

CITY OF PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS
For the year ended June 30, 2019

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, 2019

	Office	Name	Term	
Elective	Mayor	James A Carter	01/01/2019	12/31/2022
	Commissioners	Patrick McNamee	01/01/2019	12/31/2020
		Bob Shurtleff	01/01/2019	12/31/2020
		Steve Hartsock	01/01/2019	12/31/2020
		Allison Powers	01/01/2019	12/31/2020
Appointed	City Manager	Philip R. Elswick		
	Finance Director	Tonya Taylor		
	City Clerk	Robbi Bentley		
	City Attorney	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, 2019, 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, 2019, 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.

Change in Accounting Principle

As described in Note U to the financial statements, in 2019, the City adopted new accounting guidance, *GASB No. 87, Leases*. Our opinion is not modified with respect to this matter.

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 December 6, 2019, 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, P.S.C.

Certified Public Accountants
Pikeville, Kentucky

December 6, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

June 30, 2019

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, 2019. 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 \$35,103,620 and Net Position of governmental activities was \$68,495,088.

- The current year's expense total was \$21,360,698 as compared to the \$22,133,484 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$19,175,703 as compared to the \$20,695,904 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, city revenues were \$8,882,926. Expenses were \$8,900,369. In the previous year, city revenues were \$9,049,799. Expenses were \$8,366,238.
- The annual cost of all city programs was \$34,613,199. The previous year's cost was \$27,541,941.

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, 2019

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, 2019

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:	24,755,751	19,136,128	11,439,000	10,788,795	36,194,751	29,924,923
Capital Assets:	65,645,965	64,150,450	47,916,510	37,236,574	113,562,475	101,387,024
Total Assets	90,401,716	83,286,578	59,355,510	48,025,369	149,757,226	131,311,947
Deferred Outflows of Resources	3,973,618	4,876,088	56,215	62,428	4,029,833	4,938,516
Long-term liabilities:	6,831,025	2,807,956	20,749,251	18,580,762	27,580,276	21,388,718
Other liabilities:	891,045	378,556	3,317,173	272,739	4,208,218	651,295
Pension / OPEB Costs	15,928,470	15,648,895	219,824	171,474	16,148,294	15,820,369
Total Liabilities	23,650,540	18,835,407	24,286,248	19,024,975	47,936,788	37,860,382
Deferred Inflows of Resources	2,229,706	1,604,957	21,857	16,852	2,251,563	1,621,809
Net Assets:						
Invested in Capital Assets, net of related debt:	58,705,906	61,502,795	26,550,711	18,805,912	85,256,617	80,308,707
Restricted:	8,013,698	3,198,949	214,340	187,040	8,228,038	3,385,989
Unrestricted (deficit):	1,775,484	3,020,558	8,338,569	10,053,018	10,114,053	13,073,576
Total Net Assets	68,495,088	67,722,302	35,103,620	29,045,970	103,598,708	96,768,272

CITY AS A WHOLE

The city's combined Net Position from the previous year was \$96,768,272 as compared to \$103,598,708 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 \$68,495,088 this year as compared to \$67,722,302 last year. Unrestricted Net Position was \$3,020,558 last year as compared to \$1,775,484 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 \$35,103,620 this year as compared to \$29,045,970 last year.

City revenues (excluding extraordinary items) for the current year were \$37,091,503 as compared to \$29,745,747 in the previous year. The total yearly cost of all programs and services was \$30,261,067 as compared to \$27,425,074 in the previous year.

Management's Discussion and Analysis
June 30, 2019

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	91,344	165,044	8,882,926	8,667,764	8,974,270	8,832,808
Restricted Operating Grants	1,317,939	155,938	0	0	1,317,939	155,938
Restricted Capital Grants	6,695,543	3,022,511	5,867,258	276,906	12,562,801	3,299,417
Restricted Other	0	0	0	0	0	0
General Revenue			0	0	0	
Property Taxes	1,094,079	1,041,255	0	0	1,094,079	1,041,255
Other Taxes	13,338,371	13,146,024	0	0	13,338,371	13,146,024
Interest & Investment Income	398,253	221,579	162,328	102,056	560,581	323,635
Other General Revenues	(758,533)	2,826,732	1,995	3,073	(756,538)	2,829,805
Total Revenues	22,176,996	20,579,083	14,914,507	9,049,799	37,091,503	29,628,882
Program Expenses						
General Government	6,257,494	6,255,683	0	0	6,257,494	6,255,683
Public Safety	6,807,740	6,463,182	0	0	6,807,740	6,463,182
Public Works	0	0	0	0	0	0
Culture & Recreation	1,237,882	481,612	0	0	1,237,882	481,612
Interest on Long-Term Debt	134,223	68,539	0	0	134,223	68,539
Business Activities						
Water &/or Sewer	0	0	5,695,308	5,424,403	5,695,308	5,424,403
Other Utilities	0	0	3,205,061	2,941,833	3,205,061	2,941,833
Parking Facilities	87,192	87,465	0	0	87,192	87,465
Other Expenses	6,836,167	5,702,357	0	0	6,836,167	5,702,357
Total Expenses	21,360,698	19,058,838	8,900,369	8,366,236	30,261,067	27,425,074
Excess (deficiency) Before Extraord	816,298	1,520,245	6,014,138	683,563	6,830,436	2,203,808
Extraordinary Items & Transfers	(43,512)	(98,877)	43,512	98,877	0	0
Increase (Decrease) in Net Assets	772,786	1,421,368	6,057,650	782,440	6,830,436	2,203,808

Management's Discussion and Analysis
June 30, 2019

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues (Table 2) were \$22,176,996 as compared to \$20,579,083 last year. The year's governmental activities cost was \$21,360,698 as compared to \$19,058,901 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	2,634,668	2,315,855
Fire Department	2,799,226	2,646,948
Public Works	0	0
Education	0	0
Parks and Recreation	980,657	669,296
All others	14,946,147	13,426,802
Totals	21,360,698	19,058,901

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities revenues (see Table 2) were \$14,914,507 as compared to \$9,049,799 last year. This year's expenses were \$8,900,369 as compared to \$8,366,236 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 \$103,598,708 as compared to \$96,768,272 in the previous year.

Management's Discussion and Analysis
June 30, 2019

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	14,373,685	14,437,188	138,000	138,000	14,511,685	14,575,188
Buildings and Improvements	19,404,813	19,871,265			19,404,813	19,871,265
Equipment	2,193,810	2,469,763	2,352,932	1,353,946	4,546,742	3,823,709
Infrastructure	23,953,568	24,699,504	24,796,766	25,472,839	48,750,334	50,172,343
Intangible right-to-use Lease Assets	394,422	0	25,320	0	419,742	0
Other	5,325,667	2,672,730	20,603,492	10,271,789	25,929,159	12,944,519
Totals	65,645,965	64,150,450	47,916,510	37,236,574	113,562,475	101,387,024

At the close of the year, the city had invested \$113,562,475 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$101,387,024 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 \$28,150,064 in outstanding bonds and notes as compared to \$21,208,609 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)	6,607,470	2,693,710	4,526,498	4,940,193	11,133,968	7,633,903
Revenue bonds and notes (backed by specific tax and fee revenues)	0	0	16,499,500	6,111,500	16,499,500	6,111,500
Other bonds or outstanding obligations	490,128	114,232	26,468	7,348,974	516,596	7,463,206
Totals	7,097,598	2,807,942	21,052,466	18,400,667	28,150,064	21,208,609

Management's Discussion and Analysis
June 30, 2019

GASB 68 AND GASB 75

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	\$ 2,931,248	\$ 3,671,157	\$ 42,965	\$ 49,609	\$ 2,974,213	\$ 3,720,766
Net Pension Liability	\$ 12,316,239	\$ 11,403,257	\$ 170,206	\$ 118,858	\$ 12,486,445	\$ 11,522,115
Deferred Inflows	\$ 981,760	\$ 1,051,496	\$ 12,447	\$ 14,102	\$ 994,207	\$ 1,065,598
Pension Expense	\$ 1,583,155	\$ 1,257,861	\$ 56,337	\$ (51,610)	\$ 1,639,492	\$ 1,206,251
Other Post Employment Benefits						
	Government Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current	Previous	Current Year	Previous Year
Deferred Outflow	\$ 1,042,370	\$ 1,243,111	\$ 13,250	\$ 11,429	\$ 1,055,620	\$ 1,254,540
Net OPEB Liability	\$ 3,612,231	\$ 4,071,164	\$ 49,618	\$ 52,616	\$ 3,661,849	\$ 4,123,780
Deferred Inflows	\$ 785,796	\$ 243,657	\$ 9,410	\$ 2,750	\$ 795,206	\$ 246,407
OPEB Expense	\$ 283,947	\$ 316,658	\$ 1,841	\$ 5,652	\$ 285,788	\$ 322,310

