	(2,410,624)
Other Grants	0	0	0	0
Interest	0	0	8,849	8,849
Miscellaneous	0	0	0	0
Total Revenues	<u>\$ 27,204,770</u>	<u>\$ 31,657,846</u>	<u>\$ 3,211,200</u>	<u>\$ (28,446,646)</u>
<b>EXPENDITURES</b>				
Miscellaneous	\$ 0	\$ 0	\$ 0	\$ 0
Capital Outlay	27,722,994	32,140,216	3,454,078	28,686,138
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>\$ 27,722,994</u>	<u>\$ 32,140,216</u>	<u>\$ 3,454,078</u>	<u>\$ 28,686,138</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (518,224)</u>	<u>\$ (482,370)</u>	<u>\$ (242,878)</u>	<u>\$ (57,132,784)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds From Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers In	35,000	596,924	570,166	(26,758)
Operating Transfers (Out)	0	(627,844)	(571,416)	56,428
Total Other Financing Sources (Uses)	<u>\$ 35,000</u>	<u>\$ (30,920)</u>	<u>\$ (1,250)</u>	<u>\$ 29,670</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (483,224)</u>	<u>\$ (513,290)</u>	<u>\$ (244,128)</u>	<u>\$ (57,103,114)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	483,224	513,290	2,097,721	1,584,431
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,853,593</u>	<u>\$ (55,518,683)</u>

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

## CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - WATER FUND  
For The Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Water Sales	\$ 2,515,000	\$ 2,503,100	\$ 2,404,859	\$ (98,241)
Service Charges	10,000	10,000	12,457	2,457
Penalties and Services	10,000	10,000	10,911	911
Water Tap Fees	15,000	15,000	24,510	9,510
Miscellaneous	0	0	256	256
<b>TOTAL REVENUE</b>	<b>\$ 2,550,000</b>	<b>\$ 2,538,100</b>	<b>\$ 2,452,993</b>	<b>\$ (85,107)</b>
<b>OPERATING EXPENSES</b>				
Personnel Costs	\$ 47,370	\$ 47,540	\$ 39,622	\$ 7,918
Contractual Service	1,321,013	1,333,240	1,308,185	25,055
Operational	639,100	659,130	501,625	157,505
Repairs and Maintenance	165,150	222,050	169,709	52,341
Provision For Bad Debts	3,000	3,000	1,158	1,842
Depreciation	554,500	509,950	414,518	95,432
<b>Total Operating Expenses</b>	<b>\$ 2,730,133</b>	<b>\$ 2,774,910</b>	<b>\$ 2,434,817</b>	<b>\$ 340,093</b>
<b>Operating Income (Loss)</b>	<b>\$ (180,133)</b>	<b>\$ (236,810)</b>	<b>\$ 18,176</b>	<b>\$ 254,986</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ 4,536	\$ 4,536	\$ 6,166	\$ 1,630
Interest Expense	(87,015)	(90,015)	(71,102)	18,913
Premium (Discount) on Debt Restructuring	0	0	0	0
Grants	0	364,341	415,931	51,590
Gain (Loss) on Disposition	0	0	0	0
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (82,479)</b>	<b>\$ 278,862</b>	<b>\$ 350,995</b>	<b>\$ 72,133</b>
<b>NET INCOME (LOSS)(Before Transfers)</b>	<b>\$ (262,612)</b>	<b>\$ 42,052</b>	<b>\$ 369,171</b>	<b>\$ 327,119</b>
<b>TRANSFERS</b>				
Operating Transfers In	\$ 0	\$ 364,341	\$ 415,931	\$ 51,590
Operating Transfers (Out)	(4,500)	(728,682)	(420,029)	308,653
<b>Total Transfers</b>	<b>\$ (4,500)</b>	<b>\$ (364,341)</b>	<b>\$ (4,098)</b>	<b>\$ 360,243</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (267,112)</b>	<b>\$ (322,289)</b>	<b>\$ 365,073</b>	<b>\$ 687,362</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>398,456</b>	<b>456,656</b>	<b>8,213,748</b>	<b>7,757,092</b>
Prior Period Adjustment	0	0	0	0
<b>NET POSITION - END OF YEAR</b>	<b>\$ 131,344</b>	<b>\$ 134,367</b>	<b>\$ 8,578,821</b>	<b>\$ 8,444,454</b>

