

CITY OF PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS
For the year ended June 30, 2018

Wallen, Puckett, & Anderson, PSC

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1349
PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY
FINANCIAL STATEMENTS

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CITY OF PIKEVILLE, KENTUCKY

MUNICIPAL OFFICIALS

JUNE 30, 2018

	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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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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 63-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, on our consideration of the City of Pikeville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pikeville, Kentucky's internal control over financial reporting and compliance.

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

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

November 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

June 30, 2018

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, 2018. 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 \$29,064,001 and Net Position of governmental activities was \$67,704,270.

- The current year's expense total was \$19,175,703 as compared to the \$20,695,904 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$15,532,333 as compared to the \$19,460,738 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, city revenues were \$9,049,799. Expenses were \$8,366,238. In the previous year, city revenues were \$8,607,788. Expenses were \$8,200,338.
- The annual cost of all city programs was \$27,541,941. The previous year's cost was \$23,732,671.

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, 2018

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, 2018

TABLE 1
NET ASSETS

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current and other Assets:	19,136,128	17,149,908	10,788,795	6,945,587	29,924,923	24,095,495
Capital Assets:	64,150,450	62,771,508	37,236,574	30,104,118	101,387,024	92,875,626
Total Assets	<u>83,286,578</u>	<u>79,921,416</u>	<u>48,025,369</u>	<u>37,049,705</u>	<u>131,311,947</u>	<u>116,971,121</u>
Deferred Outflows of Resources	<u>4,876,088</u>	<u>1,617,241</u>	<u>62,428</u>	<u>18,833</u>	<u>4,938,516</u>	<u>1,636,074</u>
Long-term liabilities:	2,807,956	2,963,337	18,580,762	7,928,989	21,388,718	10,892,326
Other liabilities:	378,556	317,478	272,739	683,940	651,295	1,001,418
Pension / OPEB Costs	15,648,895	8,960,559	171,474	153,794	15,820,369	9,114,353
Total Liabilities	<u>18,835,407</u>	<u>12,241,374</u>	<u>19,024,975</u>	<u>8,766,723</u>	<u>37,860,382</u>	<u>21,008,097</u>
Deferred Inflows of Resources	<u>1,604,957</u>	<u>241,297</u>	<u>16,852</u>	<u>0</u>	<u>1,621,809</u>	<u>241,297</u>
Net Assets:						
Invested in Capital Assets, net of related debt:	61,502,795	59,694,134	18,805,912	21,838,782	80,308,707	81,532,916
Restricted:	3,198,949	2,792,695	187,040	159,740	3,385,989	2,952,435
Unrestricted (deficit):	<u>3,020,558</u>	<u>6,569,157</u>	<u>10,053,018</u>	<u>6,303,293</u>	<u>13,073,576</u>	<u>12,872,450</u>
Total Net Assets	<u>67,722,302</u>	<u>69,055,986</u>	<u>29,045,970</u>	<u>28,301,815</u>	<u>96,768,272</u>	<u>97,357,801</u>

CITY AS A WHOLE

The city's combined Net Position from the previous year was \$97,357,801 as compared to \$96,768,272 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 \$67,722,302 this year as compared to \$69,055,986 last year. Unrestricted Net Position was \$6,569,157 last year as compared to \$3,020,558 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 \$29,045,970 this year as compared to \$28,301,815 last year.

City revenues (excluding extraordinary items) for the current year were \$29,745,747 as compared to \$28,068,526 in the previous year. The total yearly cost of all programs and services was \$27,541,941 as compared to \$23,732,761 in the previous year.

Management's Discussion and Analysis
June 30, 2018

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	165,044	102,004	8,667,764	7,749,940	8,832,808	7,851,944
Restricted Operating Grants	155,938	297,245	0	0	155,938	297,245
Restricted Capital Grants	3,022,511	3,621,629	276,906	792,264	3,299,417	4,413,893
Restricted Other	0	0	0	0	0	0
General Revenue			0	0	0	
Property Taxes	1,041,255	1,134,747	0	0	1,041,255	1,134,747
Other Taxes	13,146,024	12,307,390	0	0	13,146,024	12,307,390
Interest & Investment Income	221,579	106,978	102,056	33,251	323,635	140,229
Other General Revenues	2,826,732	1,890,745	3,073	32,333	2,829,805	1,923,078
Total Revenues	20,579,083	19,460,738	9,049,799	8,607,788	29,628,882	28,068,526
Program Expenses						
General Government	6,255,683	3,574,820	0	0	6,255,683	3,574,820
Public Safety	6,463,182	5,632,342	0	0	6,463,182	5,632,342
Public Works	0	0	0	0	0	0
Culture & Recreation	481,612	942,454	0	0	481,612	942,454
Interest on Long-Term Debt	68,539	97,742	0	0	68,539	97,742
Business Activities						
Water &/or Sewer	0	0	5,424,403	5,412,173	5,424,403	5,412,173
Other Utilities	0	0	2,941,833	2,788,165	2,941,833	2,788,165
Parking Facilities	87,465	96,841	0	0	87,465	96,841
Other Expenses	5,702,357	5,188,134	0	0	5,702,357	5,188,134
Total Expenses	19,058,838	15,532,333	8,366,236	8,200,338	27,425,074	23,732,671
Excess (deficiency) Before Extraord	1,520,245	3,928,405	683,563	407,450	2,203,808	4,335,855
Extraordinary Items & Transfers	(98,877)	(51,250)	98,877	51,250	0	0
Increase (Decrease) in Net Assets	1,421,368	3,877,155	782,440	458,700	2,203,808	4,335,855

Management's Discussion and Analysis
June 30, 2018

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues (Table 2) were \$20,579,083 as compared to \$19,460,738 last year. The year's governmental activities cost was \$19,058,901 as compared to \$15,532,333 in the previous year.

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

Table 3
Governmental Activities

	Total Cost of Services	
	Current Year	Previous Year
Police Department	2,315,855	2,222,848
Fire Department	2,646,948	2,449,338
Public Works	0	0
Education	0	0
Parks and Recreation	669,296	728,517
All others	9,848,049	10,131,630
Totals	15,480,148	15,532,333

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities revenues (see Table 2) were \$9,049,799 as compared to \$8,607,788 last year. This year's expenses were \$8,366,236 as compared to \$8,200,338 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 \$96,768,272 as compared to \$97,357,801 in the previous year.

Management's Discussion and Analysis
June 30, 2018

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

	Governmental Activities		Business-type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	14,437,188	14,193,807	138,000	138,000	14,575,188	14,331,807
Buildings and Improvements	19,871,265	20,380,139			19,871,265	20,380,139
Equipment	2,469,763	2,246,632	1,353,946	1,672,936	3,823,709	3,919,568
Infrastructure	24,699,504	25,445,604	25,472,839	23,773,851	50,172,343	49,219,455
Other	2,672,730	505,326	10,271,789	4,519,331	12,944,519	5,024,657
Totals	64,150,450	62,771,508	37,236,574	30,104,118	101,387,024	92,875,626

At the close of the year, the city had invested \$101,387,024 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$92,875,626 was invested in similar assets last year.

The current year's chief capital asset additions included:

- Sewer Plant Improvements
- Vehicles for various departments.
- Speculative Building at Kentucky Enterprise Industrial Park
- Radio Read Meters for water customers.

DEBT MANAGEMENT

At the close of the year, the city had \$21,208,609 in outstanding bonds and notes as compared to \$11,443,702 in the previous year (see table 5).

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
General obligation bonds (backed by the city)	2,693,710	2,370,000	4,940,193	1,757,085	7,633,903	4,127,085
Revenue bonds and notes (backed by specific tax and fee revenues)	0	0	6,111,500	6,221,000	6,111,500	6,221,000
Other bonds or outstanding obligations	114,232	808,365	7,348,974	287,252	7,463,206	1,095,617
Totals	2,807,942	3,178,365	18,400,667	8,265,337	21,208,609	11,443,702

Management's Discussion and Analysis
June 30, 2018

GASB 68 IMPLEMENTATION

The implementation of GASB 68 "Accounting and Financial Reporting for Pensions" resulted in an addition to liabilities of \$ 2,407,762, deferred outflows of \$2,084,692 deferred inflows of \$883,181.

The implementation of GASB 75 "Postemployment Benefits Other than Pensions" resulted in an addition to Liabilities of \$4,123,780, deferred outflows of \$1,254,540 deferred inflows of \$246,407.

These were allocated to the government activities

Table 6
Pension and OPEB Information

	Pension Information					
	Government Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deferred Outflow	\$ 3,671,157	\$ 1,617,241	\$ 49,609	\$ 18,833	\$ 3,720,766	\$ 1,636,074
Net Pension Liability	\$ 11,403,257	\$ 8,960,559	\$ 118,858	\$ 153,794	\$ 11,522,115	\$ 9,114,353
Deferred Inflows	\$ 1,051,496	\$ 182,417	\$ 14,102	\$ 0	\$ 1,065,598	\$ 182,417
Pension Expense	\$ 1,257,861	\$ 1,126,918	\$ (51,610)	\$ 16,131	\$ 1,206,251	\$ 1,143,049
Other Post Employment Benefits						
	Government Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current	Previous	Current Year	Previous Year
Deferred Outflow	\$ 1,243,111	\$ 0	\$ 11,429	\$ 0	\$ 1,254,540	\$ 0
Net OPEB Liability	\$ 4,071,164	\$ 2,755,052	\$ 52,616	\$ 38,285	\$ 4,123,780	\$ 2,793,337
Deferred Inflows	\$ 243,657	\$ 0	\$ 2,750	\$ 0	\$ 246,407	\$ 0
OPEB Expense	\$ 316,658	\$ 0	\$ 5,652	\$ 0	\$ 322,310	\$ 0

Management's Discussion and Analysis
June 30, 2018

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

BASIC FINANCIAL STATEMENTS

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business Type	Total	Component Units
ASSETS				
Cash	\$ 10,091,158	\$ 3,426,979	\$ 13,518,137	\$ 1,375,517
Certificates of Deposit and Savings	5,545,601	2,554,091	8,099,692	0
Receivables (Net of Allowance for Uncollectibles)				
Taxes	7,912	0	7,912	0
Accounts	1,852,651	1,119,114	2,971,765	100,185
Other	0	0	0	67,417
Due From Other Funds	20,133	39,938	60,071	0
Escrow - Hellier Manor	210,428	0	210,428	0
Inventories	0	0	0	41,546
Prepaid Expenses	3,999	10,710	14,709	58,440
Restricted Assets				
Cash	423,429	3,036,165	3,459,594	0
Certificates of Deposit	928,075	317,476	1,245,551	0
Other Receivables	0	231,693	231,693	0
Bond Issuance Costs	52,742	52,629	105,371	0
Capital Assets, Net				
Land	14,437,188	138,000	14,575,188	0
Other Capital Assets, Net	49,713,262	37,098,574	86,811,836	203,024
TOTAL ASSETS	<u>\$ 83,286,578</u>	<u>\$ 48,025,369</u>	<u>\$ 131,311,947</u>	<u>\$ 1,846,129</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,876,088</u>	<u>\$ 62,428</u>	<u>\$ 4,938,516</u>	<u>\$ 0</u>
LIABILITIES				
Accounts Payable	\$ 145,757	\$ 247,695	\$ 393,452	\$ 114,774
Accrued Expenses	195,266	110,511	305,777	70,775
Current Portion of Long-Term Debt	208,114	7,553,534	7,761,648	0
Customer's Deposit	3,830	68,164	71,994	88,226
Due To Other Funds	33,703	26,369	60,072	0
Net Pension/OPEB Liability	15,648,895	171,474	15,820,369	0
Bonds Payable	2,518,724	10,684,789	13,203,513	0
Notes Payable	81,118	162,439	243,557	0
TOTAL LIABILITIES	<u>\$ 18,835,407</u>	<u>\$ 19,024,975</u>	<u>\$ 37,860,382</u>	<u>\$ 273,775</u>
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual experience	\$ 1,312,005	\$ 16,852	\$ 1,328,857	\$ 0
Uncollected Real Estate Taxes	4,614	0	4,614	0
Deferred Revenues	288,338	0	288,338	107,960
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 1,604,957</u>	<u>\$ 16,852</u>	<u>\$ 1,621,809</u>	<u>\$ 107,960</u>
NET POSITION				
Investment in Capital Assets, Net of Related Debt	61,502,795	18,805,912	80,308,707	203,024
Restricted For:				
Reserve for Depreciation	0	0	0	0
Sinking Fund Reserve	0	187,040	187,040	0
Reserve For Operation and Maintenance	0	0	0	0
Reserved for Revenue Bond Retirement	0	0	0	0
Capital Projects	1,952,331	0	1,952,331	0
Debt Service	84,504	0	84,504	0
Tourism	1,127,239	0	1,127,239	0
Other	34,875	0	34,875	0
Unrestricted	3,020,558	10,053,018	13,073,576	1,261,370
TOTAL NET POSITION	<u>\$ 67,722,302</u>	<u>\$ 29,045,970</u>	<u>\$ 96,768,272</u>	<u>\$ 1,464,394</u>