Management's Discussion and Analysis
June 30, 2019

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, 2019

	Governmental Activities	Business Type	Total	Component Units
ASSETS				
Cash	\$ 15,554,407	\$ 4,198,278	\$ 19,752,685	\$ 843,540
Certificates of Deposit and Savings	6,636,179	2,456,253	9,092,432	0
Receivables (Net of Allowance for Uncollectibles)				
Taxes	5,646	0	5,646	0
Accounts	1,262,436	1,346,126	2,608,562	63,662
Other	0	0	0	41,820
Due From Other Funds	20,979	9,367	30,346	0
Escrow - Hellier Manor	359,838	0	359,838	0
Inventories	0	0	0	53,819
Prepaid Expenses	0	9,245	9,245	74,148
Restricted Assets				
Cash	298,330	1,910,588	2,208,918	0
Certificates of Deposit	568,766	346,104	914,870	0
Other Receivables	0	1,116,473	1,116,473	0
Bond Issuance Costs	49,170	46,566	95,736	0
Capital Assets, Net				
Land	14,500,691	138,000	14,638,691	0
Other Capital Assets, Net	51,145,274	47,778,510	98,923,784	248,975
TOTAL ASSETS	\$ 90,401,716	\$ 59,355,510	\$ 149,757,226	\$ 1,325,964
DEFERRED OUTFLOWS OF RESOURCES	\$ 3,973,618	\$ 56,215	\$ 4,029,833	\$ 0
LIABILITIES				
Accounts Payable	\$ 389,593	\$ 2,365,994	\$ 2,755,587	\$ 151,147
Accrued Expenses	230,223	259,563	489,786	39,372
Current Portion of Long-Term Debt	266,573	616,548	883,121	0
Customer's Deposit	4,530	44,850	49,380	39,753
Due To Other Funds	126	30,218	30,344	0
Net Pension/OPEB Liability	15,928,470	219,824	16,148,294	0
Bonds Payable	6,432,469	20,628,391	27,060,860	0
Notes Payable	0	98,335	98,335	21,355
Lease Obligations	398,556	22,525	421,081	0
TOTAL LIABILITIES	\$ 23,650,540	\$ 24,286,248	\$ 47,936,788	\$ 251,627
DEFERRED INFLOWS OF RESOURCES				
Deferencs between expected and acutal experience	\$ 1,767,556	\$ 21,857	\$ 1,789,413	\$ 0
Uncollected Real Estate Taxes	5,646	0	5,646	0
Deferred Revenues	456,504	0	456,504	188,991
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,229,706	\$ 21,857	\$ 2,251,563	\$ 188,991
NET POSITION				
Investment in Capital Assets, Net of Related Debt	58,705,096	26,550,711	85,255,807	248,975
Restricted For:				
Reserve for Depreciation	0	0	0	0
Sinking Fund Reserve	0	214,340	214,340	0
Reserve For Operation and Maintenance	0	0	0	0
Reserved for Revenue Bond Retirement	0	0	0	0
Capital Projects	6,346,514	0	6,346,514	0
Debt Service	101,271	0	101,271	0
Tourism	1,540,580	0	1,540,580	0
Other	26,143	0	26,143	0
Unrestricted	1,775,484	8,338,569	10,114,053	636,371
TOTAL NET POSITION	\$ 68,495,088	\$ 35,103,620	\$ 103,598,708	\$ 885,346

STATEMENT OF ACTIVITIES
June 30, 2019

June 30, 2019

Functions	Program Revenues				Net (Expense) Revenue and		Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position		
					Governmental Activities	Business - Type Activities	
Primary Government							
Governmental Activities							
General Government	\$ 6,257,494	\$ 0	\$ 0	\$ 0	\$ (6,257,494)	\$ (6,257,494)	
Public Safety	6,807,740	0	0	0	(6,807,740)	(6,807,740)	
Streets	3,904,723	0	0	0	(3,904,723)	(3,904,723)	
Parking Garage	87,192	0	0	0	(87,192)	(87,192)	
Recreation	1,237,882	0	0	0	(1,237,882)	(1,237,882)	
Fiber	93,736	0	0	0	(93,736)	(93,736)	
Tourism	617,076	0	0	0	(617,076)	(617,076)	
Lake Cleanup	72,131	0	0	0	(72,131)	(72,131)	
Landscape	99,512	0	0	0	(99,512)	(99,512)	
Grants / Loan Advances	2,183,212	0	0	0	(2,183,212)	(2,183,212)	
Other	0	0	0	0	0	0	
Total Governmental Funds	\$ 21,360,698	\$ 0	\$ 0	\$ 0	\$ (21,360,698)	\$ (21,360,698)	
Business-Type Activities							
Water	\$ 2,789,833	\$ 2,685,632	\$ 0	\$ 480,883	\$ 376,682	\$ 376,682	
Sewer	1,464,428	1,589,344	0	5,386,375	5,511,291	5,511,291	
Gas	1,766,857	1,511,031	0	0	(255,826)	(255,826)	
Sanitation	1,438,204	1,564,816	0	0	126,612	126,612	
Outside Water	761,418	792,079	0	0	30,661	30,661	
Outside Sewer	679,629	740,024	0	0	60,395	60,395	
Other	0	0	0	0	0	0	
Total Business-type Activities	\$ 8,900,369	\$ 8,882,926	\$ 0	\$ 5,867,258	\$ 5,849,815	\$ 5,849,815	
Total Primary Government	\$ 30,261,067	\$ 8,882,926	\$ 0	\$ 5,867,258			(956,367)
Component Unit	\$ 2,808,738	\$ 1,852,371	\$ 0	\$ 0			
General Revenues - Detailed:							
Ad Valorem Taxes			\$ 1,094,079	\$ 0	\$ 1,094,079	\$	
Franchise Taxes			762,640	0	762,640		
Occupational License Fees			10,185,101	0	10,185,101		
Other Taxes			2,390,630	0	2,390,630		120,579
Permits and Fees			91,344	0	91,344		
Intergovernmental Revenue			8,013,482	0	8,013,482		
Other Grants			91,491	0	91,491		237,002
Interest Income			398,253	0	162,328	560,581	19,737
Other			1,361,388	0	1,361,388		
Royalties			0	1,995	1,995		
Tourism Contribution for Expo/Jenny Wiley			1,766,590	0	1,766,590		
Gain (loss) on disposal of assets			(3,978,002)	0	(3,978,002)		
Transfers			(43,512)	0	43,512	0	
Total General Revenues, Contributions, Special Items, and Transfers			\$ 22,133,484		\$ 207,835	\$ 22,341,319	\$ 377,318
Change in Net Position			\$ 772,786		\$ 6,057,650	\$ 6,830,436	\$ (579,049)
Net Position - Beginning			67,722,302		29,045,970	96,768,272	1,464,395
Prior Period Adjustments					0	0	0
Net Position - Ending			\$ 68,495,088		\$ 35,103,620	\$ 103,598,708	\$ 885,346

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

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Coal Severance	Projects Control	Other Government Funds	Total
ASSETS					
Cash and Investments					
Cash	\$ 9,869,644	\$ 0	\$ 5,576,955	\$ 107,808	\$ 15,554,407
Certificates of Deposit and Savings	6,636,179	0	0	0	6,636,179
Receivables (Net of Allowance for Uncollectibles)					
Taxes	5,646	0	0	0	5,646
Miscellaneous	442,427	0	820,009	0	1,262,436
Due From Other Funds	19,208	0	0	1,771	20,979
Prepaid Expenses	0	0	0	0	0
Escrow - Hellier Manor	359,838	0	0	0	359,838
Inventories	0	0	0	0	0
Restricted Assets					
Cash	0	197,059	0	101,271	298,330
Certificates of Deposit and Savings	0	568,766	0	0	568,766
TOTAL ASSETS	<u>\$ 17,332,942</u>	<u>\$ 765,825</u>	<u>\$ 6,396,964</u>	<u>\$ 210,850</u>	<u>\$ 24,706,581</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 337,268	\$ 0	\$ 50,450	\$ 1,875	\$ 389,593
Accrued Expenses	230,223	0	0	0	230,223
Customer's Deposit	4,530	0	0	0	4,530
Due To Other Funds	126	0	0	0	126
TOTAL LIABILITIES	<u>\$ 572,147</u>	<u>\$ 0</u>	<u>\$ 50,450</u>	<u>\$ 1,875</u>	<u>\$ 624,472</u>
DEFERRED INFLOWS OF RESOURCES					
Uncollected Real Estate Taxes	\$ 5,646	\$ 0	\$ 0	\$ 0	\$ 5,646
Deferred Revenues	415,797	0	0	40,707	456,504
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 421,443</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,707</u>	<u>\$ 462,150</u>
FUND BALANCES					
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:					
Debt Service	0	0	0	101,271	101,271
Tourism	1,540,580	0	0	0	1,540,580
Other	0	0	0	0	0
Committed	0	0	0	0	0
Assigned To:					
Capital Projects	0	0	6,346,514	0	6,346,514
Other Purposes	0	0	0	26,143	26,143
Unrestricted	14,798,772	765,825	0	40,854	15,605,451
TOTAL FUND BALANCES	<u>\$ 16,339,352</u>	<u>\$ 765,825</u>	<u>\$ 6,346,514</u>	<u>\$ 168,268</u>	<u>\$ 23,619,959</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 17,332,942</u>	<u>\$ 765,825</u>	<u>\$ 6,396,964</u>	<u>\$ 210,850</u>	<u>\$ 24,706,581</u>