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 - SEWER FUND

For The Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sewer Service Charges	\$ 1,120,375	\$ 1,120,375	\$ 1,134,407	\$ 14,032
Penalties and Services	5,600	5,600	6,021	421
Water and Sewer Tap Fees	12,000	12,000	33,900	21,900
Miscellaneous Revenues	0	0	1,628	1,628
<b>TOTAL REVENUE</b>	<b>\$ 1,137,975</b>	<b>\$ 1,137,975</b>	<b>\$ 1,175,956</b>	<b>\$ 37,981</b>
<b>OPERATING EXPENSES</b>				
Personnel Costs	\$ 24,675	\$ 24,740	\$ 19,512	\$ 5,228
Contractual Service	436,021	446,521	433,721	12,800
Operational	297,700	295,385	243,653	51,732
Repairs and Maintenance	242,100	444,325	152,469	291,856
Provision For Bad Debts	3,300	3,300	555	2,745
Depreciation	416,332	416,332	395,265	21,067
<b>Total Operating Expenses</b>	<b>\$ 1,420,128</b>	<b>\$ 1,630,603</b>	<b>\$ 1,245,175</b>	<b>\$ 385,428</b>
<b>Operating Income (Loss)</b>	<b>\$ (282,153)</b>	<b>\$ (492,628)</b>	<b>\$ (69,219)</b>	<b>\$ 423,409</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ 3,000	\$ 3,000	\$ 4,366	\$ 1,366
Interest Expense	(17,413)	(17,413)	(14,247)	3,166
Premium (Discount) on Debt Restructuring	0	0	0	0
Gain (Loss) on Disposition	0	0	0	0
Grants	0	182,583	104,235	(78,348)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (14,413)</b>	<b>\$ 168,170</b>	<b>\$ 94,354</b>	<b>\$ (73,816)</b>
<b>NET INCOME (LOSS) Before Transfers</b>	<b>\$ (296,566)</b>	<b>\$ (324,458)</b>	<b>\$ 25,135</b>	<b>\$ 349,593</b>
<b>TRANSFERS</b>				
Operating Transfers In	\$ 0	\$ 263,501	\$ 155,485	\$ (108,016)
Operating Transfers (Out)	(4,500)	(446,084)	(104,235)	341,849
<b>Total Transfers</b>	<b>\$ (4,500)</b>	<b>\$ (182,583)</b>	<b>\$ 51,250</b>	<b>\$ 233,833</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (301,066)</b>	<b>\$ (507,041)</b>	<b>\$ 76,385</b>	<b>\$ 583,426</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>301,800</b>	<b>508,525</b>	<b>9,833,295</b>	<b>9,324,770</b>
Prior Period Adjustment	0	0	0	0
<b>NET POSITION - END OF YEAR</b>	<b>\$ 734</b>	<b>\$ 1,484</b>	<b>\$ 9,909,680</b>	<b>\$ 9,908,196</b>

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

## CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - GAS FUND  
For The Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Gas Sales	\$ 1,558,500	\$ 1,558,500	\$ 1,266,637	\$ (291,863)
Penalties & Service Charges	3,000	3,000	4,957	1,957
Tap Fees	5,000	5,000	23,795	18,795
Miscellaneous	0	0	10	10
<b>TOTAL REVENUES</b>	<u>\$ 1,566,500</u>	<u>\$ 1,566,500</u>	<u>\$ 1,295,399</u>	<u>\$ (271,101)</u>
<b>OPERATING EXPENSES</b>				
Personnel Costs	26,300	26,357	\$ 20,274	6,083
Gas Purchased	1,092,000	1,092,000	719,037	372,963
Contractual Services	523,481	523,481	510,212	13,269
Operational	45,600	48,543	28,701	19,842
Repairs and Maintenance	94,000	224,000	32,690	191,310
Bad Debts	2,300	2,300	656	1,644
Depreciation	140,072	140,072	111,932	28,140
Total Operating Expenses	<u>\$ 1,923,753</u>	<u>\$ 2,056,753</u>	<u>\$ 1,423,502</u>	<u>\$ 633,251</u>
Operating Income	<u>\$ (357,253)</u>	<u>\$ (490,253)</u>	<u>\$ (128,103)</u>	<u>\$ 362,150</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Royalties	\$ 2,200	\$ 2,200	\$ 1,436	\$ (764)
Interest Revenue	10,300	10,300	9,830	(470)
Interest Expense	0	(1,500)	0	1,500
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	<u>\$ 12,500</u>	<u>\$ 11,000</u>	<u>\$ 11,266</u>	<u>\$ 266</u>
<b>NET INCOME (LOSS) Before Transfers</b>	<u>\$ (344,753)</u>	<u>\$ (479,253)</u>	<u>\$ (116,837)</u>	<u>\$ 362,416</u>
<b>TRANSFERS</b>				
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>
<b>CHANGE IN NET POSITION</b>	<u>\$ (349,253)</u>	<u>\$ (479,253)</u>	<u>\$ (116,837)</u>	<u>\$ 362,416</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	349,300	479,300	2,472,952	1,993,652
Prior Period Adjustment	0	0	0	0
<b>NET POSITION - END OF YEAR</b>	<u>\$ 47</u>	<u>\$ 47</u>	<u>\$ 2,356,115</u>	<u>\$ 2,356,068</u>