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF ACTIVITIES

June 30, 2018

June 30, 2018		Net (Expense) Revenue and Changes in Net Postion						
Functions	Expenses	Program Revenues			Governmental Activities	Business - Type Activities	Total	Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government								
Governmental Activities								
General Government	\$ 6,355,320	\$ 0	\$ 0	\$ 0	\$ (6,355,320)		\$ (6,355,320)	
Public Safety	6,432,084	0	0	0	(6,432,084)		(6,432,084)	
Streets	2,997,627	0	0	0	(2,997,627)		(2,997,627)	
Parking Garage	87,465	0	0	0	(87,465)		(87,465)	
Recreation	481,612	0	0	0	(481,612)		(481,612)	
Tourism	449,838	0	0	0	(449,838)		(449,838)	
Lake Cleanup	68,615	0	0	0	(68,615)		(68,615)	
Landscape	133,490	0	0	0	(133,490)		(133,490)	
Grants / Loan Advances	2,169,652	0	0	0	(2,169,652)		(2,169,652)	
Total Governmental Funds	<u>\$ 19,175,703</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (19,175,703)</u>		<u>\$ (19,175,703)</u>	
Business-Type Activities								
Water	\$ 2,642,382	\$ 2,384,386	\$ 0	\$ 64,421		\$ (193,575)	\$ (193,575)	
Sewer	1,386,206	1,603,452	0	212,485		429,731	429,731	
Gas	1,575,685	1,675,644	0	0		99,959	99,959	
Sanitation	1,366,148	1,563,198	0	0		197,050	197,050	
Outside Water	768,085	691,840	0	0		(76,245)	(76,245)	
Outside Sewer	627,730	749,244	0	0		121,514	121,514	
Total Business-type Activities	<u>\$ 8,366,236</u>	<u>\$ 8,667,764</u>	<u>\$ 0</u>	<u>\$ 276,906</u>		<u>\$ 578,434</u>	<u>\$ 578,434</u>	
Total Primary Government	<u>\$ 27,541,939</u>	<u>\$ 8,667,764</u>	<u>\$ 0</u>	<u>\$ 276,906</u>				
Component Unit	<u>\$ 2,155,188</u>	<u>\$ 2,220,891</u>	<u>\$ 0</u>	<u>\$ 0</u>				65,703
General Revenues-- Detailed:								
Ad Valorem Taxes					\$ 1,041,255	\$ 0	\$ 1,041,255	\$
Franchise Taxes					701,123	0	701,123	
Occupational License Fees					10,108,773	0	10,108,773	
Other Taxes					2,336,128	0	2,336,128	78,608
Permits and Fees					165,044	0	165,044	
Intergovernmental Revenue					3,022,511	0	3,022,511	
Other Grants					155,938	0	155,938	649,905
Interest Income					221,579	102,056	323,635	3,144
Other					1,625,127	0	1,625,127	
Royalties					0	3,073	3,073	
Tourism Contribution for Expo/Jenny Wiley					1,317,265	0	1,317,265	
Gain (loss) on disposal of assets					1,205	0	1,205	
Transfers					(98,877)	98,877	0	
Total General Revenues, Contributions, Special Items, and Transfers					<u>\$ 20,597,071</u>	<u>\$ 204,006</u>	<u>\$ 20,801,077</u>	<u>\$ 731,657</u>
Change in Net Postion					<u>\$ 1,421,368</u>	<u>\$ 782,440</u>	<u>\$ 2,203,808</u>	<u>\$ 797,360</u>
Net Postion - Beginning					69,055,986	28,301,815	97,357,801	667,035
Prior Period Adjustments					(2,755,052)	(38,285)	(2,793,337)	0
Net Postion - Ending					<u>\$ 67,722,302</u>	<u>\$ 29,045,970</u>	<u>\$ 96,768,272</u>	<u>\$ 1,464,395</u>

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

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General	Coal Severance	Projects Control	Other Government Funds	Total
ASSETS					
Cash and Investments					
Cash	\$ 9,551,458	\$ 0	\$ 408,562	\$ 131,138	\$ 10,091,158
Certificates of Deposit and Savings	5,545,601	0	0	0	5,545,601
Receivables (Net of Allowance for Uncollectibles)					
Taxes	7,912	0	0	0	7,912
Miscellaneous	308,882	0	1,543,769	0	1,852,651
Due From Other Funds	20,133	0	0	0	20,133
Prepaid Expenses	3,999	0	0	0	3,999
Escrow - Hellier Manor	210,428	0	0	0	210,428
Inventories	0	0	0	0	0
Restricted Assets					
Cash	0	338,925	0	84,504	423,429
Certificates of Deposit and Savings	0	928,075	0	0	928,075
TOTAL ASSETS	\$ 15,648,413	\$ 1,267,000	\$ 1,952,331	\$ 215,642	\$ 19,083,386

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES

Accounts Payable	\$ 145,757	\$ 0	\$ 0	\$ 0	\$ 145,757
Accrued Expenses	195,266	0	0	0	195,266
Customer's Deposit	3,830	0	0	0	3,830
Due From Other Funds	0	0	0	33,703	33,703
TOTAL LIABILITIES	\$ 344,853	\$ 0	\$ 0	\$ 33,703	\$ 378,556

DEFERRED INFLOWS OF RESOURCES

Uncollected Real Estate Taxes	\$ 4,614	\$ 0	\$ 0	\$ 0	\$ 4,614
Deferred Revenues	266,831	0	0	21,507	288,338
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 271,445	\$ 0	\$ 0	\$ 21,507	\$ 292,952

FUND BALANCES

Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:					
Debt Service	0	0	0	84,504	84,504
Tourism	1,127,239	0	0	0	1,127,239
Other	0	0	0	0	0
Committed	0	0	0	0	0
Assigned To:					
Capital Projects	0	0	1,952,331	0	1,952,331
Other Purposes	0	0	0	34,875	34,875
Unrestricted	13,904,876	1,267,000	0	41,053	15,212,929
TOTAL FUND BALANCES	\$ 15,032,115	\$ 1,267,000	\$ 1,952,331	\$ 160,432	\$ 18,411,878
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,648,413	\$ 1,267,000	\$ 1,952,331	\$ 215,642	\$ 19,083,386

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, 2018

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 18,411,878

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

City's Proportionate Share of the Net Pension Liability / OPEB Liability (12,084,812)

Capital Assets used in governmental activities are not financial resources
and therefore are not reported in the fund statements. 64,150,450

Long-Term Liabilities, including bonds payable, are not due and payable in the
the current period and therefore are not reported in the funds. (2,755,214)

Total Net Position - Governmental Activities \$ 67,722,302

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, 2018

	General	Coal Severance	Projects Control	Other Funds	Totals
REVENUES					
Ad Valorem Taxes	\$ 1,041,255	\$ 0	\$ 0	\$ 0	1,041,255
Franchise Taxes	701,123	0	0	0	701,123
Occupational License Fees	10,108,773	0	0	0	10,108,773
Other Taxes	2,336,128	0	0	0	2,336,128
Permits and Fees	165,044	0	0	0	165,044
Intergovernmental Revenue	580,902	239,754	2,174,022	27,833	3,022,511
Other Grants	155,938	0	0	0	155,938
Interest Income	188,358	14,932	16,991	1,298	221,579
Other Revenue	1,515,414	0	0	109,713	1,625,127
Total Revenues	<u>\$ 16,792,935</u>	<u>\$ 254,686</u>	<u>\$ 2,191,013</u>	<u>\$ 138,844</u>	<u>\$ 19,377,478</u>
EXPENDITURES					
CURRENT					
General Government	\$ 3,635,812	\$ 0	\$ 0	\$ 100,136	3,735,948
Public Safety	6,152,226	0	0	1,847	6,154,073
Streets	2,519,203	0	0	0	2,519,203
Parking Garage	87,465	0	0	0	87,465
Recreation	669,296	0	0	0	669,296
Fiber	0	0	0	0	0
Tourism	449,838	0	0	0	449,838
Lake Cleanup	68,615	0	0	0	68,615
Landscape	133,490	0	0	0	133,490
Other	0	0	0	0	0
Capital Outlay	0	90,899	2,592,275	11,116	2,694,290
Debt Service					
Principal Retirement	11,254	0	0	943,365	954,619
Interest	1,399	0	0	67,140	68,539
Grants / Loan Advances	157,195	30,000	0	1,982,457	2,169,652
Total Expenditures	<u>\$ 13,885,793</u>	<u>\$ 120,899</u>	<u>\$ 2,592,275</u>	<u>\$ 3,106,061</u>	<u>\$ 19,705,028</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 2,907,142</u>	<u>\$ 133,787</u>	<u>\$ (401,262)</u>	<u>\$ (2,967,217)</u>	<u>\$ (327,550)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	\$ 125,487	\$ 0	\$ 500,000	\$ 0	625,487
Proceeds from Sale of Fixed Assets	7,965	0	0	0	7,965
Tourism Contribution for Expo/Jenny Wiley/York House	1,317,265	0	0	0	1,317,265
Operating Transfers In	0	0	64,421	2,990,988	3,055,409
Operating Transfers Out	(3,065,988)	(23,877)	(64,421)	0	(3,154,286)
Total Other Financing Sources (Uses)	<u>\$ (1,615,271)</u>	<u>\$ (23,877)</u>	<u>\$ 500,000</u>	<u>\$ 2,990,988</u>	<u>\$ 1,851,840</u>
NET CHANGE IN FUND BALANCES	\$ 1,291,871	\$ 109,910	\$ 98,738	\$ 23,771	\$ 1,524,290
FUND BALANCES - BEGINNING OF YEAR	13,740,244	1,157,090	1,853,593	136,661	16,887,588
Prior Period Adjustment	0	0	0	0	0
FUND BALANCES-END OF YEAR	<u>\$ 15,032,115</u>	<u>\$ 1,267,000</u>	<u>\$ 1,952,331</u>	<u>\$ 160,432</u>	<u>\$ 18,411,878</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, 2018

Net change in fund balances - total governmental funds.	\$ 1,524,290
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.	3,635,858
The cost of capital assets is allocated over their useful lives and reported as depreciation expense.	(2,264,285)
The net book value of assets sold	6,760
Proceeds from Long-Term Debt	(625,487)
Bond Issuance, Discount	(2,816)
Bond Issuance Costs	(3,546)
The repayment of debt principal is an expenditure of government funds, but the repayment reduces long-term debt in the statement of net	954,619
Pension / OPEB Costs	(1,804,025)
Change in net position of governmental activities	<u>\$ 1,421,368</u>

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

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2018

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	Total
ASSETS								
Cash	\$ 762,397	\$ 362,253	\$ 486,282	\$ 1,050,902	\$ 159,009	\$ 606,136	\$ 0	\$ 3,426,979
Certificates Of Deposit and Savings	308,049	339,904	1,308,606	546,137	51,006	389	0	2,554,091
Customer's Accounts Receivable	318,737	185,789	149,602	207,473	120,641	136,872	0	1,119,114
Prepaid Expenses	10,071	0	639	0	0	0	0	10,710
Due From Other Funds	24,030	0	0	3,696	1,199	0	11,013	39,938
Bond Issuance Cost	21,516	0	0	0	10,850	20,263	0	52,629
Property, Plant and Equipment	10,626,066	16,995,615	631,122	680,587	1,915,261	6,387,923	0	37,236,574
Restricted Assets:								
Cash	170,840	2,609,608	0	0	66,369	82,164	107,184	3,036,165
Certificates of Deposit and Savings	47,899	11,975	0	0	63,672	193,930	0	317,476
Other Receivables	0	212,485	0	0	19,208	0	0	231,693
TOTAL ASSETS	<u>\$ 12,289,605</u>	<u>\$ 20,717,629</u>	<u>\$ 2,576,251</u>	<u>\$ 2,488,795</u>	<u>\$ 2,407,215</u>	<u>\$ 7,427,677</u>	<u>\$ 118,197</u>	<u>\$ 48,025,369</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,216</u>	<u>\$ 10,211</u>	<u>\$ 10,930</u>	<u>\$ 10,720</u>	<u>\$ 4,969</u>	<u>\$ 6,382</u>	<u>\$ 0</u>	<u>\$ 62,428</u>
LIABILITIES AND NET POSITION								
LIABILITIES								
Accounts Payable	\$ 92,827	\$ 23,727	\$ 77,158	\$ 33,919	\$ 1,547	\$ 18,517	\$ 0	\$ 247,695
Accrued Interest	37,581	19,360	0	0	17,055	36,515	0	110,511
Due To Other Funds	0	0	3,089	0	22,079	2	1,199	26,369
Current Portion of Long-Term Debt	227,700	7,153,469	0	0	45,750	126,615	0	7,553,534
Customer's Deposits	0	0	0	0	1,435	0	66,729	68,164
Net Pension Liability / OPEB Liability	53,984	28,686	30,705	30,116	13,959	14,024	0	171,474
Notes Payable	0	0	0	0	0	162,439	0	162,439
Bonds Payable (Net of Discount/Premium)	3,488,200	3,148,264	0	0	1,318,645	2,729,680	0	10,684,789
Total Liabilities	<u>\$ 3,900,292</u>	<u>\$ 10,373,506</u>	<u>\$ 110,952</u>	<u>\$ 64,035</u>	<u>\$ 1,420,470</u>	<u>\$ 3,087,792</u>	<u>\$ 67,928</u>	<u>\$ 19,024,975</u>
DEFERRED INFLOWS OF RESOURCES								
Differences between projected and actual earnings on pension plan	\$ 5,306	\$ 2,819	\$ 3,017	\$ 2,960	\$ 1,372	\$ 1,378	\$ 0	\$ 16,852
Total Deferred Inflows of Resources	<u>\$ 5,306</u>	<u>\$ 2,819</u>	<u>\$ 3,017</u>	<u>\$ 2,960</u>	<u>\$ 1,372</u>	<u>\$ 1,378</u>	<u>\$ 0</u>	<u>\$ 16,852</u>
NET POSITION								
Invested in capital Assets, net of related debt	\$ 6,910,166	\$ 6,663,982	\$ 631,122	\$ 680,587	\$ 550,866	\$ 3,369,189	\$ 0	\$ 18,805,912
Reserve for Depreciation	0	0	0	0	0	0	0	0
Sinking Fund Reserve	21,696	5,424	0	0	30,240	129,680	0	187,040
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	1,471,361	3,682,109	1,842,090	1,751,933	409,236	846,020	50,269	10,053,018
Total Net Position	<u>\$ 8,403,223</u>	<u>\$ 10,351,515</u>	<u>\$ 2,473,212</u>	<u>\$ 2,432,520</u>	<u>\$ 990,342</u>	<u>\$ 4,344,889</u>	<u>\$ 50,269</u>	<u>\$ 29,045,970</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,308,821</u>	<u>\$ 20,727,840</u>	<u>\$ 2,587,181</u>	<u>\$ 2,499,515</u>	<u>\$ 2,412,184</u>	<u>\$ 7,434,059</u>	<u>\$ 118,197</u>	<u>\$ 48,087,797</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
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2018