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

CITY OF PIKEVILLE, KENTUCKY

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

June 30, 2019

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 23,619,959

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 (13,722,408)

Capital Assets used in governmental activities are not financial resources
and therefore are not reported in the fund statements. 65,645,965

Long-Term Liabilities, including bonds payable, are not due and payable in the
the current period and therefore are not reported in the funds. (7,048,428)

Total Net Position - Governmental Activities \$ 68,495,088

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, 2019

	General	Coal Severance	Projects Control	Other Funds	Totals
REVENUES					
Ad Valorem Taxes	\$ 1,094,079	\$ 0	\$ 0	\$ 0	1,094,079
Franchise Taxes	762,640	0	0	0	762,640
Occupational License Fees	10,185,101	0	0	0	10,185,101
Other Taxes	2,390,630	0	0	0	2,390,630
Permits and Fees	91,344	0	0	0	91,344
Intergovernmental Revenue	1,307,306	201,580	6,493,963	10,633	8,013,482
Other Grants	91,491	0	0	0	91,491
Interest Income	345,973	24,022	25,912	2,346	398,253
Other Revenue	1,307,016	0	14,200	40,172	1,361,388
Total Revenues	<u>\$ 17,575,580</u>	<u>\$ 225,602</u>	<u>\$ 6,534,075</u>	<u>\$ 53,151</u>	<u>\$ 24,388,408</u>
EXPENDITURES					
CURRENT					
General Government	\$ 4,796,238	\$ 0	\$ 0	\$ 44,947	4,841,185
Public Safety	6,564,512	0	0	8,312	6,572,824
Streets	3,020,080	0	0	0	3,020,080
Parking Garage	87,192	0	0	0	87,192
Recreation	980,657	0	0	0	980,657
Fiber	93,736	0	0	0	93,736
Tourism	617,076	0	0	0	617,076
Lake Cleanup	72,131	0	0	0	72,131
Landscape	99,512	0	0	0	99,512
Other	0	0	0	0	0
Capital Outlay	0	204,777	7,494,751	11,571	7,711,099
Debt Service					
Principal Retirement	51,370	0	0	175,000	226,370
Interest	30,337	0	0	103,886	134,223
Grants / Loan Advances	140,618	30,000	0	2,012,594	2,183,212
Total Expenditures	<u>\$ 16,553,459</u>	<u>\$ 234,777</u>	<u>\$ 7,494,751</u>	<u>\$ 2,356,310</u>	<u>\$ 26,639,297</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,022,121</u>	<u>\$ (9,175)</u>	<u>\$ (960,676)</u>	<u>\$ (2,303,159)</u>	<u>\$ (2,250,889)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 4,157,711	\$ 0	4,157,711
Inception of Leases	436,673	0	0	0	436,673
Proceeds from Sale of Fixed Assets	1,141,510	0	0	0	1,141,510
Tourism Contribution for Expo/Jenny Wiley/York House	1,766,590	0	0	0	1,766,590
Operating Transfers In	0	0	1,721,543	2,310,997	4,032,540
Operating Transfers Out	(3,059,657)	(492,000)	(524,395)	0	(4,076,052)
Total Other Financing Sources (Uses)	<u>\$ 285,116</u>	<u>\$ (492,000)</u>	<u>\$ 5,354,859</u>	<u>\$ 2,310,997</u>	<u>\$ 7,458,972</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,307,237</u>	<u>\$ (501,175)</u>	<u>\$ 4,394,183</u>	<u>\$ 7,838</u>	<u>\$ 5,208,083</u>
FUND BALANCES - BEGINNING OF YEAR	15,032,115	1,267,000	1,952,331	160,430	18,411,876
Prior Period Adjustment	0	0	0	0	0
FUND BALANCES-END OF YEAR	<u>\$ 16,339,352</u>	<u>\$ 765,825</u>	<u>\$ 6,346,514</u>	<u>\$ 168,268</u>	<u>\$ 23,619,959</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, 2019

Net change in fund balances - total governmental funds.	\$ 5,208,083
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.	9,062,569
The cost of capital assets is allocated over their useful lives and reported as depreciation expense.	(2,281,608)
The net book value of assets sold	(93,869)
Reduction in Construction in progress for the transfer to Silverliner of the Spec. Building.	(5,108,610)
Proceeds from Long-Term Debt	(4,594,384)
The repayment of debt principal is an expenditure of government funds, but the repayment reduces long-term debt in the statement of net	226,370
Bond Issuance, Discount	(4,397)
Bond Issuance Costs	(3,572)
Pension / OPEB Costs	(1,637,796)
Change in net position of governmental activities	<u>\$ 772,786</u>

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

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2019

ASSETS	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	Total
Cash	\$ 439,564	\$ 1,084,496	\$ 382,388	\$ 1,335,884	\$ 191,705	\$ 764,241	\$ 0	\$ 4,198,278
Certificates of Deposit and Savings	314,492	347,014	1,184,716	557,561	52,073	397	0	2,456,253
Customer's Accounts Receivable	526,905	201,765	130,163	207,500	143,606	136,187	0	1,346,126
Prepaid Expenses	9,245	0	0	0	0	0	0	9,245
Due From Other Funds	4,808	3,330	0	0	1,107	122	0	9,367
Bond Issuance Cost	16,707	0	0	0	10,376	19,483	0	46,566
Property, Plant and Equipment	11,026,784	27,297,363	663,594	834,690	1,889,046	6,205,033	0	47,916,510
Restricted Assets:								
Cash	96,777	1,682,610	0	0	46,187	85,014	0	1,910,588
Certificates of Deposit and Savings	58,917	14,729	0	0	67,452	205,006	0	346,104
Other Receivables	0	1,097,265	0	0	19,208	0	0	1,116,473
TOTAL ASSETS	\$ 12,494,199	\$ 31,728,572	\$ 2,360,861	\$ 2,935,635	\$ 2,420,760	\$ 7,415,483	\$ 0	\$ 59,355,510
DEFERRED OUTFLOWS OF RESOURCES	\$ 16,910	\$ 9,713	\$ 10,351	\$ 9,569	\$ 4,870	\$ 4,802	\$ 0	\$ 56,215
LIABILITIES AND NET POSITION								
LIABILITIES								
Accounts Payable	\$ 24,932	\$ 2,006,235	\$ 30,398	\$ 273,552	\$ 1,984	\$ 28,893	\$ 0	\$ 2,365,994
Accrued Interest	44,849	150,418	8,688	0	19,859	35,749	0	259,563
Due To Other Funds	0	0	2,790	8,220	19,208	0	0	30,218
Current Portion of Long-Term Debt	232,600	204,200	0	3,944	47,900	127,904	0	616,548
Customer's Deposits	20,990	0	12,725	0	11,135	0	0	44,850
Net Pension Liability / OPEB Liability	66,021	37,919	40,764	37,358	19,014	18,748	0	219,824
Notes Payable	0	0	0	0	0	98,335	0	98,335
Bonds Payable (Net of Discount/Premium)	3,251,878	13,439,785	0	0	1,270,398	2,666,330	0	20,628,391
Lease Obligations	0	0	0	22,525	0	0	0	22,525
Total Liabilities	\$ 3,641,270	\$ 15,838,557	\$ 95,365	\$ 345,599	\$ 1,389,498	\$ 2,975,959	\$ 0	\$ 24,286,248
DEFERRED INFLOWS OF RESOURCES								
Differences between projected and actual earnings on pension plan	\$ 6,564	\$ 3,770	\$ 4,053	\$ 3,714	\$ 1,891	\$ 1,865	\$ 0	\$ 21,857
Total Deferred Inflows of Resources	\$ 6,564	\$ 3,770	\$ 4,053	\$ 3,714	\$ 1,891	\$ 1,865	\$ 0	\$ 21,857
NET POSITION								
Invested in capital Assets, net of related debt	\$ 7,542,306	\$ 13,653,378	\$ 663,594	\$ 808,221	\$ 570,748	\$ 3,312,464	\$ 0	\$ 26,550,711
Reserve for Depreciation	0	0	0	0	0	0	0	0
Sinking Fund Reserve	32,544	8,136	0	0	34,020	139,640	0	214,340
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	1,288,425	2,234,444	1,608,200	1,787,670	429,473	990,357	0	8,338,569
Total Net Position	\$ 8,863,275	\$ 15,895,958	\$ 2,271,794	\$ 2,595,891	\$ 1,034,241	\$ 4,442,461	\$ 0	\$ 35,103,620
TOTAL LIABILITIES AND NET POSITION	\$ 12,511,109	\$ 31,738,285	\$ 2,371,212	\$ 2,945,204	\$ 2,425,630	\$ 7,420,285	\$ 0	\$ 59,411,725