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

## CITY OF PIKEVILLE, KENTUCKY

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - SANITATION FUND  
For The Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Garbage Fees	\$ 1,336,000	1,356,000	1,529,371	\$ 173,371
Penalties	5,500	5,500	7,593	2,093
Miscellaneous	0	0	0	0
Total Revenues	<u>\$ 1,341,500</u>	<u>1,361,500</u>	<u>1,536,964</u>	<u>\$ 175,464</u>
<b>EXPENSES</b>				
Personnel Costs	\$ 28,650	28,650	25,126	\$ 3,524
Contractual Services	617,616	621,616	620,104	1,512
Operational	157,183	188,865	97,301	91,564
Repairs and Maintenance	62,000	62,000	39,790	22,210
Dumping Fees	370,000	412,000	405,411	6,589
Bad Debts	1,400	1,400	915	485
Depreciation	226,582	226,582	176,016	50,566
Total Expenses	<u>\$ 1,463,431</u>	<u>1,541,113</u>	<u>1,364,663</u>	<u>\$ 176,450</u>
Operating Income	<u>\$ (121,931)</u>	<u>(179,613)</u>	<u>172,301</u>	<u>\$ 351,914</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ 4,900	4,900	8,199	\$ 3,299
Interest Expense	0	0	0	0
Gain (Loss) on Disposition	0	0	0	0
Grant	65,933	87,910	80,019	(7,891)
Total Nonoperating Revenues	<u>\$ 70,833</u>	<u>92,810</u>	<u>88,218</u>	<u>\$ (4,592)</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (51,098)</u>	<u>(86,803)</u>	<u>260,519</u>	<u>\$ 347,322</u>
<b>TRANSFERS</b>				
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>\$ (55,598)</u>	<u>(86,803)</u>	<u>260,519</u>	<u>\$ 347,322</u>
NET POSITION - BEGINNING OF YEAR	55,650	86,855	1,965,178	1,878,323
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	<u>\$ 52</u>	<u>52</u>	<u>2,225,697</u>	<u>\$ 2,225,645</u>

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

## CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - OUTSIDE WATER  
 For The Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Water Sales	\$ 683,500	\$ 683,500	\$ 668,429	\$ (15,071)
Penalties & Service Charges	4,500	4,500	5,605	1,105
Tap Fees	0	0	0	0
Miscellaneous	0	0	0	0
<b>TOTAL REVENUES</b>	<u>\$ 688,000</u>	<u>\$ 688,000</u>	<u>\$ 674,034</u>	<u>\$ (13,966)</u>
<b>OPERATING EXPENSES</b>				
Personnel Costs	\$ 12,200	\$ 12,225	\$ 11,057	\$ 1,168
Contractual Services	538,173	521,133	513,584	7,549
Operational	158,886	159,385	142,371	17,014
Repairs and Maintenance	369,401	352,208	234,940	117,268
Bad Debts	500	500	404	96
Depreciation	75,000	75,000	67,096	7,904
<b>Total Operating Expenses</b>	<u>\$ 1,154,160</u>	<u>\$ 1,120,451</u>	<u>\$ 969,452</u>	<u>\$ 150,999</u>
<b>Operating Income</b>	<u>\$ (466,160)</u>	<u>\$ (432,451)</u>	<u>\$ (295,418)</u>	<u>\$ 137,033</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Revenue	\$ 1,090	\$ 1,090	\$ 1,422	\$ 332
Interest Rebate	0	0	6,915	6,915
Grants	273,616	248,396	192,079	(56,317)
Interest Expense	(33,348)	(34,348)	(33,305)	1,043
Gain (Loss) on Disposition of Assets	0	0	6,900	6,900
<b>Total Nonoperating Revenue (Expense)</b>	<u>\$ 241,358</u>	<u>\$ 215,138</u>	<u>\$ 174,011</u>	<u>\$ (41,127)</u>
<b>NET INCOME (LOSS) Before Transfers</b>	<u>\$ (224,802)</u>	<u>\$ (217,313)</u>	<u>\$ (121,407)</u>	<u>\$ 95,906</u>
<b>TRANSFERS</b>				
Operating Transfers In	\$ 0	\$ 0	\$ 1,446	\$ 1,446
Operating Transfers (Out)	0	0	0	0
<b>Total Transfers</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,446</u>	<u>\$ 1,446</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (224,802)</u>	<u>\$ (217,313)</u>	<u>\$ (119,961)</u>	<u>\$ 97,352</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	256,500	249,012	1,087,732	838,720
Prior Period Adjustment	0	0	0	0
<b>NET POSITION - END OF YEAR</b>	<u>\$ 31,698</u>	<u>\$ 31,699</u>	<u>\$ 967,771</u>	<u>\$ 936,072</u>