	Water	Sewer	Gas	Sanitation	Outside Water	Outside Sewer	Utility Deposits	TOTAL
OPERATING REVENUES	\$ 2,384,386	\$ 1,603,452	\$ 1,675,644	\$ 1,563,198	\$ 691,840	\$ 749,244	\$ 0	\$ 8,667,764
OPERATING EXPENSES								
Personnel Costs	\$ 25,081	\$ 23,332	\$ 23,795	\$ 16,077	\$ 7,277	\$ 8,086	\$ 0	\$ 103,648
Gas Purchased	0	0	873,227	0	0	0	0	873,227
Contractual Services	1,408,759	453,965	489,493	668,598	499,311	187,218	0	3,707,344
Dumping Fees	0	0	0	406,547	0	0	0	406,547
Operational	547,872	311,605	22,401	65,549	123,849	87,837	0	1,159,113
Repairs and Maintenance	46,139	123,889	34,781	15,762	29,767	56,378	0	306,716
Bad Debts	8,962	5,852	4,086	6,548	3,691	4,424	0	33,563
Depreciation	523,920	415,318	124,813	187,067	65,657	205,611	0	1,522,386
Total Operating Expenses	\$ 2,560,733	\$ 1,333,961	\$ 1,572,596	\$ 1,366,148	\$ 729,552	\$ 549,554	\$ 0	\$ 8,112,544
Operating Income (Loss)	\$ (176,347)	\$ 269,491	\$ 103,048	\$ 197,050	\$ (37,712)	\$ 199,690	\$ 0	\$ 555,220
NONOPERATING INCOME (EXPENSES)								
Royalties	\$ 0	\$ 0	\$ 3,073	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,073
Interest Income	14,012	17,650	19,823	16,915	2,474	7,576	0	78,450
Interest Rebate	0	0	0	0	6,803	16,803	0	23,606
Interest Expense	(81,649)	(52,245)	(3,089)	0	(38,533)	(78,176)	0	(253,692)
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0	0	0	0
Grants	64,421	212,485	0	0	0	0	0	276,906
Total Nonoperating Income (Expense)	\$ (3,216)	\$ 177,890	\$ 19,807	\$ 16,915	\$ (29,256)	\$ (53,797)	\$ 0	\$ 128,343
NET INCOME (LOSS)(Before Transfers)	\$ (179,563)	\$ 447,381	\$ 122,855	\$ 213,965	\$ (66,968)	\$ 145,893	\$ 0	\$ 683,563
TRANSFERS								
Operating Transfers In	\$ 82,219	\$ 0	\$ 0	\$ 0	\$ 98,877	\$ 0	\$ 0	\$ 181,096
Operating Transfers (Out)	(64,421)	0	0	0	(6,194)	(11,604)	0	(82,219)
Total Transfers	\$ 17,798	\$ 0	\$ 0	\$ 0	\$ 92,683	\$ (11,604)	\$ 0	\$ 98,877
CHANGE IN NET POSITION	\$ (161,765)	\$ 447,381	\$ 122,855	\$ 213,965	\$ 25,715	\$ 134,289	\$ 0	\$ 782,440
NET POSITION - BEGINNING OF YEAR	\$ 8,578,821	\$ 9,909,680	\$ 2,356,115	\$ 2,225,697	\$ 967,771	\$ 4,213,462	\$ 50,269	\$ 28,301,815
Prior Period Adjustment	(13,833)	(5,546)	(5,758)	(7,142)	(3,144)	(2,862)	0	(38,285)
NET POSITION - END OF YEAR	\$ 8,403,223	\$ 10,351,515	\$ 2,473,212	\$ 2,432,520	\$ 990,342	\$ 4,344,889	\$ 50,269	\$ 29,045,970

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2018

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash Received from Customers	\$ 2,238,192	\$ 1,498,367	\$ 1,622,279	\$ 1,503,323	\$ 664,907	\$ 705,464	\$ 0	\$ 8,232,532
Cash Received from Other Operating Revenues	82,277	63,089	20,942	12,297	6,834	6,905	0	192,344
Miscellaneous Revenues	0	0	0	0	0	0	0	0
Cash Payments for Personnel Costs	(27,950)	(22,596)	(24,076)	(18,439)	(9,204)	(10,446)	0	(112,711)
Cash Payments for Gas Purchases	0	0	(873,227)	0	0	0	0	(873,227)
Cash Payments for Contractual Services	(1,408,759)	(453,965)	(489,493)	(668,598)	(499,311)	(187,218)	0	(3,707,344)
Cash Payments for Other Operating Expenses	(543,550)	(434,366)	(5,002)	(502,296)	(146,708)	(142,259)	13,316	(1,760,865)
Net Cash Provided by Operating Activities	\$ 340,210	\$ 650,529	\$ 251,423	\$ 326,287	\$ 16,518	\$ 372,446	\$ 13,316	\$ 1,970,729
Cash Flows from Non-Capital Financing Activities								
Operating Transfers In	\$ 82,219	\$ 0	\$ 0	\$ 0	\$ 98,877	\$ 0	\$ 0	\$ 181,096
Operating Transfers (Out)	(64,421)	0	0	0	(6,194)	(11,604)	0	(82,219)
Increase in Amounts Due To/From Other Funds	(31,191)	(1,405)	0	(3,665)	0	1,420	(10,333)	(45,174)
Other	(13,833)	(5,546)	(5,758)	(7,142)	(3,144)	(2,862)	0	(38,285)
Net Cash Flows from Non-Capital Financing Activities	\$ (27,226)	\$ (6,951)	\$ (5,758)	\$ (10,807)	\$ 89,539	\$ (13,046)	\$ (10,333)	\$ 15,418
Cash Flows from Capital Financing Activities								
Interest Expense	\$ (80,593)	\$ (40,009)	\$ (3,089)	\$ 0	\$ (37,383)	\$ (78,930)	\$ 0	\$ (240,004)
Interest Rebate	0	0	0	0	6,803	16,803	0	23,606
Purchase \ Construction of Fixed Assets	(635,649)	(7,686,936)	(117,927)	(5,190)	(200,716)	(8,424)	0	(8,654,842)
Increase in Restricted Other Receivables	0	(212,485)	0	0	0	0	0	(212,485)
Grants	64,421	212,485	0	0	0	0	0	276,906
Proceeds from Asset Dispositions	0	0	0	0	0	0	0	0
Proceeds from Long-Term Debt	569,800	9,678,233	0	0	200,200	0	0	10,448,233
Bond Issuance Costs	4,812	0	0	0	0	773	0	5,585
Retirement of Principal	(157,419)	(9,700)	0	0	(21,636)	(124,052)	0	(312,807)
Net Cash Flows from Capital Financing Activities	\$ (234,628)	\$ 1,941,588	\$ (121,016)	\$ (5,190)	\$ (52,732)	\$ (193,830)	\$ 0	\$ 1,334,192
Cash Flows from Investing Activities								
Bond Issuance Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Royalties	0	0	3,073	0	0	0	0	3,073
Interest Income	14,012	17,650	19,823	16,915	2,474	7,576	0	78,450
Net Cash Flows from Investing Activities	\$ 14,012	\$ 17,650	\$ 22,896	\$ 16,915	\$ 2,474	\$ 7,576	\$ 0	\$ 81,523
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 92,368	\$ 2,602,816	\$ 147,545	\$ 327,205	\$ 55,799	\$ 173,146	\$ 2,983	\$ 3,401,862
Cash and Cash Equivalents at Beginning of Year	1,196,817	720,924	1,647,343	1,269,834	284,257	709,473	104,201	5,932,849
Cash and Cash Equivalents at End of Year	\$ 1,289,185	\$ 3,323,740	\$ 1,794,888	\$ 1,597,039	\$ 340,056	\$ 882,619	\$ 107,184	\$ 9,334,711
RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES								
Income (Loss) from Operations	\$ (176,347)	\$ 269,491	\$ 103,048	\$ 197,050	\$ (37,712)	\$ 199,690	\$ 0	\$ 555,220
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:								
Depreciation and Amortization	523,920	415,318	124,813	187,067	65,657	205,611	0	1,522,386
(Increase) Decrease in Customer Accounts Receivable	(54,955)	(36,144)	(27,698)	(41,030)	(17,843)	(32,451)	0	(210,121)
(Increase) Decrease in Prepaid Expenses	(826)	0	(639)	0	0	0	0	(1,465)
(Increase) Decrease in Due From Other Funds	0	24	3,158	0	13,399	0	0	16,581
(Increase) Decrease in Deferred Outflows of Resources	(15,945)	(7,061)	(5,987)	(6,663)	(3,183)	(4,756)	0	(43,595)
Increase (Decrease) in Accounts Payable	51,287	1,104	49,022	(14,438)	(9,362)	1,956	0	79,569
Increase (Decrease) in Due To Other Funds	0	0	0	0	2,871	0	0	2,871
Increase (Decrease) in Customer Deposits	0	0	0	0	1,435	0	13,316	14,751
Increase (Decrease) in Net Pension Liability	7,770	4,978	2,689	1,341	(116)	1,018	0	17,680
Increase (Decrease) in Deferred Inflows of Resources	5,306	2,819	3,017	2,960	1,372	1,378	0	16,852
Net Cash Provided by Operating Activities	\$ 340,210	\$ 650,529	\$ 251,423	\$ 326,287	\$ 16,518	\$ 372,446	\$ 13,316	\$ 1,970,729
Noncash Investing, Capital, and Financing Activities:								
Amortization of Bond Premium (Discount)	\$ 1,934	\$ 0	\$ 0	\$ 0	\$ (450)	\$ (773)	\$ 0	\$ 711
Total Noncash Investing, Capital, and Financing Activities	\$ 1,934	\$ 0	\$ 0	\$ 0	\$ (450)	\$ (773)	\$ 0	\$ 711

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

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

Statement of Net Position

June 30, 2018

ASSETS

Current Assets

Cash on Hand and In Bank	\$	1,375,517
Accounts receivable - Trade		100,185
Allowance For Bad Debts		0
Accounts receivable - Other		67,417
Inventories		41,546
Prepaid Expenses		58,440
Total Current Assets	\$	<u>1,643,105</u>

Property and Equipment

Leasehold Improvements	\$	42,799
Machinery & Equipment		189,363
Other Assets		8,981
Total Fixed Assets	\$	<u>241,143</u>
Less Accumulated Depreciation		<u>(38,118)</u>
Net Fixed Assets		203,025

Total Assets

\$ 1,846,130

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	114,774
Accrued Payroll and Related Expenses		38,506
Accrued Sales Tax		31,533
Accrued Expenses		736
Advance Outlet Sales		80,929
Advance Deposits		7,297
Deferred Revenue		107,960
Total Current Liabilities	\$	<u>381,735</u>

Net Assets

Unrestricted	\$	0
Temporarily Restricted		1,464,394
Permanently Restricted		0
Total Net Assets	\$	<u>1,464,394</u>