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, 2019

	Water	Sewer	Gas	Sanitation	Outside Water	Outside Sewer	Utility Deposits	TOTAL
OPERATING REVENUES	\$ 2,685,632	\$ 1,589,344	\$ 1,511,031	\$ 1,564,816	\$ 792,079	\$ 740,024	\$ 0	\$ 8,882,926
OPERATING EXPENSES								
Personnel Costs	\$ 57,912	\$ 38,918	\$ 42,286	\$ 33,824	\$ 20,572	\$ 21,064	\$ 0	\$ 214,576
Gas Purchased	0	0	1,068,210	0	0	0	0	1,068,210
Contractual Services	1,484,061	438,101	532,386	734,380	501,849	185,849	0	3,876,626
Dumping Fees	0	0	0	435,099	0	0	0	435,099
Operational	548,534	240,379	25,559	72,916	124,629	102,313	0	1,114,330
Repairs and Maintenance	66,859	77,459	20,584	27,408	10,347	86,965	0	289,622
Bad Debts	10,955	5,308	2,978	4,334	4,330	3,042	0	30,947
Depreciation	542,390	428,305	74,551	129,391	61,427	204,677	0	1,440,741
Total Operating Expenses	\$ 2,710,711	\$ 1,228,470	\$ 1,766,554	\$ 1,437,552	\$ 723,154	\$ 603,910	\$ 0	\$ 8,470,151
Operating Income (Loss)	\$ (25,079)	\$ 360,874	\$ (255,523)	\$ 127,464	\$ 68,925	\$ 136,114	\$ 0	\$ 412,775
NONOPERATING INCOME (EXPENSES)								
Royalties	\$ 0	\$ 0	\$ 1,995	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,995
Interest Income	16,855	33,261	31,835	36,759	4,312	16,083	0	139,105
Interest Rebate	0	0	0	0	6,692	16,531	0	23,223
Interest Expense	(79,122)	(235,959)	(303)	(852)	(38,264)	(75,719)	0	(430,219)
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0	0	0	0
Grants	480,883	5,386,375	0	0	0	0	0	5,867,258
Total Nonoperating Income (Expense)	\$ 418,616	\$ 5,183,677	\$ 33,527	\$ 35,907	\$ (27,260)	\$ (43,105)	\$ 0	\$ 5,601,362
NET INCOME (LOSS)(Before Transfers)	\$ 393,537	\$ 5,544,551	\$ (221,996)	\$ 163,371	\$ 41,665	\$ 93,009	\$ 0	\$ 6,014,137
TRANSFERS								
Operating Transfers In	\$ 554,083	\$ 0	\$ 20,578	\$ 0	\$ 2,234	\$ 4,563	\$ 0	\$ 581,458
Operating Transfers (Out)	(487,568)	(108)	0	0	0	0	(50,269)	(537,945)
Total Transfers	\$ 66,515	\$ (108)	\$ 20,578	\$ 0	\$ 2,234	\$ 4,563	\$ (50,269)	\$ 43,513
CHANGE IN NET POSITION	\$ 460,052	\$ 5,544,443	\$ (201,418)	\$ 163,371	\$ 43,899	\$ 97,572	\$ (50,269)	\$ 6,057,650
NET POSITION - BEGINNING OF YEAR	\$ 8,403,223	\$ 10,351,515	\$ 2,473,212	\$ 2,432,520	\$ 990,342	\$ 4,344,889	\$ 50,269	\$ 29,045,970
Prior Period Adjustment	0	0	0	0	0	0	0	0
NET POSITION - END OF YEAR	\$ 8,863,275	\$ 15,895,958	\$ 2,271,794	\$ 2,595,891	\$ 1,034,241	\$ 4,442,461	\$ 0	\$ 35,103,620

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Utility Deposits	TOTAL
Cash Received from Customers	\$ 2,397,605	\$ 1,531,344	\$ 1,511,276	\$ 1,548,961	\$ 769,916	\$ 728,949	\$ 0	\$ 8,488,051
Cash Received from Other Operating Revenues	68,904	36,716	19,194	11,494	4,568	8,718	0	149,594
Miscellaneous Revenues	(42,311)	0	0	0	0	0	0	0
Cash Payments for Personnel Costs	(42,311)	(28,236)	(30,612)	(24,677)	(14,899)	(14,273)	0	(155,008)
Cash Payments for Gas Purchases	0	0	(1,068,210)	0	0	0	0	(1,068,210)
Cash Payments for Contractual Services	(1,484,061)	(438,101)	(532,386)	(734,380)	(501,849)	(185,849)	0	(3,876,626)
Cash Payments for Other Operating Expenses	(661,472)	(73,829)	(73,829)	(295,790)	(134,539)	(178,902)	(66,729)	(253,409)
Net Cash Provided by Operating Activities	\$ 278,665	\$ 2,766,393	\$ (174,567)	\$ 505,608	\$ 123,197	\$ 358,643	\$ (66,729)	\$ 3,791,210
Cash Flows from Non-Capital Financing Activities								
Operating Transfers In	\$ 554,083	\$ 0	\$ 20,578	\$ 0	\$ 2,234	\$ 4,563	\$ 0	\$ 581,458
Operating Transfers (Out)	(487,568)	(108)	0	0	0	0	0	(587,676)
Increase (Decrease) in Amounts Due To/From Other Funds	19,222	(3,330)	(299)	11,916	(2,779)	(124)	9,814	34,420
Other	0	0	0	0	0	0	0	0
Net Cash Flows from Non-Capital Financing Activities	\$ 85,737	\$ (3,438)	\$ 20,279	\$ 11,916	\$ (345)	\$ 4,439	\$ (40,455)	\$ 77,933
Cash Flows from Capital Financing Activities								
Interest Expense	\$ (71,854)	\$ (104,901)	\$ (303)	\$ (832)	\$ (34,986)	\$ (76,485)	\$ 0	\$ (289,381)
Interest Rebate	0	0	0	0	0	0	0	0
Purchase/Construction of Fixed Assets	(943,108)	(10,730,053)	(107,023)	(283,494)	(35,212)	(21,787)	0	(12,120,677)
Increase in Restricted Other Receivables	0	0	0	0	0	0	0	0
Grants	480,883	5,386,375	0	0	0	0	0	(884,780)
Proceeds from Asset Dispositions	0	0	0	0	0	0	0	0
Proceeds from Long-Term Debt	569,800	10,291,521	0	26,469	200,200	0	0	11,087,990
Bond Issuance Costs	(4,809)	0	0	0	0	780	0	5,589
Retirement of Principal	(801,222)	(7,153,469)	0	0	(246,297)	(126,165)	0	(8,327,153)
Net Cash Flows from Capital Financing Activities	\$ (760,692)	\$ (3,193,307)	\$ (107,326)	\$ (257,877)	\$ (109,603)	\$ (207,126)	\$ 0	\$ (4,637,931)
Cash Flows from Investing Activities								
Bond Issuance Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Royalties	0	0	1,995	0	0	0	0	1,995
Interest Income	16,835	33,261	31,835	36,759	4,312	16,083	0	139,105
Net Cash Flows from Investing Activities	\$ 16,835	\$ 33,261	\$ 33,830	\$ 36,759	\$ 4,312	\$ 16,083	\$ 0	\$ 141,100
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (379,435)	\$ (399,091)	\$ (227,784)	\$ 296,406	\$ 17,361	\$ 172,039	\$ (107,184)	\$ (627,688)
Cash and Cash Equivalents at Beginning of Year	1,289,183	3,323,740	1,794,888	1,597,039	340,056	882,619	107,184	9,334,711
Cash and Cash Equivalents at End of Year	\$ 909,750	\$ 2,924,649	\$ 1,567,104	\$ 1,893,445	\$ 357,417	\$ 1,054,658	\$ 0	\$ 8,707,023
RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES								
Income (Loss) from Operations	\$ (25,079)	\$ 360,874	\$ (255,523)	\$ 127,464	\$ 68,925	\$ 136,114	\$ 0	\$ 412,775
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:								
Depreciation and Amortization	540,390	428,305	74,551	129,391	61,427	204,677	0	1,440,741
(Increase) Decrease in:								
Customer Accounts Receivable	(208,168)	(15,976)	19,439	(27)	(22,965)	685	0	(227,012)
(Increase) Decrease in Prepaid Expenses	826	0	639	0	0	0	0	1,465
(Increase) Decrease in Deferred Outflows of Resources	2,306	498	579	1,151	99	1,580	0	6,213
Increase (Decrease) in Accounts Payable	(67,895)	1,982,508	(46,760)	239,633	437	10,376	0	2,118,299
Increase (Decrease) in Accrued Expenses	0	0	8,688	0	0	0	0	8,688
Increase (Decrease) in Customer Deposits	20,990	0	12,725	0	9,700	0	0	(23,314)
Increase (Decrease) in Net Pension Liability	12,037	9,233	10,059	7,242	5,055	4,724	0	48,350
Increase (Decrease) in Deferred Inflows of Resources	1,258	951	1,036	754	519	487	0	5,005
Net Cash Provided by Operating Activities	\$ 278,665	\$ 2,766,393	\$ (174,567)	\$ 505,608	\$ 123,197	\$ 358,643	\$ (66,729)	\$ 3,791,210
Noncash Investing, Capital, and Financing Activities:								
Amortization of Bond Premium (Discount)	\$ 1,934	\$ 0	\$ 0	\$ 0	\$ (450)	\$ (780)	\$ 0	\$ 704
Total Noncash Investing, Capital, and Financing Activities:	\$ 1,934	\$ 0	\$ 0	\$ 0	\$ (450)	\$ (780)	\$ 0	\$ 704