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

## CITY OF PIKEVILLE, KENTUCKY

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN  
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - OUTSIDE SEWER  
For The Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>				
Sewer Service Charges	\$ 617,200	\$ 617,200	\$ 609,932	\$ (7,268)
Penalties & Service Charges	3,500	3,500	4,662	1,162
Water and Sewer Tap Fees	500	500	0	(500)
Miscellaneous Revenues	0	0	0	0
Total Revenues	<u>\$ 621,200</u>	<u>\$ 621,200</u>	<u>\$ 614,594</u>	<u>\$ (6,606)</u>
<b>EXPENSES</b>				
Personnel Costs	\$ 12,850	\$ 12,875	\$ 10,073	\$ 2,802
Contractual Services	198,934	201,444	186,497	14,947
Operational	115,437	113,402	90,903	22,499
Repairs and Maintenance	108,400	161,575	65,132	96,443
Bad Debts	2,000	2,000	372	1,628
Depreciation	218,000	218,000	210,617	7,383
Total Expenses	<u>\$ 655,621</u>	<u>\$ 709,296</u>	<u>\$ 563,594</u>	<u>\$ 145,702</u>
Operating Income	<u>\$ (34,421)</u>	<u>\$ (88,096)</u>	<u>\$ 51,000</u>	<u>\$ 139,096</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ 2,079	\$ 2,079	\$ 3,268	\$ 1,189
Interest Rebate	0	0	17,082	17,082
Grants	0	0	0	0
Interest Expense	(80,774)	(80,774)	(80,481)	293
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	<u>\$ (78,695)</u>	<u>\$ (78,695)</u>	<u>\$ (60,131)</u>	<u>\$ 18,564</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (113,116)</u>	<u>\$ (166,791)</u>	<u>\$ (9,131)</u>	<u>\$ 157,660</u>
<b>TRANSFERS</b>				
Operating Transfers In	\$ 0	\$ 0	\$ 2,652	\$ 2,652
Operating Transfers (Out)	0	0	0	0
Total Transfers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,652</u>	<u>\$ 2,652</u>
CHANGE IN NET POSITION	<u>\$ (113,116)</u>	<u>\$ (166,791)</u>	<u>\$ (6,479)</u>	<u>\$ 160,312</u>
NET POSITION - BEGINNING OF YEAR	245,550	299,225	4,219,941	3,920,716
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	<u>\$ 132,434</u>	<u>\$ 132,434</u>	<u>\$ 4,213,462</u>	<u>\$ 4,081,028</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, 2017

Last Ten Fiscal Years \*\*

		2016-17	2015-16	2014-15
<b>Schedule of the City's Proportionate Share of the Net Pension Liability</b>				
City's proportion of the net pension liability	Non Hazardous	0.08099%	0.07518%	0.07309%
	Hazardous	0.29878%	0.31822%	0.31257%
City's proportionate share of the net pension liability	Non Hazardous	\$ 3,987,411	\$ 3,232,536	2,371,374
	Hazardous	5,126,942	4,884,991	3,756,558
		<u>\$ 9,114,353</u>	<u>\$ 8,117,527</u>	<u>\$ 6,127,932</u>
City's covered-employee payroll		\$ 4,183,901	\$ 3,834,023	\$ 3,669,926
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		217.84342%	211.72348%	166.97699%
Plan fiduciary net position as a percentage of the total pension liability		217.84342%	211.72348%	166.97699%