Total Liabilities and Net Assets

\$ 1,846,129

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
UNRESTRICTED NET ASSETS				
Revenues, Gains and Other Support				
Rental	\$ 276,640	\$ 0	\$ 0	\$ 276,640
Food and Beverage Concessions	392,213	0	0	392,213
Food and Beverage Catering	200,331	0	0	200,331
Novelty & Other Sales	218,843	0	0	218,843
Club Seating	3,250	0	0	3,250
Advertising and Sponsorship	350,493	0	0	350,493
Tickets	206,367	0	0	206,367
Miscellaneous Income	467,415	0	0	467,415
Total Unrestricted Revenues and Gains	\$ 2,115,552	\$ 0	\$ 0	\$ 2,115,552
Net Assets Released From Restrictions	5,811	(5,811)	0	0
Total Revenues, Gains and Other Support	\$ 2,121,363	\$ (5,811)	\$ 0	\$ 2,115,552
Expenses				
Cost of Good Sold				
Catering	\$ 6,244	\$ 0	\$ 0	\$ 6,244
Production Materials	5,994	0	0	5,994
Food / Beverage / other - Concessions	115,227	0	0	115,227
Direct Labor - Concessions	46,581	0	0	46,581
Other Direct Costs - Concessions	17,021	0	0	17,021
Food / Beverage / other - Catering	73,931	0	0	73,931
Direct Labor - Catering	23,248	0	0	23,248
Other Direct Costs - Catering	1,284	0	0	1,284
Novelty and Costs of Other Sales	9,883	0	0	9,883
Direct Labor - Novelty	22,177	0	0	22,177
Promoter Share	163,872	0	0	163,872
Ticket Service Charge Expense	8,493	0	0	8,493
Other event costs	218,539	0	0	218,539
Total Cost of Goods Sold	\$ 712,494	\$ 0	\$ 0	\$ 712,494
Gross Profit	\$ 1,408,869	\$ (5,811)	\$ 0	\$ 1,403,058
OPERATING EXPENSES				
Personnel Costs	\$ 469,930	\$ 0	\$ 0	\$ 469,930
Contractual Service	125,231	0	0	125,231
Professional Services	185,832	0	0	185,832
Operational	74,047	0	0	74,047
Insurance	59,855	0	0	59,855
Advertising	82,459	0	0	82,459
Repairs and Maintenance	44,882	0	0	44,882
Supplies	75,238	0	0	75,238
Utilities	290,285	0	0	290,285
Depreciation	34,936	0	0	34,936
Total Operating Expenses	\$ 1,442,695	\$ 0	\$ 0	\$ 1,442,695
Non Operating Revenues and Gains				
City of Pikeville	\$ 0	\$ 649,905	\$ 0	\$ 649,905
Interest Income	3,144	0	0	3,144
Hotel Tax	0	78,608	0	78,608
Sales Tax Rebate	0	105,339	0	105,339
Total Non Operating Revenues and Gains	\$ 3,144	\$ 833,852	\$ 0	\$ 836,996
Increase (Decrease) in Net Assets	\$ (30,682)	\$ 828,041	\$ 0	\$ 797,359
NET ASSETS				
Beginning of Year	30,683	636,353	0	667,036
End of Year	\$ 1	\$ 1,464,394	\$ 0	\$ 1,464,395

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, 2018

Cash Flows from Operating Activities:

Cash Received from Rentals	\$	276,640
Cash Received from Food and Beverage		701,189
Cash Received from Ticket Sales / Seating		209,617
Cash Received from Advertising and Sponsorships		277,904
Cash Received from Other Operating Revenues		686,258
Cash Payments for Personnel Costs		(597,936)
Cash Payments for Contractual Services		(311,063)
Cash Payments for Materials and other direct Costs		(627,324)
Cash Payments for Other Operating Expenses		(586,908)
Net Cash Provided (Used) By Operating Activities	\$	<u>28,377</u>

Cash Flows From Investing Activities

Acquisition of Fixed Assets	\$	(110,653)
Net Cash Flows Provided (Used) Investing Activities		(110,653)

Cash Flow From Financing Activities

Interest Income	\$	3,144
Sales Tax Rebate		105,339
Motel Tax Collected		78,608
Contributions from:		
City of Pikeville		<u>649,905</u>
Net Cash Provided (Used) By Financing Activities		836,996
Net Increase In Cash and Cash Equivalents	\$	<u>754,720</u>

Cash At Beginning of Year 620,797

Cash At End of Year \$ 1,375,517

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, 2018

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

Increase (Decrease) in Net Assets	\$ 797,359
Adjustments to Reconcile Net Income to Net Cash Provided	
By Operating Activities:	
Depreciation Expense	34,936
Non Operating Revenues	(836,996)
(Increase) Decrease in:	
Accounts receivable - Trade	(72,589)
Accounts receivable - Other	31,180
Inventory	(6,836)
Prepaid Expenses	(624)
Increase (Decrease) in:	
Accounts Payable	57,015
Accrued Payroll and Related Expenses	17,899
Accrued Sales Tax	(36,000)
Accrued Expenses	504
Advance Outlet Sales	51,615
Advance Deposits	(2,284)
Deferred Revenue	(6,802)
Net Cash Provided (Used) By Operating Activities	<u>\$ 28,377</u>

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City of Pikeville, Kentucky (City) operates under a 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
Pike TV, Inc.

Pikeville Scholar House
Pikeville Pike County Airport Board
East Kentucky Exposition Center Corporation
Pikeville/Pike County/Elkhorn City Joint Planning Commission
City of Pikeville Economic and Industrial Development Board

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, 2018

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, 2018

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, 2018

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 unit have a June 30 fiscal year end.

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 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, 2018

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, 2018

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, 2018

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

	<u>2018</u>	<u>2017</u>	
<u>A) Water Fund</u>			
Marions Branch	<u>\$ 21,696</u>	<u>\$ 0</u>	
<u>B) Gas Fund</u>	<u>\$ 0</u>	<u>\$ 0</u>	
<u>C) Sewer Fund</u>			
Marions Branch	<u>\$ 5,424</u>	<u>\$ 0</u>	
<u>D) Outside Water</u>			
Taxable Series 2010S-2	<u>\$ 30,240</u>	<u>\$ 26,460</u>	
<u>E) Outside Sewer</u>			
Reserve for Sinking Fund			
Taxable Series 2010S-1	\$ 49,440	\$ 43,260	
Taxable Series 2010S-2	30,240	26,460	
KIA Loan # A00-03	50,000	50,000	
Total Outside Sewer	<u>\$ 129,680</u>	<u>\$ 119,720</u>	
Total Reserve for Sinking			
Fund Balance	<u>\$ 187,040</u>	<u>\$ 146,180</u>	
<u>Reserve Funding:</u>	<u>Required</u>	<u>Cash</u>	<u>Over (Under)</u>
A) Water Fund	\$ 21,696	\$ 47,899	\$ 26,203
B) Gas Fund	0	0	0
C) Sewer Fund	5,424	11,975	6,551
D) Outside Water	30,240	129,899	99,659
E) Outside Sewer	129,680	217,379	87,699
	<u>\$ 187,040</u>	<u>\$ 407,152</u>	<u>\$ 220,112</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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 2018 fiscal year was based, was \$508,406,607 real and \$121,858,712 tangible.

The tax rates assessed for the year ended June 30, 2018 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, 2018 were 98.457% 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, 2018 and 2017 are composed of the following:

<u>Year of Levy</u>	<u>2018 Amount</u>	<u>2017 Amount</u>
2017	\$ 13,192	\$ 0
2016	8,148	18,633
2015	5,673	7,388
2014	3,670	4,402
2013	2,673	3,020
2012	2,239	2,503
2011	3,718	3,718
2010	3,247	3,247
2009	3,808	3,846
2008	3,530	3,758
2007	2,765	3,131
2006	3,680	3,761
2005	3,499	3,630
2004	5,286	5,366
2003	4,172	4,385
2002	4,791	5,003
2001	0	2,502
	<u>\$ 74,091</u>	<u>\$ 78,293</u>
Less: Allowance for doubtful accounts	66,179	68,301
Net Property Taxes Receivable	<u>\$ 7,912</u>	<u>\$ 9,992</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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.

2018	Gas	Water	Sewer	Sanitation	Outside Water	Outside Sewer	TOTAL
Total Accounts Receivable	\$ 155,720	\$ 332,349	\$ 194,554	\$ 217,261	\$ 126,333	\$ 143,329	\$ 1,169,546
Less: Allowance for							
Doubtful Accounts	6,118	13,612	8,765	9,788	5,692	6,457	50,432
Net Receivables	<u>\$ 149,602</u>	<u>\$ 318,737</u>	<u>\$ 185,789</u>	<u>\$ 207,473</u>	<u>\$ 120,641</u>	<u>\$ 136,872</u>	<u>\$ 1,119,114</u>

2017	Gas	Water	Sewer	Sanitation	Outside Water	Outside Sewer	TOTAL
Total Accounts Receivable	\$ 123,936	\$ 268,432	\$ 152,558	\$ 169,683	\$ 104,799	\$ 106,453	\$ 925,861
Less: Allowance for							
Doubtful Accounts	2,032	4,650	2,913	3,240	2,001	2,033	16,869
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>

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, 2018 and 2017, respectively was \$99,114 and \$110,671.

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, 2018

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19 - Fund Balances

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

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

20 - Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from the CERS' fiduciary net position have been determined on the same basis as they are reported to CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value. See note 12 for further discussion.

21 - Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the KRS (CERS) System of the State of Kentucky and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

22 - Date of Managements Review

Subsequent events were evaluated through November 26, 2018, which is the date the financial statements were available for review.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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.

NOTE C - LONG-TERM DEBT

The following is a summary of bonds and notes payable of the City for the year ended June 30, 2018.

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	\$ 4,135,000	\$ 3,730,000	\$ 300,000	\$ 7,565,000
Plus: Premium	10,719	119,949	1,959	128,709
Less: Discount	(63,337)		(3,532)	(59,805)
Revenue Bonds	6,221,000	0	109,500	6,111,500
Notes Payable	1,095,616	0	870,212	225,404
Capital Leases	0	156,649	42,417	114,232
Total	<u>\$ 11,398,998</u>	<u>\$ 4,006,598</u>	<u>\$ 1,320,556</u>	<u>\$ 14,085,040</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - LONG-TERM DEBT (Continued)

Bonds and Notes Payable at June 30, 2018 are comprised of the following:

General Obligation Bonds

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 \$28,919.38 (2019); \$163,919.38 (2019); \$27,569.38 (2020) and \$167,569.38 (2020). 2,235,000

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 \$16,507.50 (2019); \$46,507.50 (2019); \$16,252.50 (2020) and \$46,252.50 (2020). 975,000

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 \$6,681.25 (2019); \$146,681.25 (2019); \$5,281.25 (2020) and \$145,281.25 (2020). 625,000

Bank of New York \$3,730,000 Series 2017 maturing though November 1, 2037, with net average interest of 5.00% with the balance of principal due November 1, 2037. This loan is secured system revenes. Payments due are \$181,121.88 (2019); \$54,246.88 (2019); \$194,246.88 (2020) and \$52,146.88 (2020). 3,730,000

Total General Obligation Bonds \$ 7,565,000

Plus: Premiums 128,709

Less: Discounts (59,806)

Net General Obligation Bonds Payable \$ 7,633,903

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 \$15,142.50 (2019); \$43,142.50 (2019); \$14,827.50 (2020) and \$43,327.50 (2020). \$ 1,346,000

USDA Rural Development \$1,837,000 Build America Bonds, Taxable Series 2010S-2 maturing through January 1, 2050, with interest at 2.50% and is secured by system revenues. Payments in the amount of \$20,600.00 (2019); \$55,100.00 (2019); \$20,168.75 (2020) and \$55,168.75 1,648,000

USDA Rural Development \$3,166,000 Water and Sewer Revenue Bonds Series 2016A maturing through January 1, 2055, with interest at 2.25% and is secured by system revenues. Payments in the amount of \$35,071.88 (2019); \$84,571.88 (2019); \$34,515.00 (2020) and \$85,515.00 (2020). 3,117,500

Total Revenue Bonds \$ 6,111,500

Total Bonds Payable \$ 13,745,403

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$33,595.62 (2019); \$33,564.28 (2019); \$33,532.66 (2020) and \$33,500.76 (2020).

\$ 225,404

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. Paid off in July 2017.

0

SAULSBURY HILL FINANCIAL - Farmers market loan in the amount of \$31,035.00 with a term of twenty five (25) months at a rate of 9.73%, payments of \$1,405.89 to be made monthly with the first payment due September 1, 2017 and the last due on August 1, 2019. Total monthly payments are \$16,870.68 in 2019 and \$5,623.56 in 2020 of principal and interest.

19,781

GOVERNMENT CAPITAL CORPORATION - A loan in the amount of \$94,451.57 with a term of five (5) years at a rate of 3.873%, with payments of \$21,140.52 made annually on October 5, with the first payment due October 5, 2018 and the last due October 5, 2022. Total payments due in 2019 are \$21,140.52 and 2020 are \$21,140.52 of principal and interest.

94,452

Rural Development Corporation - Bond anticipation loan \$7,123,569.