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

CITY OF PIKEVILLE EXPOSITION CENTER CORPORATION

Statement of Net Position

June 30, 2019

ASSETS

Current Assets

Cash on Hand and In Bank	\$	843,540
Accounts receivable - Trade		63,662
Allowance For Bad Debts		0
Accounts receivable - Other		41,820
Inventories		53,819
Prepaid Expenses		74,148
Total Current Assets	\$	1,076,989

Property and Equipment

Leasehold Improvements	\$	42,799
Machinery & Equipment		219,021
Computer Equipment		47,923
Vehicles		25,000
Other Assets		8,981
Total Fixed Assets	\$	343,724
Less Accumulated Depreciation		(94,749)
Net Fixed Assets		248,975

Total Assets

\$ 1,325,964

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	151,147
Accrued Payroll and Related Expenses		17,753
Accrued Sales Tax		19,712
Accrued Expenses		1,907
Advance Outlet Sales		39,453
Advance Deposits		300
Deferred Revenue		188,991
Total Current Liabilities	\$	419,263

Long-Term Liabilities

Notes Payable	\$	21,355
		0
		0
Total Net Assets	\$	21,355

Net Assets

Unrestricted	\$	(476,718)
Temporarily Restricted		1,362,064
Permanently Restricted		0
Total Net Assets	\$	885,346

Total Liabilities and Net Assets

\$ 1,325,964

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
UNRESTRICTED NET ASSETS			
Revenues, Gains and Other Support			
Rental	\$ 205,651	\$ 0	\$ 205,651
Food and Beverage Concessions	262,885	0	262,885
Food and Beverage Catering	221,522	0	221,522
Novelty & Other Sales	148,720	0	148,720
Club Seating	2,350	0	2,350
Advertising and Sponsorship	272,087	0	272,087
Tickets	104,225	0	104,225
Miscellaneous Income	634,931	0	634,931
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	459,913	(459,913)	0
Total Revenues, Gains and Other Support	\$ 2,312,284	\$ (459,913)	\$ 1,852,371
Expenses			
Cost of Good Sold			
Catering	\$ 5,887	\$ 0	\$ 5,887
Production Materials	1,133	0	1,133
Food / Beverage / other - Concessions	76,750	0	76,750
Direct Labor - Concessions	31,866	0	31,866
Other Direct Costs - Concessions	29,827	0	29,827
Food / Beverage / other - Catering	141,437	0	141,437
Direct Labor - Catering	14,764	0	14,764
Other Direct Costs - Catering	1,166	0	1,166
Novelty and Costs of Other Sales	8,186	0	8,186
Direct Labor - Novelty	7,201	0	7,201
Promoter Share	110,671	0	110,671
Ticket Service Charge Expense	5,255	0	5,255
Other event costs	419,168	0	419,168
Total Cost of Goods Sold	\$ 853,311	\$ 0	\$ 853,311
Gross Profit	\$ 1,458,973	\$ (459,913)	\$ 999,060
OPERATING EXPENSES			
Personnel Costs	\$ 802,581	\$ 0	\$ 802,581
Contractual Service	183,351	0	183,351
Professional Services	53,662	0	53,662
Operational	104,906	0	104,906
Insurance	61,442	0	61,442
Advertising	106,185	0	106,185
Repairs and Maintenance	172,214	0	172,214
Rent	1,400	0	1,400
Supplies	133,737	0	133,737
Utilities	279,319	0	279,319
Depreciation	56,630	0	56,630
Total Operating Expenses	\$ 1,955,427	\$ 0	\$ 1,955,427
Increase (Decrease) in Net Assets from Operations	\$ (496,454)	\$ (459,913)	\$ (956,367)
Non Operating Revenues and Gains			
City of Pikeville	\$ 0	\$ 237,002	\$ 237,002
Interest Income	19,737	0	19,737
Hotel/Motel Tax	0	56,639	56,639
Sales Tax Rebate	0	63,940	63,940
Total Non Operating Revenues and Gains	\$ 19,737	\$ 357,581	\$ 377,318
Increase (Decrease) in Net Assets	\$ (476,717)	\$ (102,332)	\$ (579,049)
NET ASSETS			
Beginning of Year	(1)	1,464,396	1,464,395
End of Year	\$ (476,718)	\$ 1,362,064	\$ 885,346

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	\$	205,651
Cash Received from Food and Beverage		599,192
Cash Received from Ticket Sales / Seating		106,575
Cash Received from Advertising and Sponsorships		308,610
Cash Received from Other Operating Revenues		783,651
Cash Payments for Personnel Costs		(868,233)
Cash Payments for Contractual Services		(237,013)
Cash Payments for Materials and other direct Costs		(811,753)
Cash Payments for Other Operating Expenses		(914,750)
Net Cash Provided (Used) By Operating Activities	\$	<u>(828,070)</u>

Cash Flows From Investing Activities

Proceeds from Long Term Debt	\$	25,475
Repayment of Long Term Debt		(4,120)
Acquisition of Fixed Assets		<u>(102,580)</u>
Net Cash Flows Provided (Used) Investing Activities		(81,225)

Cash Flow From Financing Activities

Interest Income	\$	19,737
Sales Tax Rebate		63,940
Hotel/Motel Tax Collected		56,639
Contributions from:		
City of Pikeville		<u>237,002</u>
Net Cash Provided (Used) By Financing Activities		377,318
Net Increase In Cash and Cash Equivalents	\$	<u>(531,977)</u>

Cash At Beginning of Year	1,375,517
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Cash At End of Year	<u><u>\$ 843,540</u></u>
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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 \$ (579,049)

Adjustments to Reconcile Net Income to Net Cash Provided

By Operating Activities:

Depreciation Expense 56,630

Non Operating Revenues (377,318)

(Increase) Decrease in:

Accounts receivable - Trade 36,523

Accounts receivable - Other 25,597

Inventory (12,273)

Prepaid Expenses (15,708)

Increase (Decrease) in:

Accounts Payable 36,373

Accrued Payroll and Related Expenses (20,753)

Accrued Sales Tax (11,821)

Accrued Expenses 1,171

Advance Outlet Sales (41,476)

Advance Deposits (6,997)

Deferred Revenue 81,031

Net Cash Provided (Used) By Operating Activities \$ (828,070)

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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

	<u>2019</u>	<u>2018</u>
<u>A) Water Fund</u>		
Marions Branch	<u>\$ 32,544</u>	<u>\$ 21,696</u>
<u>B) Gas Fund</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>C) Sewer Fund</u>		
Marions Branch	<u>\$ 8,136</u>	<u>\$ 5,424</u>
<u>D) Outside Water</u>		
Taxable Series 2010S-2	<u>\$ 34,020</u>	<u>\$ 30,240</u>
<u>E) Outside Sewer</u>		
Reserve for Sinking Fund		
Taxable Series 2010S-1	\$ 55,620	\$ 49,440
Taxable Series 2010S-2	34,020	30,240
KIA Loan # A00-03	50,000	50,000
Total Outside Sewer	<u>\$ 139,640</u>	<u>\$ 129,680</u>
Total Reserve for Sinking		
Fund Balance	<u>\$ 214,340</u>	<u>\$ 187,040</u>

Reserve Funding:

	<u>Required</u>	<u>Cash</u>	<u>Over (Under)</u>
A) Water Fund	\$ 32,544	\$ 58,916	\$ 26,372
B) Gas Fund	0	0	0
C) Sewer Fund	8,136	14,729	6,593
D) Outside Water	34,020	67,454	33,434
E) Outside Sewer	139,640	205,006	65,366
	<u>\$ 214,340</u>	<u>\$ 346,105</u>	<u>\$ 131,765</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 2019 fiscal year was based, was \$512,237,594 real and \$108,986,719 tangible.

The tax rates assessed for the year ended June 30, 2019 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, 2019 were 98.554% 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, 2019 and 2018 are composed of the following:

<u>Year of Levy</u>	<u>2019 Amount</u>	<u>2018 Amount</u>
2018	\$ 12,226	\$ 0
2017	8,485	13,192
2016	6,450	8,148
2015	4,909	5,673
2014	3,343	3,670
2013	2,339	2,673
2012	2,142	2,239
2011	3,574	3,718
2010	2,797	3,247
2009	3,682	3,808
2008	3,799	3,530
2007	2,773	2,765
2006	3,473	3,680
2005	3,310	3,499
2004	5,269	5,286
2003	4,155	4,172
2002	0	4,791
	<u>\$ 72,726</u>	<u>\$ 74,091</u>
Less: Allowance for doubtful accounts	67,080	66,179
Net Property Taxes Receivable	<u>\$ 5,646</u>	<u>\$ 7,912</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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.