<b>Schedule of Contributions</b>				
		2016-17	2015-16	2014-15
Contractually required contribution		\$ 891,593	\$ 845,267	\$ 874,135
Contributions in relation to the contractually required contribution		891,593	845,267	874,135
Contribution deficiency (excess)		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered payroll		4,183,901	3,834,023	3,669,926
Contributions as a percentage of covered-employee payroll		21.3101%	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, 2017

	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
<b>ASSETS</b>										
Cash and Investments										
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,035	\$ 10,315	\$ 33,415	\$ 3,840	\$ 13,303	\$ 70,908
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	0	65,859	24,088	0	0	0	0	0	0	89,947
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$ 0</b>	<b>\$ 65,859</b>	<b>\$ 24,088</b>	<b>\$ 0</b>	<b>\$ 10,035</b>	<b>\$ 10,315</b>	<b>\$ 33,415</b>	<b>\$ 3,840</b>	<b>\$ 13,303</b>	<b>\$ 160,855</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 121	\$ 0	\$ 0	\$ 0	\$ 121
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	165	165
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 121</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 165</b>	<b>\$ 286</b>
Uncollected Real Estate Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Deferred Revenues	0	0	0	0	0	0	23,908	0	0	23,908
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,908</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,908</b>
<b>FUND BALANCES</b>										
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:										
Debt Service	0	65,859	24,088	0	0	0	0	0	0	89,947
Tourism	0	0	0	0	0	0	0	0	0	0
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	10,194	9,507	0	0	19,701
Unrestricted	0	0	0	0	10,035	0	0	3,840	13,138	27,013
<b>TOTAL FUND BALANCES</b>	<b>\$ 0</b>	<b>\$ 65,859</b>	<b>\$ 24,088</b>	<b>\$ 0</b>	<b>\$ 10,035</b>	<b>\$ 10,194</b>	<b>\$ 9,507</b>	<b>\$ 3,840</b>	<b>\$ 13,138</b>	<b>\$ 136,661</b>
<b>LIABILITIES, DEFERRED INFLOWS     OF RESOURCES AND FUND BALANCES</b>	<b>\$ 0</b>	<b>\$ 65,859</b>	<b>\$ 24,088</b>	<b>\$ 0</b>	<b>\$ 10,035</b>	<b>\$ 10,315</b>	<b>\$ 33,415</b>	<b>\$ 3,840</b>	<b>\$ 13,303</b>	<b>\$ 160,855</b>

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, 2017

	Debt Service Football	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
<b>REVENUES</b>										
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	24,533	14,104	0	0	38,637
Other Grants	0	0	0	0	0	0	0	0	0	0
Interest Income	0	374	187	165	67	213	45	0	0	1,051
Other Revenue	0	0	0	0	0	0	0	29,983	0	29,983
Total Revenues	\$ 0	\$ 374	\$ 187	\$ 165	\$ 67	\$ 24,746	\$ 14,149	\$ 29,983	\$ 0	\$ 69,671
<b>EXPENDITURES</b>										
<b>CURRENT</b>										
General Government	\$ 20	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,926	\$ 0	\$ 35,946
Public Safety	0	0	0	0	0	252	0	0	0	252
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	77,460	5,967	0	0	83,427
Debt Service										
Principal Retirement	235,000	135,000	34,215	300,000	0	0	0	0	0	704,215
Interest	2,509	62,226	26,442	6,565	0	0	0	0	0	97,742
Grants / Loan Advances	0	0	0	0	1,553,130	0	0	0	0	1,553,130
Total Expenditures	\$ 237,529	\$ 197,226	\$ 60,657	\$ 306,565	\$ 1,553,130	\$ 77,712	\$ 5,967	\$ 35,926	\$ 0	\$ 2,474,712
Excess of Revenues Over (Under) Expenditures	\$ (237,529)	\$ (196,852)	\$ (60,470)	\$ (306,400)	\$ (1,553,063)	\$ (52,966)	\$ 8,182	\$ (5,943)	\$ 0	\$ (2,405,041)
<b>OTHER FINANCING SOURCES (USES)</b>										
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	236,204	197,227	60,657	246,718	1,555,429	0	0	0	0	2,296,235
Operating Transfers Out	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 236,204	\$ 197,227	\$ 60,657	\$ 246,718	\$ 1,555,429	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,296,235
NET CHANGE IN FUND BALANCES	\$ (1,325)	\$ 375	\$ 187	\$ (59,682)	\$ 2,366	\$ (52,966)	\$ 8,182	\$ (5,943)	\$ 0	\$ (108,806)
FUND BALANCES - BEGINNING OF YEAR	1,325	65,484	23,901	59,682	7,669	63,160	1,325	9,783	13,138	245,467
Prior Period Adjustment	0	0	0	0	0	0	0	0	0	0
FUND BALANCES-END OF YEAR	\$ 0	\$ 65,859	\$ 24,088	\$ 0	\$ 10,035	\$ 10,194	\$ 9,507	\$ 3,840	\$ 13,138	\$ 136,661