7,123,569

Total \$ 21,208,609

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

The maturities of the Bonds Payable are as follows:

Principal Portion

	General Obligation	General Obligation / Revenue Bonds					Total
		Water	Sewer	Outside Sewer	Outside Water	Business Type	
2019	\$ 175,000	\$ 227,700	\$ 29,900	\$ 63,650	\$ 45,750	\$ 367,000	\$ 542,000
2020	185,000	232,600	35,200	63,800	47,900	379,500	564,500
2021	185,000	238,800	30,500	70,200	48,500	388,000	573,000
2022	190,000	243,700	65,800	70,800	50,700	431,000	621,000
2023	195,000	154,900	196,100	72,300	51,200	474,500	669,500
2024-2028	1,060,000	547,500	1,365,100	392,700	281,200	2,586,500	3,646,500
2029-2033	730,000	274,800	483,700	435,500	198,500	1,392,500	2,122,500
2034-2038	0	314,800	528,700	501,000	232,500	1,577,000	1,577,000
2039-2043	0	360,400	90,100	505,800	170,200	1,126,500	1,126,500
2044-2048	0	413,200	103,300	439,500	167,000	1,123,000	1,123,000
2049-2053	0	473,200	118,300	189,750	70,750	852,000	852,000
2054-2058	0	207,200	51,800	0	0	259,000	259,000
	<u>\$ 2,720,000</u>	<u>\$ 3,688,800</u>	<u>\$ 3,098,500</u>	<u>\$ 2,805,000</u>	<u>\$ 1,364,200</u>	<u>\$ 10,956,500</u>	<u>\$ 13,676,500</u>

Interest Portion

	General	General Obligation / Revenue Bonds			
	Obligation		Outside	Outside	
	Bonds	Water	Sewer	Water	Total
2019	\$ 71,789	\$ 85,405	\$ 110,253	\$ 37,712	\$ 305,159
2020	67,814	80,202	107,724	36,557	292,297
2021	63,664	74,916	105,001	35,305	278,886
2022	59,234	69,086	102,102	34,019	264,441
2023	54,619	63,173	99,147	32,692	249,631
2024-2028	195,644	267,303	303,153	140,501	906,601
2029-2033	57,144	214,781	249,934	106,771	628,630
2034-2038	0	181,670	185,807	75,093	442,570
2039-2043	0	143,735	113,431	41,877	299,043
2044-2048	0	100,283	53,649	21,575	175,507
2049-2053	0	50,513	6,676	2,638	59,827
2054-2058	0	4,689	0	0	4,689
Total	\$ 569,908	\$ 1,335,756	\$ 1,436,877	\$ 564,740	\$ 3,907,281

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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	\$ 7,185,416	\$ 7,220,741	\$ 34,499	\$7,255,240
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	\$ 808,365	\$ 7,410,821	\$ 8,219,186	\$ 48,224	\$8,267,410

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		
2019	\$	4,672
2020		4,672
2021		633
2022		3
2023		3
2024-2028		15
2029-2033		15
	\$	<u>10,014</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE E – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2018.

CHANGES IN FIXED ASSETS – GOVERNMENTAL ACTIVITIESASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	\$ 31,848,250	\$ 381,812	\$ 1,906	\$ 32,228,156
Land	14,193,807	243,381	0	14,437,188
Vehicles	5,611,954	310,239	464,073	5,458,120
Equipment	4,632,975	547,151	316,893	4,863,233
Infrastructure	56,101,339	0	0	56,101,339
Construction In Progress	505,326	2,338,342	170,938	2,672,730
TOTALS	<u>\$ 112,893,651</u>	<u>\$ 3,820,925</u>	<u>\$ 953,810</u>	<u>\$ 115,760,766</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 11,468,111	\$ 889,860	\$ 1,080	\$ 12,356,891
Vehicles	4,561,070	302,163	464,074	4,399,159
Equipment	3,437,227	326,162	310,958	3,452,431
Infrastructure	30,655,735	746,100	0	31,401,835
TOTALS	<u>\$ 50,122,143</u>	<u>\$ 2,264,285</u>	<u>\$ 776,112</u>	<u>\$ 51,610,316</u>
NET FIXED ASSETS	<u>\$ 62,771,508</u>			<u>\$ 64,150,450</u>

Depreciation expense was charged to Governmental Activities

General Government	\$ 897,676
Public Safety	277,402
Streets	876,335
Recreation and Parks	212,872
Total Depreciation Expense Governmental Activities	<u>\$ 2,264,285</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

CHANGES IN FIXED ASSETS - GAS FUNDASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Land	\$ 138,000	\$ 0	\$ 0	\$ 138,000
Plant and Distribution System	2,339,123	0	0	2,339,123
Equipment	431,921	11,985	6,768	437,138
Vehicles	270,846	0	12,774	258,072
Construction in Progress	0	105,942	0	105,942
TOTALS	<u>\$ 3,179,890</u>	<u>\$ 117,927</u>	<u>\$ 19,542</u>	<u>\$ 3,278,275</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 2,116,291	\$ 50,683	\$ 0	\$ 2,166,974
Equipment	241,310	33,075	6,768	267,617
Vehicles	184,281	41,055	12,774	212,562
TOTALS	<u>\$ 2,541,882</u>	<u>\$ 124,813</u>	<u>\$ 19,542</u>	<u>\$ 2,647,153</u>
NET FIXED ASSETS	<u>\$ 638,008</u>			<u>\$ 631,122</u>

CHANGES IN FIXED ASSETS - WATERASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 18,291,423	\$ 2,731,133	\$ 0	\$ 21,022,556
Equipment	724,679	0	0	724,679
Vehicles	240,899	0	39,236	201,663
Construction in Progress	2,663,218	567,732	2,663,217	567,733
TOTALS	<u>\$ 21,920,219</u>	<u>\$ 3,298,865</u>	<u>\$ 2,702,453</u>	<u>\$ 22,516,631</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 10,788,942	\$ 459,593	\$ 0	\$ 11,248,535
Equipment	427,164	41,937	0	469,101
Vehicles	189,776	22,390	39,237	172,929
TOTALS	<u>\$ 11,405,882</u>	<u>\$ 523,920</u>	<u>\$ 39,237</u>	<u>\$ 11,890,565</u>
NET FIXED ASSETS	<u>\$ 10,514,337</u>			<u>\$ 10,626,066</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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	\$ 17,794,001	\$ 113,350	\$ 0	\$ 17,907,351
Equipment	347,533	8,424	9,618	346,339
Vehicles	274,479	0	0	274,479
Construction In Progress	1,801,081	7,565,162	0	9,366,243
TOTALS	<u>\$ 20,217,094</u>	<u>\$ 7,686,936</u>	<u>\$ 9,618</u>	<u>\$ 27,894,412</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 10,013,953	\$ 373,454	\$ 0	\$ 10,387,407
Equipment	322,249	15,682	9,618	328,313
Vehicles	156,895	26,182	0	183,077
TOTALS	<u>\$ 10,493,097</u>	<u>\$ 415,318</u>	<u>\$ 9,618</u>	<u>\$ 10,898,797</u>
NET FIXED ASSETS	<u>\$ 9,723,997</u>			<u>\$ 16,995,615</u>

CHANGES IN FIXED ASSETS - SANITATIONASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property and Plant	\$ 238,915	\$ 0	\$ 0	\$ 238,915
Equipment	558,106	0	3,256	554,850
Vehicles	1,594,502	5,190	87,901	1,511,791
TOTALS	<u>\$ 2,391,523</u>	<u>\$ 5,190</u>	<u>\$ 91,157</u>	<u>\$ 2,305,556</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property and Plant	\$ 124,278	\$ 16,291	\$ 0	\$ 140,569
Equipment	417,415	40,754	3,256	454,913
Vehicles	987,366	130,023	87,902	1,029,487
TOTALS	<u>\$ 1,529,059</u>	<u>\$ 187,068</u>	<u>\$ 91,158</u>	<u>\$ 1,624,969</u>
NET FIXED ASSETS	<u>\$ 862,464</u>			<u>\$ 680,587</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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	64,735	23,877	6,768	81,844
Vehicles	79,518	0	0	79,518
Construction in progress	0	176,839	0	176,839
TOTALS	\$ 2,279,019	\$ 200,716	\$ 6,768	\$ 2,472,967

ACCUMULATED DEPRECIATION

Description	Beginning	Additions	Deletions	Ending
Distribution System	\$ 382,106	\$ 53,369	\$ 0	\$ 435,475
Equipment	45,731	3,749	6,768	42,712
Vehicles	70,980	8,539	0	79,519
TOTALS	\$ 498,817	\$ 65,657	\$ 6,768	\$ 557,706
NET FIXED ASSETS	\$ 1,780,202			\$ 1,915,261

CHANGES IN FIXED ASSETS – OUTSIDE SEWER

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 7,589,031	\$ 0	\$ 0	\$ 7,589,031
Equipment	265,589	8,424	6,768	267,245
Vehicles	36,825	0	0	36,825
Constructruction in progress	55,032	0	0	55,032
TOTALS	\$ 7,946,477	\$ 8,424	\$ 6,768	\$ 7,948,133

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Distribution System	\$ 1,187,838	\$ 192,105	\$ 0	\$ 1,379,943
Equipment	136,704	13,506	6,768	143,442
Vehicles	36,825	0	0	36,825
TOTALS	\$ 1,361,367	\$ 205,611	\$ 6,768	\$ 1,560,210
NET FIXED ASSETS	\$ 6,585,110			\$ 6,387,923

Net Fixed Assets

Fund	Beginning	Ending
Gas	\$ 638,008	\$ 631,122
Water	10,514,337	10,626,066
Sewer	9,723,997	16,995,615
Sanitation	862,464	680,587
Outside Water	1,780,202	1,915,261
Outside Sewer	6,585,110	6,387,923
	\$ 30,104,118	\$ 37,236,574

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018 and has committed to other projects that will begin in fiscal year end June 30, 2019.

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.

Hellier Manor Apartments, LTD has started making deposits into an escrow account. The City records these funds as deferred revenue and this account now has a balance of \$210,427.99.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2017 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, 2017. At June 30, 2017, the City's proportion was 0.087654% non-hazardous and 0.285680% hazardous.

Covered Payroll and Contribution Data					
Rate – Non-hazardous			Amount		
Year	Employee	Employer	Covered Wages	Employee	Employer
2018	5.00%	19.18%	\$ 2,426,209	\$ 136,815	\$ 465,347
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

Rate – Hazardous			Amount		
Year	Employee	Employer	Covered Wages	Employee	Employer
2018	8.00%	31.55%	\$ 1,525,138	\$ 122,011	\$ 481,181
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

Total Amount			
Year	Covered Wages	Employee	Employer
2018	\$ 3,951,347	\$ 258,826	\$ 946,528
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, 2018

NOTE J - RETIREMENT PLAN (Continued)

For the year ended June 30, 2018, the City recognized pension expense of \$1,943,644. At June 30, 2018, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$946,528, 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:

Deferred Outflows of Resources for:

Liability Experience	\$ 240,795
Changes of Assumptions	2,221,695
Investment Experience	825,569
Change in Proportion and Differences Between Employer Contributions and Proportionate Share of Plan Contributions	333,489
	<u>\$ 3,621,548</u>

Deferred Inflows of Resources for:

Liability Experience	\$ 130,238
Assumption Changes	0
Investment Experience	706,257
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	229,103
	<u>\$ 1,065,598</u>

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:

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Year	Pension Expense
2018	\$ 548,771
2019	495,527
2020	212,683
2021	-65,880
Thereafter	0
	<u>\$ 1,191,101</u>

Valuation Date	June 30, 2017
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	2.30%
Salary Increase	2.00%, average, including inflation
Investment Rate of Return	6.25%, 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE J - RETIREMENT PLAN (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity*	17.50%	5.97%
International Equity*	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate*	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
	<u>100.00%</u>	
* Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan.		

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE J - RETIREMENT PLAN (concluded)

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	Current		1% Increase
	(5.25%)	discount rate		(7.25%)
		(6.25%)		
Non-Hazardous	\$ 6,470,869	\$ 5,130,658		\$ 4,009,582
Hazardous	8,036,100	6,391,457		5,033,223
Total	<u>\$ 14,506,969</u>	<u>\$ 11,522,115</u>		<u>\$ 9,042,805</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, 2018 the City had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

NOTE K – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLANGeneral Information about the OPEB Plan

Plan description – employees of the City are provided OPEBs through the County Employees Retirement System (CERS)—a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Kentucky General Assembly. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance and Life Insurance Plans. The following information is about the CERS plans:

Medical Insurance Plan

Plan description – Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: (1) KERS; (2) CERS; and (3) SPRS. The assets of the Insurance Fund are also segregated by plan.

Benefits provided – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The City contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE K – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLAN (Continued)General Information about the OPEB Plan (Concluded)

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions - Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the City reported a liability of \$4,126,780 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the City. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 1.86 percent, which was an increase of .0001 from its proportion measured as of June 30, 2016 (1.85 percent).