2019	Gas	Water	Sewer	Sanitation	Outside Water	Outside Sewer	TOTAL
Total Accounts Receivable	\$ 139,259	\$ 551,472	\$ 215,839	\$ 221,622	\$ 153,628	\$ 145,686	\$ 1,427,506
Less: Allowance for Doubtfull Accounts	9,096	24,567	14,074	14,122	10,022	9,499	81,380
Net Receivables	<u>\$ 130,163</u>	<u>\$ 526,905</u>	<u>\$ 201,765</u>	<u>\$ 207,500</u>	<u>\$ 143,606</u>	<u>\$ 136,187</u>	<u>\$ 1,346,126</u>

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 Doubtfull 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>

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, 2019 and 2018, respectively was \$108,243 and \$99,114.

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, 2019

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 December 6, 2019, which is the date the financial statements were available for review.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019.

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	\$ 7,565,000	\$ 4,125,000	\$ 430,000	\$ 11,260,000
Plus: Premium	128,709	0	8,524	120,185
Less: Discount	(59,806)	(39,145)	(5,119)	(93,832)
Net General Obligation Bonds	\$ 7,633,903	\$ 4,085,855	\$ 433,405	\$ 11,286,353
Revenue Bonds	6,111,500	10,500,000	112,000	16,499,500
Notes Payable	225,404		62,965	162,439
Total	<u>\$ 13,970,807</u>	<u>\$ 14,585,855</u>	<u>\$ 608,370</u>	<u>\$ 27,948,292</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE C - LONG-TERM DEBT (Continued)

Bonds and Notes Payable at June 30, 2019 are comprised of the following:

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 \$27,569.38 (2020) and \$167,569.38 (2020); \$26,169.38 (2021); \$166,169.38 (2021). 2,100,000

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 \$16,252.50 (2020); \$46,252.50 (2020) and \$15,922.50 (2021); \$50,922.50 (2021). 945,000

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 \$5,281.25 (2020) and \$145,281.25 (2020); \$3,881.25 (2021); and \$148,881.25 (2021). 485,000

Community Trust Bank \$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 \$194,246.88 (2020); \$52,146.88 (2020); \$187,146.88 (2021); and \$50,121.88 (2021). 3,605,000

Community Trust Bank \$4,125,000 Series 2019 maturing though December 1, 2043, with interest of 3.1490446% with the balance of principal due December 1, 2043. Payments due are \$177,180.00 (2020); \$65,530.00 (2020); \$185,530.00 (2021) and \$63,730.00 (2021). 4,125,000

Total General Obligation Bonds \$ 11,260,000

Plus: Premiums 120,185

Less: Discounts (93,832)

Net General Obligation Bonds Payable \$ 11,286,353

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 \$14,827.50 (2020); \$43,327.50 (2020); \$14,506.88 (2021); and \$44,006.88 (2021);. \$ 1,318,000

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 \$20,168.75 (2020); \$55,168.75 (2020); \$19,731.25 (2021); and \$55,731.25 (2021);. 1,613,500

USDA Rural Development \$3,166,000 Water and Sewer Revenue Bonds Series 2016A maturing through January 1, 2055, with interest at 2.25% and is secured by system revenues. Payments in the amount of \$34,515.00 (2020); \$85,515.00 (2020); \$33,941.25 (2021); and \$86,441.25 (2021). 3,068,000

USDA Rural Development \$5,500,000 Water and Sewer Revenue Bonds Series 2017A maturing through January 1, 2057, with interest at 2.50% and is secured by system revenues. Payments in the amount of \$68,750.00 (2020); \$157,250.00 (2020); \$67,643.75 (2021); and \$158,143.75 (2021). 5,500,000

USDA Rural Development \$5,000,000 Water and Sewer Revenue Bonds Series 2017B maturing through January 1, 2057, with interest at 2.50% and is secured by system revenues. Payments in the amount of \$62,500.00 (2020); \$143,000.00 (2020); \$61,493.75 (2021); and \$143,993.75 (2021). 5,000,000

Total Revenue Bonds \$ 16,499,500

Total Bonds Payable \$ 27,785,853

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 \$33,532.66 (2020); \$33,500.76 (2020); \$33,468.57 (2021) and \$33,436.07 (2021).

\$ 162,439

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

0

Total \$ 27,948,292

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE C - LONG-TERM DEBT (Concluded)

CURRENT MATURITIES

The maturities of the Bonds Payable are as follows:

Principal Portion

		General Obligation / Revenue Bonds						TOTAL
		General Obligation	Water	Sewer	Outside Sewer	Outside Water	Proprietary	
2,020	\$	295,000	\$ 232,600	\$ 204,200	\$ 63,800	\$ 47,900	\$ 548,500	\$ 843,500
2,021		305,000	238,800	203,500	70,200	48,500	561,000	866,000
2,022		315,000	243,700	243,300	70,800	50,700	608,500	923,500
2,023		315,000	154,900	377,600	72,300	51,200	656,000	971,000
2,024		330,000	104,800	442,900	72,800	53,500	674,000	1,004,000
2,025	2,029	1,800,000	494,700	2,205,200	402,200	265,400	3,367,500	5,167,500
2,030	2,034	1,615,000	282,400	1,626,600	449,950	204,050	2,563,000	4,178,000
2,035	2,039	1,165,000	323,600	1,731,900	505,550	239,950	2,801,000	3,966,000
2,040	2,044	530,000	370,400	1,547,100	488,250	151,250	2,557,000	3,087,000
2,045	2,049	0	424,400	1,751,100	450,250	171,250	2,797,000	2,797,000
2,050	2,054	0	486,000	1,982,000	95,250	34,750	2,598,000	2,598,000
2,055	2,059	0	104,800	1,253,200	0	0	1,358,000	1,358,000
2,060	2,064	0	0	0	0	0	0	0
		<u>\$ 6,670,000</u>	<u>\$ 3,461,100</u>	<u>\$ 13,568,600</u>	<u>\$ 2,741,350</u>	<u>\$ 1,318,450</u>	<u>\$ 21,089,500</u>	<u>\$ 27,759,500</u>

Interest Portion

		General Obligation	General Obligation / Revenue Bonds				TOTAL
			Water	Sewer	Outside Water	Outside Sewer	
2020	\$	200,523.76	\$ 80,201.50	\$ 349,810.01	\$ 36,557.05	\$ 71,166.00	\$ 738,258.32
2021		192,923.76	74,916.00	344,677.14	35,305.15	69,696.00	717,518.05
2022		184,818.76	69,085.50	338,987.51	34,019.05	68,083.00	694,993.82
2023		176,528.76	63,172.50	330,703.64	32,692.15	66,455.00	669,552.05
2024		167,835.00	59,202.00	319,463.01	31,218.95	64,591.00	642,309.96
2025	2029	696,362.54	253,497.00	1,407,264.94	132,818.65	293,005.00	2,782,948.13
2030	2034	419,850.02	208,512.00	1,160,984.32	101,002.60	238,222.00	2,128,570.94
2035	2039	201,072.50	174,487.50	938,337.53	67,864.10	171,630.00	1,553,391.63
2040	2044	50,937.50	135,513.00	736,315.76	37,281.25	99,629.00	1,059,676.51
2045	2049	0.00	90,859.50	534,052.38	17,400.00	43,343.00	685,654.88
2050	2054	0.00	39,721.50	305,117.88	868.75	2,230.00	347,938.13
2055	2059	0.00	1,179.00	62,007.25	0.00	0.00	63,186.25
		<u>\$ 2,290,852.60</u>	<u>\$ 1,250,347.00</u>	<u>\$ 6,827,721.37</u>	<u>\$ 527,027.70</u>	<u>\$ 1,188,050.00</u>	<u>\$ 12,083,998.67</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

The maturities of Notes Payable are as follows

	Proprietary Funds		
	Principal	Interest	Total
2020	\$ 64,104	\$ 2,637	\$ 66,740
2021	65,263	1,478	66,740
2022	33,073	298	33,370
2023			0
2024			0
2025-2029			0
	<u>\$ 162,439</u>	<u>\$ 4,412</u>	<u>\$ 166,851</u>

NOTE D - LEASE COMMITMENTS

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

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.

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.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE E – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2019.