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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106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA  
L. Kevin Puckett, CPA  
James K. Anderson, CPA  
Johnny C. Cornett, CPA  
Johnny K. White, CPA

606-432-8833  
FAX 606-432-8466

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

To the Board of Commissioners  
City of Pikeville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Pikeville, Kentucky's basic financial statements, and have issued our report thereon dated December 8, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

To the Board of Commissioners  
City of Pikeville, Kentucky

Page 2

### **Purpose of this Report**

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

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

*Wallen, Puckett and Anderson, PSC*

Certified Public Accountants  
Pikeville, Kentucky

December 8, 2017

**Wallen, Puckett, & Anderson, psc**  
CERTIFIED PUBLIC ACCOUNTANTS

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106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA  
L. Kevin Puckett, CPA  
James K. Anderson, CPA  
Johnny C. Cornett, CPA  
Johnny K. White, CPA

606-432-8833  
FAX 606-432-8466

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, 2017. 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, 2017.



### 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

December 8, 2017

## CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<b><u>RURAL DEVELOPMENT</u></b>			
Marion's Branch Water and Sewer	10.760	N/A	\$ 417,926
Farmers' Market and Local Food Promotion Program	10.168	N/A	22,135
Total U.S. Department of Agriculture			<u>\$ 440,061</u>
<b><u>US Army Corps of Engineers</u></b>			
Sewer Plant Upgrade - PRIDE	12.000	N/A	\$ 25,909
Thompson Road Lift Station	12.000	N/A	76,332
Total US Army Corps Of Engineers			<u>\$ 102,241</u>
<b><u>U. S. DEPARTMENT OF THE INTERIOR</u></b>			
Commonwealth of Kentucky, Energy and Environmental Cabinet, Department for Natural Resources, Department of Abandoned Mine Lands			
Marions Branch Industrial Site - Speculative Building	15.252	P02 1700002120 1	\$ 334,338
Total U. S. Department of the Interior			<u>\$ 334,338</u>
<b><u>U. S. DEPARTMENT OF TRANSPORTATION</u></b>			
Kentucky Department of Transportation			
Highway Safety Grant	20.600	PT-1645	\$ 24,953
Total U. S. Department of Transportation			<u>\$ 24,953</u>
<b><u>U. S. DEPARTMENT OF JUSTICE</u></b>			
HIDTA Taskforce	95.001	GP16AP0001A	\$ 16,201
Equitable Sharing Program	16.922	N/A	77,710
Office of Justice Programs (FY 2014)	16.607	N/A	1,542
Total U. S. Department of Justice			<u>\$ 95,453</u>
<b><u>U. S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<u>Federal Emergency Management Agency</u>			
<u>Kentucky Division of Emergency Management</u>			
FEMA DR 4218 PW421	97.036	CPCJK01	\$ 3,397
FEMA DR 4218 PW404	97.036	CPFJK03	165,585
Total U.S. Department of Homeland Security			<u>\$ 168,982</u>
Total Expenditures of Federal Awards			<u>\$ 1,166,028</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2017

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, 2017. 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

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.

NOTE C – INDIRECT COST RATE

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 D – LOAN BALANCES

Loans from the US Department of Agriculture, Rural Development.

Taxable Series 2010s-1 Build America Bonds	\$	1,373,500
Non Taxable Series 2010s-2 Build America Bonds		1,681,500
Marion's Branch Water Sewer		3,166,000

CITY OF PIKEVILLE, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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 #
Abandon Mine Lands Program –	15.252
Marion's Branch Industrial Site - Speculative Building	

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 – FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to federal awards.

SECTION III – FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.

CITY OF PIKEVILLE, KENTUCKY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017

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