The amount recognized by the City as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the City were as follows:

City's proportionate share of the net OPEB liability	
Non-Hazardous	\$ 1,765,145
Hazardous	2,361,635
Total	<u>\$ 4,126,780</u>

For the year ended June 30, 2018, the City recognized OPEB expense of:

Non-Hazardous	\$ 208,803
Hazardous	359,535
Total	<u>\$ 568,338</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE K – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLAN (Continued)OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Non-Hazardous	Hazardous	Total	Non-Hazardous	Hazardous	Total
Liability Experience	\$ 0	\$ 0	\$ 0	\$ 4,894	\$ 5,503	\$ 10,397
Changes of assumptions	383,432	871,108	1,254,540	0	0	0
Investment Experience	0	0	0	83,278	148,173	231,451
Changes in proportion and differences						
between District contributions and proportionate share of contributions	0	0	0	4,089	470	4,559
District contributions subsequent to the measurement date	0	0	0	0	0	0
Total	\$ 383,432	\$ 871,108	\$ 1,254,540	\$ 92,261	\$ 154,146	\$ 246,407

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year ended June 30:		
	Non-Hazardous	Hazardous
2019	\$ 50,099	\$ 207,345
2020	50,099	207,345
2021	50,099	207,345
2022	50,099	96,926
2023	70,919	0
Thereafter	19,857	0
	<u>\$ 291,172</u>	<u>\$ 718,961</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.30%
Payroll growth rate	2.00%
Projected salary increases	3.05%
Investment rate of return	6.25%

Healthcare cost trend rates

 Under 65 Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

 Ages 65 and older Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE K – COUNTY EMPLOYEE RETIREMENT SYSTEM OPEB PLAN (Continued)OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

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

The long-term expected rate of return on OPEB 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 OPEB 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 allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity*	17.50%	5.97%
International Equity*	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate*	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return*	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	6.56%

Discount Rate - The projection of cash flows used to determine the discount rate of 5.83% for KERS Non-hazardous, 5.87% for KERS Hazardous, 5.84% for CERS Non-hazardous, and 5.96% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Concluded)

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease Rate (4.83%)</u>	<u>Current Discount Rate (5.83%)</u>	<u>1% Increase Rate (6.83%)</u>
City's net OPEB liability			
Non Hazardous	\$ 2,242,232	\$ 1,762,145	\$ 1,363,637
	<u>Rate (4.96%)</u>	<u>Rate (5.96%)</u>	<u>Rate (6.96%)</u>
Hazardous	\$ 3,164,915	\$ 2,361,635	\$ 1,074,421

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City's net OPEB liability			
Non-Hazardous	\$ 1,351,656	\$ 1,762,145	\$ 2,295,757
Hazardous	\$ 1,671,765	\$ 2,361,635	\$ 3,215,454

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE L – 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>
2018	\$ 17,960	\$ 7,840
2017	\$ 22,060	\$ 7,440
2016	\$ 20,910	\$ 10,380
2015	\$ 22,792	\$ 12,955
2014	\$ 20,615	\$ 9,490

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE M - 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.

NOTE N - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2018, the carrying amount of the City's deposits with financial institutions was \$26,531,015 and the bank balance, per statements, was \$28,261,645. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 1,011,514
Amount collateralized with an FHLB letter of credit (\$28,400,000):	27,247,554
Amount collateralized with securities held by third party in the City's name:	2,577
Uncollateralized (\$ 0 of this amount is collateralized with securities held by the pledging financial institution):	0
Total Bank Balance	<u>\$ 28,261,645</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE O – 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>
1 year	0.100%	\$ 568,435.00
1 year	0.200%	4,456.00
1 year	0.300%	59,874.00
1 year	0.400%	4,275,601.00
1 year	0.500%	61,136.00
1 year	0.756%	252,577.00
1 year	1.750%	21,071,375.00
Non Interest Bearing		239,318.00
		<u>\$ 26,532,772.00</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE P - 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 - 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.

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 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; \$4,334 per month for the Maintenance and Operation rental Fee. The Board is billed monthly.

University of Pikeville – Use of Hambley complex \$2,667.00 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE P - LEASE AGREEMENTS (concluded)

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.

Spoiled Rotten Children's Boutique, LLC. – The York House located at 223 Main Street, to be solely used as a retail store offering children's clothing and accessories. Lease for a five (5) year period with an automatic rollover into another five (5) year term unless either party notifies the other of their intent to terminate within 60 days prior to the end of the term. Lessee agrees to pay one-dollar (\$1) annually for the first three (3) years, \$400 for the fourth year and then rent will increase \$100 per month annually in years five (5) through ten (10).

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE Q – INTER FUND TRANSFERS

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Jenny Wiley	Debt Service	\$ 195,202
General	Fire Station	Debt Service	786,099
General	Tourism	Operating	1,986,687
General	Series 2017	Operating	23,000
General	Outside Water	Operating	75,000
Coal Severance	Outside Water	Fixed Assets	23,877
Projects Control	Water	Fixed Assets	64,421
Water	Projects Control	Fixed Assets	64,421
Outside Water	Water	Debt Service	6,194
Outside Sewer	Water	Debt Service	11,604
			<u>\$ 3,236,505</u>

NOTE R – INTER FUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2018:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Purpose</u>	<u>Amount</u>
General	Cashflow	Operating	\$ 925
General	Outside Water	Operating	19,208
Meter Deposits	Gas	Operating	3,089
Meter Deposits	Water	Operating	5,030
Meter Deposits	Outside Water	Operating	2,894
Water	Cashflow	Operating	29,060
Garbage	Cashflow	Operating	3,696
Outside Water	Cashflow	Operating	23
Outside Sewer	Cashflow	Operating	2
	Total All Funds		<u>\$ 63,927</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE S – 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
2018	7,104,566	336,347	247,689	12.16

NOTE T - 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 June 26, 2018 entered into Memorandum of Agreement with the Commonwealth of Kentucky Transportation Cabinet Department of Highways in the amount of \$14,000,000 for the Kentucky Enterprise Industrial Park Access Road.

On September 10, 2018 awarded bid construction of the Kentucky Enterprise Industrial Park Access Road.

NOTE U – PRIOR PERIOD ADJUSTMENT

Mandatory adoption of GASB Statement No. 75 Postemployment Benefits Other than Pensions, required recording OPEB liabilities for the prior year. Liabilities were recorded City wide as a decrease to Net Position.

Government Activities	\$ 2,755,052
Proprietary Funds	38,285
	<u>\$ 2,793,337</u>

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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 984,500	\$ 1,045,500	\$ 1,041,255	\$ (4,245)
Franchise Taxes	627,316	627,316	701,123	73,807
Occupational License Fees	7,925,000	7,925,000	10,108,773	2,183,773
Other Taxes	2,190,000	2,390,000	2,336,128	(53,872)
Permits and Fees	110,000	144,200	165,044	20,844
Grants - Federal	1,253,282	1,283,382	86,847	(1,196,535)
Grants - State	392,618	492,618	494,055	1,437
Other Grants	32,004	223,671	155,938	(67,733)
Interest Income	55,000	60,000	188,358	128,358
Other Revenue	998,836	1,301,612	1,515,414	213,802
Total Revenues	<u>\$ 14,568,556</u>	<u>\$ 15,493,299</u>	<u>\$ 16,792,935</u>	<u>\$ 1,299,636</u>
EXPENDITURES				
CURRENT				
General Government	\$ 4,327,434	\$ 5,246,957	\$ 3,635,812	\$ 1,611,145
Public Safety				
Police	2,356,250	2,402,575	2,315,855	86,720
Fire	2,665,200	2,706,800	2,646,948	59,852
Ambulance Service	316,199	316,199	303,085	13,114
Dispatch Service	373,113	402,713	259,311	143,402
Codes	256,650	269,240	246,766	22,474
911	245,700	325,612	369,261	(43,649)
Emergency Shelter	11,000	11,000	11,000	0
Streets	2,671,055	2,652,555	2,519,203	133,352
Parking Garage	103,100	102,300	87,465	14,835
Recreation	874,119	828,889	669,296	159,593
Fiber	547,914	615,906	0	615,906
Tourism	356,270	476,270	449,838	26,432
Lake Cleanup	102,950	102,950	68,615	34,335
Landscape	132,194	137,929	133,490	4,439
Capital Outlay	0	0	0	0
Debt Service	0	0	0	0
Principal Retirement	0	0	11,254	(11,254)
Interest	0	0	1,399	(1,399)
Grants / Loan Advances	141,000	158,500	157,195	1,305
Total Expenditures	<u>\$ 15,480,148</u>	<u>\$ 16,756,395</u>	<u>\$ 13,885,793</u>	<u>\$ 2,870,602</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (911,592)</u>	<u>\$ (1,263,096)</u>	<u>\$ 2,907,142</u>	<u>\$ (4,170,238)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 125,487	\$ 125,487
Proceeds from Sale of Fixed Assets	5,000	5,000	7,965	2,965
East Kentucky Exposition Center / Tourism	1,213,072	1,355,250	1,317,265	(37,985)
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	(2,907,636)	(3,166,902)	(3,065,988)	100,914
Total Other Financing Sources (Uses)	<u>\$ (1,689,564)</u>	<u>\$ (1,806,652)</u>	<u>\$ (1,615,271)</u>	<u>\$ 191,381</u>
Net Change In Fund Balance	\$ (2,601,156)	\$ (3,069,748)	\$ 1,291,871	\$ 4,361,619
FUND BALANCES - BEGINNING OF YEAR	2,601,500	3,070,521	13,740,244	10,669,723
FUND BALANCES-END OF YEAR	<u>\$ 344</u>	<u>\$ 773</u>	<u>\$ 15,032,115</u>	<u>\$ 15,031,342</u>

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenue	\$ 203,000	\$ 223,000	\$ 239,754	\$ 16,754
Other Grants	0	0	0	0
Interest Income	2,800	5,500	14,932	9,432
Other Revenue	0	0	0	0
TOTAL REVENUES	\$ 205,800	\$ 228,500	\$ 254,686	\$ 26,186
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	712,200	710,700	90,899	619,801
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
TOTAL EXPENDITURES	\$ 742,200	\$ 740,700	\$ 120,899	\$ 619,801
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (536,400)	\$ (512,200)	\$ 133,787	\$ (593,615)
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	0	(24,200)	(23,877)	323
TOTAL OTHER FINANCING SOURCES (USES)	\$ 0	\$ (24,200)	\$ (23,877)	\$ 323
NET CHANGE IN FUND BALANCE	\$ (536,400)	\$ (536,400)	\$ 109,910	\$ (593,292)
FUND BALANCE - BEGINNING OF YEAR	536,400	536,400	1,157,090	620,690
FUND BALANCE - END OF YEAR	\$ 0	\$ 0	\$ 1,267,000	\$ 27,398

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$ 5,407,688	\$ 15,293,266	\$ 1,681,790	\$ (13,611,476)
State Grants	1,233,694	1,208,429	492,232	(716,197)
Other Grants	0	0	0	0
Interest	0	0	16,991	16,991
Miscellaneous	0	0	0	0
Total Revenues	<u>\$ 6,641,382</u>	<u>\$ 16,501,695</u>	<u>\$ 2,191,013</u>	<u>\$ (14,310,682)</u>
EXPENDITURES				
Miscellaneous	\$ 0	\$ 0	\$ 0	\$ 0
Capital Outlay	6,863,348	17,283,661	2,592,275	14,691,386
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>\$ 6,863,348</u>	<u>\$ 17,283,661</u>	<u>\$ 2,592,275</u>	<u>\$ 14,691,386</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (221,966)</u>	<u>\$ (781,966)</u>	<u>\$ (401,262)</u>	<u>\$ 380,704</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Long-Term Debt	\$ 0	\$ 530,000	\$ 500,000	\$ (30,000)
Operating Transfers In	90,000	234,422	64,421	(170,001)
Operating Transfers (Out)	0	(812,905)	(64,421)	748,484
Total Other Financing Sources (Uses)	<u>\$ 90,000</u>	<u>\$ (48,483)</u>	<u>\$ 500,000</u>	<u>\$ 548,483</u>
NET CHANGE IN FUND BALANCE	<u>\$ (131,966)</u>	<u>\$ (830,449)</u>	<u>\$ 98,738</u>	<u>\$ 929,187</u>
FUND BALANCE - BEGINNING OF YEAR	131,966	830,449	1,853,593	1,023,144
FUND BALANCE - END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,952,331</u>	<u>\$ 1,952,331</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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$ 2,309,504	\$ 2,271,504	\$ 2,302,109	\$ 30,605
Service Charges	11,000	23,000	27,520	4,520
Penalties and Services	10,000	21,000	24,116	3,116
Water Tap Fees	15,000	30,000	30,616	616
Miscellaneous	0	4,888	25	(4,863)
TOTAL REVENUE	\$ 2,345,504	\$ 2,350,392	\$ 2,384,386	\$ 33,994
OPERATING EXPENSES				
Personnel Costs	\$ 46,050	\$ 58,350	\$ 25,081	\$ 33,269
Contractual Service	1,366,976	1,443,006	1,408,759	34,247
Operational	587,895	620,218	547,872	72,346
Repairs and Maintenance	246,097	179,267	46,139	133,128
Provision For Bad Debts	3,000	9,000	8,962	38
Depreciation	620,480	620,480	523,920	96,560
Total Operating Expenses	\$ 2,870,498	\$ 2,930,321	\$ 2,560,733	\$ 369,588
Operating Income (Loss)	\$ (524,994)	\$ (579,929)	\$ (176,347)	\$ 403,582
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 4,591	\$ 4,591	\$ 14,012	\$ 9,421
Interest Expense	(78,324)	(88,843)	(81,649)	7,194
Premium (Discount) on Debt Restructuring	0	(13,687)	0	13,687
Grants	0	114,422	64,421	(50,001)
Gain (Loss) on Disposition	0	0	0	0
Total Nonoperating Revenues (Expenses)	\$ (73,733)	\$ 16,483	\$ (3,216)	\$ (19,699)
NET INCOME (LOSS)(Before Transfers)	\$ (598,727)	\$ (563,446)	\$ (179,563)	\$ 383,883
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 82,219	\$ 82,219
Operating Transfers (Out)	(90,000)	(234,422)	(64,421)	170,001
Total Transfers	\$ (90,000)	\$ (234,422)	\$ 17,798	\$ 252,220
CHANGE IN NET POSITION	\$ (688,727)	\$ (797,868)	\$ (161,765)	\$ 636,103
NET POSITION - BEGINNING OF YEAR	942,250	1,036,790	8,578,821	7,542,031
Prior Period Adjustment	0	0	(13,833)	13,833
NET POSITION - END OF YEAR	\$ 253,523	\$ 238,922	\$ 8,403,223	\$ 8,191,967