CHANGES IN FIXED ASSETS – GOVERNMENTAL ACTIVITIESASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	\$ 32,228,156	\$ 415,841	\$ 6,815	\$ 32,637,182
Land	14,437,188	0	63,503	14,373,685
Vehicles	5,458,119	0	274,283	5,183,836
Equipment	4,863,234	365,541	0	5,228,775
Infrastructure	56,101,339	0	0	56,101,339
Intangible right-to-use Lease	0	436,673	0	436,673
	<u>\$ 113,088,036</u>	<u>\$ 1,218,055</u>	<u>\$ 344,601</u>	<u>\$ 113,961,490</u>
Construction In Progress	2,672,730	8,139,303	5,486,366	5,325,667
TOTALS	<u>\$ 115,760,766</u>	<u>\$ 9,357,358</u>	<u>\$ 5,830,967</u>	<u>\$ 119,287,157</u>

ACCUMULATED DEPRECIATION / AMORTIZATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 12,356,891	\$ 879,729	\$ 4,251	\$ 13,232,369
Vehicles	4,399,159	272,391	246,481	4,425,069
Equipment	3,452,431	341,301	0	3,793,732
Infrastructure	31,401,835	745,936	0	32,147,771
Amortization -				
Intangible right-to-use Lease	0	42,251	0	42,251
TOTALS	<u>\$ 51,610,316</u>	<u>\$ 2,281,608</u>	<u>\$ 250,732</u>	<u>\$ 53,641,192</u>
NET ASSETS	<u>\$ 64,150,450</u>			<u>\$ 65,645,965</u>

Depreciation expense was charged to Governmental Activities

General Government	\$ 904,824
Public Safety	234,916
Streets	884,643
Recreation and Parks	257,225
Total Depreciation Expense Governmental Activities	<u>\$ 2,281,608</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019

CHANGES IN FIXED ASSETS - GAS FUND

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Land	\$ 138,000	\$ 0	\$ 0	\$ 138,000
Plant and Distribution System	2,339,123	74,414	42,750	2,370,787
Equipment	437,138	138,551	25,085	550,604
Vehicles	258,072	0	0	258,072
	\$ 3,172,333	\$ 212,965	\$ 67,835	\$ 3,317,463
Construction in Progress	105,942	9,680	115,622	0
TOTALS	\$ 3,278,275	\$ 222,645	\$ 183,457	\$ 3,317,463

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 2,166,974	\$ 18,495	\$ 42,750	\$ 2,142,719
Equipment	267,617	35,138	25,085	277,670
Vehicles	212,562	20,918	0	233,480
TOTALS	\$ 2,647,153	\$ 74,551	\$ 67,835	\$ 2,653,869
NET ASSETS	\$ 631,122			\$ 663,594

CHANGES IN FIXED ASSETS - WATER

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 21,022,556	\$ 289,226	\$ 50,039	\$ 21,261,743
Equipment	724,679	632,798	11,799	1,345,678
Vehicles	201,663	0	18,889	182,774
	\$ 21,948,898	\$ 922,024	\$ 80,727	\$ 22,790,195
Construction in Process	567,733	602,332	581,248	588,817
TOTALS	\$ 22,516,631	\$ 1,524,356	\$ 661,975	\$ 23,379,012

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Plant and Distribution System	\$ 11,248,535	\$ 480,795	\$ 50,039	\$ 11,679,291
Equipment	469,101	45,870	11,799	503,172
Vehicles	172,929	15,725	18,889	169,765
TOTALS	\$ 11,890,565	\$ 542,390	\$ 80,727	\$ 12,352,228
NET ASSETS	\$ 10,626,066			\$ 11,026,784

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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

CHANGES IN FIXED ASSETS – SEWER

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 17,907,351	\$ 109,968	\$ 0	\$ 18,017,319
Equipment	346,339	26,685	0	373,024
Vehicles	274,479	0	32,395	242,084
	\$ 18,528,169	\$ 136,653	\$ 32,395	\$ 18,632,427
Construction In Progress	9,366,243	10,593,400	0	19,959,643
TOTALS	\$ 27,894,412	\$ 10,730,053	\$ 32,395	\$ 38,592,070

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 10,387,407	\$ 391,145	\$ 0	\$ 10,778,552
Equipment	328,313	10,978	0	339,291
Vehicles	183,077	26,182	32,395	176,864
TOTALS	\$ 10,898,797	\$ 428,305	\$ 32,395	\$ 11,294,707
NET ASSETS	\$ 16,995,615			\$ 27,297,363

CHANGES IN FIXED ASSETS – SANITATION

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Property and Plant	\$ 238,915	\$ 0	\$ 0	\$ 238,915
Equipment	554,850	87,774	0	642,624
Vehicles	1,511,791	167,056	92,800	1,586,047
Intangible right-to-use Lease Asset	0	28,664	0	28,664
	\$ 2,305,556	\$ 283,494	\$ 92,800	\$ 2,496,250
Construction in progress	0	0	0	0
TOTALS	\$ 2,305,556	\$ 283,494	\$ 92,800	\$ 2,496,250

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Property and Plant	\$ 140,569	\$ 16,273	\$ 0	\$ 156,842
Equipment	454,913	32,584	0	487,497
Vehicles	1,029,487	77,190	92,800	1,013,877
Amortization - Intangible right-to-use Lease Asset	0	3,344	0	3,344
TOTALS	\$ 1,624,969	\$ 129,391	\$ 92,800	\$ 1,661,560
NET ASSETS	\$ 680,587			\$ 834,690

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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

<u>ASSETS</u>				
Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 2,134,766	\$ 0	\$ 0	\$ 2,134,766
Equipment	81,844	212,051	10,272	283,623
Vehicles	79,518	0	0	79,518
	<u>\$ 2,296,128</u>	<u>\$ 212,051</u>	<u>\$ 10,272</u>	<u>\$ 2,497,907</u>
Construction in progress	176,839	27,383	204,222	0
TOTALS	<u>\$ 2,472,967</u>	<u>\$ 239,434</u>	<u>\$ 214,494</u>	<u>\$ 2,497,907</u>

ACCUMULATED DEPRECIATION

Description	Beginning	Additions	Deletions	Ending
Distribution System	\$ 435,475	\$ 53,363	\$ 0	\$ 488,838
Equipment	42,712	8,064	10,272	40,504
Vehicles	79,519	0	0	79,519
TOTALS	<u>\$ 557,706</u>	<u>\$ 61,427</u>	<u>\$ 10,272</u>	<u>\$ 608,861</u>
NET ASSETS	<u>\$ 1,915,261</u>			<u>\$ 1,889,046</u>

CHANGES IN FIXED ASSETS – OUTSIDE SEWER

<u>ASSETS</u>				
Description	Beginning Cost	Additions	Deletions	Ending Cost
Distribution System	\$ 7,589,031	\$ 0	\$ 0	\$ 7,589,031
Equipment	267,245	21,786	0	289,031
Vehicles	36,825	0	0	36,825
	<u>\$ 7,893,101</u>	<u>\$ 21,786</u>	<u>\$ 0</u>	<u>\$ 7,914,887</u>
Constructruction in progress	55,032	0	0	55,032
TOTALS	<u>\$ 7,948,133</u>	<u>\$ 21,786</u>	<u>\$ 0</u>	<u>\$ 7,969,919</u>

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Distribution System	\$ 1,379,943	\$ 189,610	\$ 0	\$ 1,569,553
Equipment	143,442	15,066	0	158,508
Vehicles	36,825	0	0	36,825
TOTALS	<u>\$ 1,560,210</u>	<u>\$ 204,676</u>	<u>\$ 0</u>	<u>\$ 1,764,886</u>
NET ASSETS	<u>\$ 6,387,923</u>			<u>\$ 6,205,033</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

NET Fixed Assets:

<u>Fund</u>	<u>Beginning</u>	<u>Ending</u>
Gas	\$ 631,122	\$ 663,594
Water	10,626,066	11,026,784
Sewer	16,995,615	27,297,363
Sanitation	680,587	834,690
Outside Water	1,915,261	1,889,046
Outside Sewer	6,387,923	6,205,033
	<u>\$ 37,236,574</u>	<u>\$ 47,916,510</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 \$359,837.89.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE J - RETIREMENT PLAN (Continued)

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.

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, 2019, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2018 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, 2018. At June 30, 2018, the City's proportion was 0.096301% non-hazardous and 0.273787% hazardous.

Covered Payroll and Contribution Data					
Year	Rate – Non-hazardous		Amount		
	Employee	Employer	Covered Wages	Employee	Employer
2019	5.00%	21.48%	\$ 2,756,429	\$ 155,531	\$ 592,081
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

Year	Rate – Hazardous		Amount		
	Employee	Employer	Covered Wages	Employee	Employer
2019	8.00%	35.34%	\$ 1,339,837	\$ 107,187	\$ 473,498
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

Year	Total Amount		
	Covered Wages	Employee	Employer
2017	\$ 4,096,266	\$ 262,718	\$ 1,065,579
2016	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, 2019

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	\$ 191,301
Changes of Assumptions	573,183
Investment Experience	272,728
Change in Proportion & Differences Between Employer Contributions & Proportionate Share of Plan Contributions	446,442
Total Deferred Outflows	<u>\$ 1,483,654</u>
Deferred Inflows of Resources for:	
Liability Experience	\$ 85,852
Changes of Assumptions	0
Investment Experience	343,053
Change in Proportion & Differences Between Employer Contributions & Proportionate Share of Plan Contributions	0
Total Deferred Inflows	<u>\$ 428,905</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:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008- June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%
Investment Rate of Return	7.50% for CERS Non-hazardous and Hazardous.