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 - SEWER FUND
For The Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sewer Service Charges	\$ 1,085,577	\$ 1,403,577	\$ 1,540,363	\$ 136,786
Penalties and Services	5,000	5,000	12,423	7,423
Water and Sewer Tap Fees	12,000	42,600	50,666	8,066
Miscellaneous Revenues	0	21,232	0	(21,232)
TOTAL REVENUE	\$ 1,102,577	\$ 1,472,409	\$ 1,603,452	\$ 131,043
OPERATING EXPENSES				
Personnel Costs	\$ 24,750	\$ 35,450	\$ 23,332	\$ 12,118
Contractual Service	449,291	467,796	453,965	13,831
Operational	288,052	329,897	311,605	18,292
Repairs and Maintenance	22,236,487	22,213,527	123,889	22,089,638
Provision For Bad Debts	3,300	8,300	5,852	2,448
Depreciation	424,031	424,031	415,318	8,713
Total Operating Expenses	\$ 23,425,911	\$ 23,479,001	\$ 1,333,961	\$ 22,145,040
Operating Income (Loss)	\$ (22,323,334)	\$ (22,006,592)	\$ 269,491	\$ 22,276,083
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 3,100	\$ 3,100	\$ 17,650	\$ 14,550
Interest Expense	(24,486)	(63,316)	(52,245)	11,071
Premium (Discount) on Debt Restructuring	0	(35,843)	0	35,843
Gain (Loss) on Disposition	0	0	0	0
Grants	21,860,366	21,187,828	212,485	(20,975,343)
Total Nonoperating Revenues (Expenses)	\$ 21,838,980	\$ 21,091,769	\$ 177,890	\$ (20,913,879)
NET INCOME (LOSS) Before Transfers	\$ (484,354)	\$ (914,823)	\$ 447,381	\$ 1,362,204
TRANSFERS				
Operating Transfers In	\$ 0	\$ 698,483	\$ 0	\$ (698,483)
Operating Transfers (Out)	0	0	0	0
Total Transfers	\$ 0	\$ 698,483	\$ 0	\$ (698,483)
CHANGE IN NET POSITION	\$ (484,354)	\$ (216,340)	\$ 447,381	\$ 663,721
NET POSITION - BEGINNING OF YEAR	493,252	243,252	9,909,680	9,666,428
Prior Period Adjustment	0	0	(5,546)	(5,546)
NET POSITION - END OF YEAR	\$ 8,898	\$ 26,912	\$ 10,351,515	\$ 10,324,603

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Sales	\$ 1,557,700	\$ 1,557,700	\$ 1,654,063	\$ 96,363
Penalties & Service Charges	3,000	3,000	11,881	8,881
Tap Fees	5,000	5,000	9,700	4,700
Miscellaneous	0	0	0	0
TOTAL REVENUES	\$ 1,565,700	\$ 1,565,700	\$ 1,675,644	\$ 109,944
OPERATING EXPENSES				
Personnel Costs	26,400	40,400	\$ 23,795	16,605
Gas Purchased	1,092,000	1,076,600	873,227	203,373
Contractual Services	530,862	530,862	489,493	41,369
Operational	47,700	49,600	22,401	27,199
Repairs and Maintenance	64,700	58,700	34,781	23,919
Bad Debts	2,300	7,300	4,086	3,214
Depreciation	138,664	137,464	124,813	12,651
Total Operating Expenses	\$ 1,902,626	\$ 1,900,926	\$ 1,572,596	\$ 328,330
Operating Income	\$ (336,926)	\$ (335,226)	\$ 103,048	\$ 438,274
NONOPERATING REVENUES (EXPENSES)				
Royalties	\$ 2,200	\$ 2,200	\$ 3,073	\$ 873
Interest Revenue	8,000	8,000	19,823	11,823
Interest Expense	(1,500)	(3,200)	(3,089)	111
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	\$ 8,700	\$ 7,000	\$ 19,807	\$ 12,807
NET INCOME (LOSS) Before Transfers	\$ (328,226)	\$ (328,226)	\$ 122,855	\$ 451,081
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	0	0	0	0
Total Transfers	\$ 0	\$ 0	\$ 0	\$ 0
CHANGE IN NET POSITION	\$ (328,226)	\$ (328,226)	\$ 122,855	\$ 451,081
NET POSITION - BEGINNING OF YEAR	328,300	328,300	2,356,115	2,027,815
Prior Period Adjustment	0	0	(5,758)	(5,758)
NET POSITION - END OF YEAR	\$ 74	\$ 74	\$ 2,473,212	\$ 2,473,138

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Garbage Fees	\$ 1,413,000	\$ 1,413,000	\$ 1,550,901	\$ 137,901
Penalties	5,500	5,500	9,076	3,576
Miscellaneous	0	0	3,221	3,221
Total Revenues	<u>\$ 1,418,500</u>	<u>\$ 1,418,500</u>	<u>\$ 1,563,198</u>	<u>\$ 144,698</u>
EXPENSES				
Personnel Costs	\$ 29,150	\$ 34,650	\$ 16,077	\$ 18,573
Contractual Services	667,541	677,131	668,598	8,533
Operational	92,550	83,550	65,549	18,001
Repairs and Maintenance	31,000	18,010	15,762	2,248
Dumping Fees	405,000	410,000	406,547	3,453
Bad Debts	1,400	6,600	6,548	52
Depreciation	245,099	241,799	187,067	54,732
Total Expenses	<u>\$ 1,471,740</u>	<u>\$ 1,471,740</u>	<u>\$ 1,366,148</u>	<u>\$ 105,592</u>
Operating Income	<u>\$ (53,240)</u>	<u>\$ (53,240)</u>	<u>\$ 197,050</u>	<u>\$ 250,290</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 5,600	\$ 5,600	\$ 16,915	\$ 11,315
Interest Expense	0	0	0	0
Gain (Loss) on Disposition	0	0	0	0
Grant	0	0	0	0
Total Nonoperating Revenues	<u>\$ 5,600</u>	<u>\$ 5,600</u>	<u>\$ 16,915</u>	<u>\$ 11,315</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (47,640)</u>	<u>\$ (47,640)</u>	<u>\$ 213,965</u>	<u>\$ 261,605</u>
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	0	0	0	0
Total Transfers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
CHANGE IN NET POSITION	<u>\$ (47,640)</u>	<u>\$ (47,640)</u>	<u>\$ 213,965</u>	<u>\$ 261,605</u>
NET POSITION - BEGINNING OF YEAR	48,000	48,000	2,225,697	2,177,697
Prior Period Adjustment	0	0	(7,142)	0
NET POSITION - END OF YEAR	<u>\$ 360</u>	<u>\$ 360</u>	<u>\$ 2,432,520</u>	<u>\$ 2,439,302</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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$ 676,400	\$ 676,400	\$ 685,006	\$ 8,606
Penalties & Service Charges	4,500	4,500	6,834	2,334
Tap Fees	0	0	0	0
Miscellaneous	0	1,717	0	(1,717)
TOTAL REVENUES	\$ 680,900	\$ 682,617	\$ 691,840	\$ 9,223
OPERATING EXPENSES				
Personnel Costs	\$ 12,950	\$ 16,250	\$ 7,277	\$ 8,973
Contractual Services	504,131	504,381	499,311	5,070
Operational	151,810	135,607	123,849	11,758
Repairs and Maintenance	19,803	30,303	29,767	536
Bad Debts	500	3,750	3,691	59
Depreciation	76,657	76,657	65,657	11,000
Total Operating Expenses	\$ 765,851	\$ 766,948	\$ 729,552	\$ 37,396
Operating Income	\$ (84,951)	\$ (84,331)	\$ (37,712)	\$ 46,619
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	\$ 996	\$ 996	\$ 2,474	\$ 1,478
Interest Rebate	0	0	6,803	6,803
Grants	0	0	0	0
Interest Expense	(34,939)	(39,356)	(38,533)	823
Gain (Loss) on Disposition of Assets	0	(5,215)	0	5,215
Total Nonoperating Revenue (Expense)	\$ (33,943)	\$ (43,575)	\$ (29,256)	\$ 14,319
NET INCOME (LOSS) Before Transfers	\$ (118,894)	\$ (127,906)	\$ (66,968)	\$ 60,938
TRANSFERS				
Operating Transfers In	\$ 15,384	\$ 90,384	\$ 98,877	\$ 8,493
Operating Transfers (Out)	(15,478)	(15,478)	(6,194)	9,284
Total Transfers	\$ (94)	\$ 74,906	\$ 92,683	\$ 17,777
CHANGE IN NET POSITION	\$ (118,988)	\$ (53,000)	\$ 25,715	\$ 78,715
NET POSITION - BEGINNING OF YEAR	164,200	89,200	967,771	878,571
Prior Period Adjustment	0	0	(3,144)	(3,144)
NET POSITION - END OF YEAR	\$ 45,212	\$ 36,200	\$ 990,342	\$ 954,142

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, 2018

	Original Budget	Final Budget	Actual	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Sewer Service Charges	\$ 613,400	\$ 673,400	\$ 742,339	\$ 68,939
Penalties & Service Charges	4,000	4,000	6,905	2,905
Water and Sewer Tap Fees	100	100	0	(100)
Miscellaneous Revenues	0	0	0	0
Total Revenues	<u>\$ 617,500</u>	<u>\$ 677,500</u>	<u>\$ 749,244</u>	<u>\$ 71,744</u>
EXPENSES				
Personnel Costs	\$ 12,950	\$ 18,100	\$ 8,086	\$ 10,014
Contractual Services	200,321	197,021	187,218	9,803
Operational	115,975	113,725	87,837	25,888
Repairs and Maintenance	127,479	124,879	56,378	68,501
Bad Debts	2,000	5,000	4,424	576
Depreciation	210,307	210,307	205,611	4,696
Total Expenses	<u>\$ 669,032</u>	<u>\$ 669,032</u>	<u>\$ 549,554</u>	<u>\$ 119,478</u>
Operating Income	<u>\$ (51,532)</u>	<u>\$ 8,468</u>	<u>\$ 199,690</u>	<u>\$ 191,222</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 2,419	\$ 2,419	\$ 7,576	\$ 5,157
Interest Rebate	0	0	16,803	16,803
Grants	0	0	0	0
Interest Expense	(79,058)	(79,058)	(78,176)	882
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	<u>\$ (76,639)</u>	<u>\$ (76,639)</u>	<u>\$ (53,797)</u>	<u>\$ 22,842</u>
NET INCOME (LOSS) Before Transfe	<u>\$ (128,171)</u>	<u>\$ (68,171)</u>	<u>\$ 145,893</u>	<u>\$ 214,064</u>
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers (Out)	(94)	(94)	(11,604)	(11,510)
Total Transfers	<u>\$ (94)</u>	<u>\$ (94)</u>	<u>\$ (11,604)</u>	<u>\$ (11,510)</u>
CHANGE IN NET POSITION	<u>\$ (128,265)</u>	<u>\$ (68,265)</u>	<u>\$ 134,289</u>	<u>\$ 202,554</u>
NET POSITION - BEGINNING OF YEAR	262,750	202,750	4,213,462	4,010,712
Prior Period Adjustment	0	0	(2,862)	(2,862)
NET POSITION - END OF YEAR	<u>\$ 134,485</u>	<u>\$ 134,485</u>	<u>\$ 4,344,889</u>	<u>\$ 4,210,404</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, 2018

Last Ten Fiscal Years **

		2017-18	2016-17	2015-16	2014-15
Schedule of the City's Proportionate Share of the Net Pension Liability					
City's proportion of the net pension liability	Non Hazardous	8.76540%	0.08099%	0.07518%	0.07309%
	Hazardous	0.28568%	0.29878%	0.31822%	0.31257%
City's proportionate share of the net pension liability	Non Hazardous	\$ 5,130,658	\$ 3,987,411	\$ 3,232,536	2,371,374
	Hazardous	6,391,457	5,126,942	4,884,991	3,756,558
		<u>\$ 11,522,115</u>	<u>\$ 9,114,353</u>	<u>\$ 8,117,527</u>	<u>\$ 6,127,932</u>
City's covered-employee payroll		\$ 3,951,347	\$ 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		291.59967%	217.84342%	211.72348%	166.97699%
Plan fiduciary net position as a percentage of the total pension liability		291.59967%	217.84342%	211.72348%	166.97699%

Schedule of Contributions					
		2017-18	2016-17	2015-16	2014-15
Contractually required contribution		\$ 946,528	\$ 891,593	\$ 845,267	\$ 874,135
Contributions in relation to the contractually required contribution		946,528	891,593	845,267	874,135
Contribution deficiency (excess)		<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered payroll		3,951,347	4,183,901	3,834,023	3,669,926
Contributions as a percentage of covered-employee payroll		23.9546%	21.3101%	22.0465%	23.8189%

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

CITY OF PIKEVILLE, KENTUCKY
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
 NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
 County Employees Retirement Plan
 Last 10 Fiscal Years*

	<u>2018</u>
City's proportion of the collective net OPEB liability (asset)	
Non Hazardous	8.765400%
Hazardous	0.285680%
City's proportionate share of the collective net OPEB liability (asset)	
Non Hazardous	\$ 1,762,145
Hazardous	2,361,635
Total	<u>\$ 4,123,780</u>
City's covered-employee payroll	
Non Hazardous	\$ 2,426,209
Hazardous	1,525,138
Total	<u>\$ 3,951,347</u>
City's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	104.364%
Plan fiduciary net position as a percentage of the total OPEB liability	0.068%

* The amounts presented for each fiscal year were determined as of June 30.

<i>Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.</i>
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CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - MEDICAL INSURANCE PLAN
County Employees Retirement Plan
 Last 10 Fiscal Years*
 (Dollar amounts in thousands)

		2018
Contractually required contribution -	Non Hazardous	\$ 100,945
	Hazardous	146,629
		<u>\$ 247,574</u>
Contributions in relation to the		
Contractually required contribution		(247,574)
Contribution deficiency (excess)		<u>\$ 0</u>
City's covered-employee payroll		<u>\$ 3,951,347</u>
Contributions as a percentage of covered employee payroll		<u>6.27%</u>

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

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2018

Kentucky Retirement System – County Employee OPEB Plan

Changes of benefit terms - None

Methods and assumptions used in the actuarially determined contributions – For financial reporting the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2017, were based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016, but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017:

Inflation	2.30%
Payroll Growth Rate	0.0% for KERS non-hazardous, and 2.0% for CERS nonhazardous and hazardous
Salary Increase	3.05%, average
Investment Rate of Return 6.25%	Healthcare Trend Rates Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Pre – 65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Post-65	

Plan description – Classified employees of the City are provided OPEBs through the County Employees Retirement System (CERS)—a cost-sharing, multiple-employer defined benefit OPEB plan administered by the Kentucky General Assembly. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance and Life Insurance Plans. The following information is about the CERS plans:

Medical Insurance Plan

Plan description – Under the provisions of Kentucky Revised Statute Section 61.701, the KRS Board administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: (1) KERS; (2) CERS; and (3) SPRS. The assets of the Insurance Fund are also segregated by plan.

Benefits provided – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2018

Kentucky Retirement System – County Employee OPEB Plan

benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.06% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the City reported a liability of \$4,126,780 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the City. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 1.86 percent, which was an increase of .0001 from its proportion measured as of June 30, 2016 (1.85 percent).

The amount recognized by the City as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the City were as follows:

City's proportionate share of the net OPEB liability	\$4,126,780
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For the year ended June 30, 2018, the City recognized OPEB expense of \$568,338. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Non-Hazardous	Hazardous	Total	Non-Hazardous	Hazardous	Total
Liability Experience	\$ 0	\$ 0	\$ 0	\$ 4,894	\$ 5,503	\$ 10,397
Changes of assumptions	383,432	871,108	1,254,540	0	0	0
Investment Experience	0	0	0	83,278	148,173	231,451
Changes in proportion and differences between District contributions and proportionate share of contributions	0	0	0	4,089	470	4,559
District contributions subsequent to the measurement date	0	0	0	0	0	0
Total	<u>\$ 383,432</u>	<u>\$ 871,108</u>	<u>\$ 1,254,540</u>	<u>\$ 92,261</u>	<u>\$ 154,146</u>	<u>\$ 246,407</u>

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2018

Kentucky Retirement System – County Employee OPEB Plan

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year ended June 30:		
	Non- Hazardous	Hazardous
2019 \$	50,099	\$ 207,345
2020	50,099	207,345
2021	50,099	207,345
2022	50,099	96,926
2023	70,919	0
Thereafter	19,857	0
	<u>\$ 291,172</u>	<u>\$ 718,961</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.30%
Payroll Growth Rate	2.00%
Projected salary increases	3.05% Average
Investment rate of return	6.25%
Healthcare cost trend rates	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Under 65	
Ages 65 and Older	Initial trend starting at 5.10% at January 1, 2019, and

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

The long-term expected rate of return on OPEB 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 OPEB 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.

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2018

Kentucky Retirement System – County Employee OPEB Plan

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity*	17.50%	5.97%
International Equity*	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate*	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return*	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	6.56%

Discount Rate - The projection of cash flows used to determine the discount rate of 5.83% for KERS Non-hazardous, 5.87% for KERS Hazardous, 5.84% for CERS Non-hazardous, and 5.96% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease Rate (4.83%)	Current Discount Rate (5.83%)	1% Increase Rate (6.83%)
City's net OPEB liability			
Non Hazardous	\$ 2,242,232	\$ 1,762,145	\$ 1,363,637
	Rate (4.96%)	Rate (5.96%)	Rate (6.96%)
Hazardous	\$ 3,164,915	\$ 2,361,635	\$ 1,074,421

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2018

Kentucky Retirement System – County Employee OPEB Plan

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City's net OPEB liability			
Non-Hazardous	\$ 1,351,656	\$ 1,762,145	\$ 2,295,757
Hazardous	\$ 1,671,765	\$ 2,361,635	\$ 3,215,454

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

COMBINING FINANCIAL STATEMENTS

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - COMBINING
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Debt Service Jenny Wiley Construction	Fire Station Debt Service	Series 2017 Debt Service	Tourism / Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Totals
REVENUES									
Ad Valorem Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Franchise Taxes	0	0	0	0	0	0	0	0	0
Occupational License Fees	0	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0	0
Permits and Fees	0	0	0	0	0	0	0	0	0
Intergovernmental Revenue	0	0	0	0	6,606	21,227	0	0	27,833
Other Grants	0	0	0	0	0	0	0	0	0
Interest Income	612	145	44	193	157	147	0	0	1,298
Other Revenue	0	0	0	0	0	0	109,713	0	109,713
Total Revenues	<u>\$ 612</u>	<u>\$ 145</u>	<u>\$ 44</u>	<u>\$ 193</u>	<u>\$ 6,763</u>	<u>\$ 21,374</u>	<u>\$ 109,713</u>	<u>\$ 0</u>	<u>\$ 138,844</u>
EXPENDITURES									
CURRENT									
General Government	\$ 0	\$ 40	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,096	\$ 0	\$ 100,136
Public Safety	0	0	0	0	1,847	0	0	0	1,847
Streets	0	0	0	0	0	0	0	0	0
Parking Garage	0	0	0	0	0	0	0	0	0
Recreation	0	0	0	0	0	0	0	0	0
Fiber	0	0	0	0	0	0	0	0	0
Tourism	0	0	0	0	0	0	0	0	0
Lake Cleanup	0	0	0	0	0	0	0	0	0
Landscape	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	11,116	0	0	11,116
Debt Service									
Principal Retirement	135,000	808,365	0	0	0	0	0	0	943,365
Interest	60,201	1,927	5,012	0	0	0	0	0	67,140
Grants / Loan Advances	0	0	0	1,982,457	0	0	0	0	1,982,457
Total Expenditures	<u>\$ 195,201</u>	<u>\$ 810,332</u>	<u>\$ 5,012</u>	<u>\$ 1,982,457</u>	<u>\$ 1,847</u>	<u>\$ 11,116</u>	<u>\$ 100,096</u>	<u>\$ 0</u>	<u>\$ 3,106,061</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (194,589)</u>	<u>\$ (810,187)</u>	<u>\$ (4,968)</u>	<u>\$ (1,982,264)</u>	<u>\$ 4,916</u>	<u>\$ 10,258</u>	<u>\$ 9,617</u>	<u>\$ 0</u>	<u>\$ (2,967,217)</u>
OTHER FINANCING SOURCES (USES)									
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0	0
Bond Issuance, Discount	0	0	0	0	0	0	0	0	0
Operating Transfers In	195,202	786,099	23,000	1,986,687	0	0	0	0	2,990,988
Operating Transfers Out	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 195,202</u>	<u>\$ 786,099</u>	<u>\$ 23,000</u>	<u>\$ 1,986,687</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,990,988</u>
NET CHANGE IN FUND BALANCES	\$ 613	\$ (24,088)	\$ 18,032	\$ 4,423	\$ 4,916	\$ 10,258	\$ 9,617	\$ 0	\$ 23,771
FUND BALNCES - BEGINNING OF YEAR	65,859	24,088	0	10,035	10,194	9,507	3,840	13,138	136,661
Prior Period Adjustment	0	0	0	0	0	0	0	0	0
FUND BALANCES-END OF YEAR	<u>\$ 66,472</u>	<u>\$ 0</u>	<u>\$ 18,032</u>	<u>\$ 14,458</u>	<u>\$ 15,110</u>	<u>\$ 19,765</u>	<u>\$ 13,457</u>	<u>\$ 13,138</u>	<u>\$ 160,432</u>

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

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET - COMBINING
OTHER GOVERNMENTAL FUNDS
June 30, 2018

	Debt Service Jenny Wiley Construction	Fire Station Debt Service	Series 2017 Debt Service	Tourism / Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Total Other Governmental Funds
ASSETS									
Cash and Investments									
Cash	\$ 0	\$ 0	\$ 0	\$ 14,458	\$ 15,110	\$ 41,272	\$ 13,457	\$ 46,841	\$ 131,138
Certificates of Deposit and Savings	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
Accounts	0	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	0	0	0
Prepaid Expenses	0	0	0	0	0	0	0	0	0
Escrow - Commercial Air Service	0	0	0	0	0	0	0	0	0
Inventories	0	0	0	0	0	0	0	0	0
Restricted Assets									
Cash	66,472	0	18,032	0	0	0	0	0	84,504
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	\$ 66,472	\$ 0	\$ 18,032	\$ 14,458	\$ 15,110	\$ 41,272	\$ 13,457	\$ 46,841	\$ 215,642
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
LIABILITIES									
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Expenses	0	0	0	0	0	0	0	0	0
Customer's Deposit	0	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	0	33,703	33,703
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,703	\$ 33,703
Uncollected Real Estate Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Deferred Revenues	0	0	0	0	0	21,507	0	0	21,507
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,507	\$ 0	\$ 0	\$ 21,507
FUND BALANCES									
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:									
Debt Service	66,472	0	18,032	0	0	0	0	0	84,504
Tourism	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Committed	0	0	0	0	0	0	0	0	0
Assigned To:									
Capital Projects	0	0	0	0	0	0	0	0	0
Other Purposes	0	0	0	0	15,110	19,765	0	0	34,875
Unrestricted	0	0	0	14,458	0	0	13,457	13,138	41,053
TOTAL FUND BALANCES	\$ 66,472	\$ 0	\$ 18,032	\$ 14,458	\$ 15,110	\$ 19,765	\$ 13,457	\$ 13,138	\$ 160,432
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 66,472	\$ 0	\$ 18,032	\$ 14,458	\$ 15,110	\$ 41,272	\$ 13,457	\$ 46,841	\$ 215,642

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

REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Wallen, Puckett, & Anderson, PSC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
City of Pikeville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Pikeville, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Pikeville, Kentucky's major federal programs for the year ended June 30, 2018. 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, 2018.

Report on Internal Control over Compliance

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

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

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

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

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

Wallen, Puckett and Anderson, PSC

Certified Public Accountants

Pikeville, Kentucky

November 26, 2018

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

To the Board of 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, 2018, 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 November 26, 2018.

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

November 26, 2018

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>RURAL DEVELOPMENT</u>			
Marion's Branch Water and Sewer	10.760	N/A	\$ 64,421
Waste Water Treatment Plant Upgrade	10.760	N/A	7,123,569
Farmers' Market and Local Food Promotion Program	10.168	N/A	53,141
Total U.S. Department of Agriculture			<u>\$ 7,241,131</u>
<u>US Department of Commerce / Economic Development Cabinet</u>			
Waste Water Treatment Plant Upgrade	11.300	N/A	\$ 187,200
Total US Department of Commerce			<u>\$ 187,200</u>
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
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	\$ 1,681,740
Total U. S. Department of the Interior			<u>\$ 1,681,740</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Kentucky Transportation Cabinet			
Highway Safety Grant	20.616	P02 625 180008101	\$ 19,096
Downtown Pikeville Bikeway Project	20.205	P02 628 160003733	7,200
Total U. S. Department of Transportation			<u>\$ 26,296</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
HIDTA Taskforce / SEKY Corruption Taskforce	95.001	GP17AP0001A	\$ 13,525
Equitable Sharing Program	16.922	N/A	1,847
Bulletproof Vest Partnership Program / Police Body Armor Grant	16.607	N/A	1,085
Total U. S. Department of Justice			<u>\$ 16,457</u>
Total Expenditures of Federal Awards			<u>\$ 9,152,824</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

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, 2018. 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	\$	1,346,000
Non Taxable Series 2010s-2 Build America Bonds		1,648,000
Marion's Branch Water Sewer		3,117,500
Waste Water Treatment Plant Upgrade		7,123,569

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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 #
U.S. Department of Agriculture / Rural Development / Marion's Branch Water and Sewer	10.760
U.S. Department of Agriculture / Rural Development / Waste Water Treatment Plant Upgrade	10.760
US Department of Commerce / Economic Development Cabinet / Waste Water Treatment Plant Upgrade	15.252

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, 2018

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