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 1 years for females). For disabled members, the RP-200 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, 2019

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		
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity		
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed		
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	6.09%

Discount Rate: The discount rate used to measure the total pension liability was 5.25%. 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE J - RETIREMENT PLAN (concluded)

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 %, 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 (5.25 %) or 1-percentage-point higher (7.25 %) than the current rate:

City's proportionate share of the net pension liability:			
	1 % Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25)
Non-hazardous	\$ 7,383,458	\$ 5,865,024	\$ 4,592,843
Hazardous	8,296,207	6,621,421	5,236,897
	<u>\$ 15,679,665</u>	<u>\$ 12,486,445</u>	<u>\$ 9,829,740</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 publicly 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 State 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, 2019

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, 2019, the City reported a liability of \$3,661,849 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, 2018, 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, 2018, the City's proportion was .096298 percent non-hazardous, which was an increase of .008644% from its proportion measured as of June 30, 2017 (.087654 percent). The City's proportion was .273802 percent hazardous, which was a decrease of .011878% from its proportion measured as of June 30, 2017 (.285680 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	\$ 1,709,752
Hazardous	1,952,097
Total	<u>\$ 3,661,849</u>

For the year ended June 30, 2019, the City recognized OPEB expense of:

Non-Hazardous	\$ 239,070
Hazardous	310,092
Total	<u>\$ 549,162</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, 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	\$ 199,249	\$ 218,153	\$ 417,402
Changes of assumptions	341,463	599,045	940,508	3,950	5,340	9,290
Investment Experience	0	0	0	117,768	185,582	303,350
Changes in proportion and differences between District contributions and proportionate share of contributions	115,112	0	115,112	3,314	62,050	65,364
District contributions subsequent to the measurement date	0	0	0	0	0	0
Total	\$ 456,575	\$ 599,045	\$ 1,055,620	\$ 324,281	\$ 471,125	\$ 795,406

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	\$ 27,030	\$ 207,345
2020	27,030	207,345
2021	27,030	207,345
2022	49,903	96,926
2023	6,038	0
Thereafter	-4,957	0
	\$ 291,172	\$ 718,961

Actuarial assumptions – The total OPEB liability in the June 30, 2018 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	
Under 65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Ages 65 and older	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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	All Insurance	
	Target Allocation	Long-Term Expected Real Rate of Return
US Equity		
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity		
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed		
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate - The projection of cash flows used to determine the discount rate of 5.86% for KERS Non-hazardous, 5.88% for KERS Hazardous, 5.85% for CERS Non-hazardous, and 5.97% 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, 2019

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 (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase Rate (6.85%)</u>
City's net OPEB liability			
Non Hazardous	\$ 2,220,694	\$ 1,709,752	\$ 1,274,523
	<u>Rate (4.97%)</u>	<u>Rate (5.97%)</u>	<u>Rate (6.97%)</u>
Hazardous	\$ 2,713,511	\$ 1,952,097	\$ 1,342,565

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:

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City's net OPEB liability			
Non-Hazardous	\$ 1,274,523	\$ 1,709,752	\$ 2,224,642
Hazardous	\$ 1,329,472	\$ 1,952,097	\$ 2,723,244

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>
2019	\$ 24,270	\$ 9,300
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
2013	\$ 18,485	\$ 4,105
2012	\$ 19,377	\$ 5,470
2011	\$ 17,127	\$ 4,865
2010	\$ 16,197	\$ 5,630
2009	\$ 14,685	\$ 6,665

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the carrying amount of the City's deposits with financial institutions was \$32,331,453 and the bank balance, per statements, was \$33,644,604. The bank balance is categorized as follows:

Amount Insured by FDIC	\$ 1,013,368
Amount collateralized with an FHLB letter of credit (\$32,699,094):	32,627,900
Amount collateralized with securities held by third party in the City's name:	3,336
Uncollateralized (\$0 of this amount is collateralized with securities held by pledging financial institution)	0
Total Bank Balance	<u>\$ 33,644,604</u>

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%	\$ 691,128
1 year	0.200%	47,381
1 year	0.260%	154,370
1 year	0.300%	457,130
1 year	0.400%	7,483,636
1 year	0.900%	69,480
1 year	2.270%	23,157,404
Non Interest Bearing		270,924
		<u>\$ 32,331,453</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE P – FUTURE ACCOUNTING PRONOUNCEMENTS

The GASB has issued several reporting standards that will become effective for fiscal 2020 and later years' financial statements.

- Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations.
- Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments.
- Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements
- Statement No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period, the objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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 on written notice by Model City Day Care Center, Inc. of its intent to renew 180 days prior to the end of the term of the lease or any renewal thereof. Any renewal is contingent on the Model City Day Care Center, Inc. being in substantial compliance with this agreement.

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

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

Pikeville Independent Board of Education - Use of the Hambley Athletic Complex for consideration of \$20,000 per year for the life of the general obligation bonds; \$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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE P - LEASE AGREEMENTS (concluded)

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.

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).

Muddy Boots – Lease agreement to operate the City's river trails, zip line, and Equestrian Barn. Lease was renewed in November 2018 for a term of one year.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE Q – INTER FUND TRANSFERS

General	Appalachian Center for the Arts	Debt Service	\$ 192,839
	Event Center / Pool Station		
General	Debt Service	Debt Service	42,392
General	Tourism	Operating	2,016,816
General	Projects Control	Fixed Assets	748,660
	Event Center / Pool Station		
General	Debt Service	Debt Service	58,950
Coal Severance	Projects Control	Fixed Assets	492,000
Projects Control	Water	Fixed Assets	524,395
Meter deposit	Gas	Operating	20,578
Meter deposit	Water	Operating	29,580
Meter deposit	Outside Water	Operating	112
Sewer	Water	Operating	108
Water	Projects Control	Fixed Assets	480,883
Water	Outside Water	Operating	2,122
Water	Outside Sewer	Operating	4,563
			<u>\$ 4,613,998</u>

NOTE R – INTER FUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2019:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Purpose</u>	<u>Amount</u>
General	Outside Water	Operating	\$ 19,208
Cashflow	General	Operating	126
Water	Cashflow	Operating	4,808
Sewer	Cashflow	Operating	3,330
Cashflow	Gas	Operating	2,790
Cashflow	Sanitation	Operating	8,220
Outside Water	Cashflow	Operating	1,107
Outside Sewer	Cashflow	Operating	122
	Total All Funds		<u>\$ 39,711</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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
2019	7,318,110	399,965	410,955	9.02

NOTE T - SUBSEQUENT EVENTS

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 – RELATED PARTY TRANSACTIONS

During the current fiscal year, the City sold the Spec. Building constructed at the Kentucky Enterprise Park to Silverliner, LLC for consideration of \$1,000,000. The total cost of the project was \$5,108,610. This project was primarily funded through a grant from Abandon Mine Lands.

To assist Silverliner, LLC the City granted \$1,000,000 to complete the fixup project. This was started in 2019 and will be completed in fiscal year 2020.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019NOTE V - LEASE OBLIGATIONS

The City has elected to implement GASB Statement No. 87, Leases, the objective of which is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

<u>Government Funds</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 91,573	\$ 24,205	\$ 117,798
2021	92,089	19,472	113,582
2022	97,010	14,550	113,582
2023	101,561	9,369	112,953
2024	107,895	2,669	112,588
2025-2029	0	0	0
	<u>\$ 490,128</u>	<u>\$ 70,265</u>	<u>\$ 570,503</u>

<u>Proprietary Funds</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,944	\$ 1,464	\$ 7,428
2021	4,184	1,223	7,428
2022	4,439	968	7,429
2023	4,710	698	7,431
2024	9,191	207	11,422
2025-2029	0	0	0
	<u>\$ 26,468</u>	<u>\$ 4,560</u>	<u>\$ 41,138</u>

PITNEY BOWES - A five-year lease for a postage machine for city hall, and fire station. Quarterly payments are in the amounts of \$897.12, 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.

Enterprise Fleet Management (6866) – entered into a five-year lease for a vehicle on September 14, 2018. Monthly payments of \$496.98 are due, with the first payment made on September 20, 2018. The City guarantees the lessor will receive the fair market value (\$7,831.29) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.70%.

Enterprise Fleet Management (3136) – entered into a five-year lease for a vehicle on November 8, 2018. Monthly payments of \$450.34 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$6,937.69) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE V - LEASE OBLIGATIONS (Continued)

Enterprise Fleet Management (7327) – entered into a five-year lease for a vehicle on November 15, 2018. Monthly payments of \$463.09 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$5,181.62) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

Enterprise Fleet Management (7328) – entered into a five-year lease for a vehicle on November 16, 2018. Monthly payments of \$463.09 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$5,198.43) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

Enterprise Fleet Management (3350) – entered into a five-year lease for a vehicle on November 20, 2018. Monthly payments of \$768.61 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$4,207.89) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

Enterprise Fleet Management (5058) – entered into a five-year lease for a vehicle on November 20, 2018. Monthly payments of \$483.14 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$7,662.60) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

Enterprise Fleet Management (5059) – entered into a five-year lease for a vehicle on November 20, 2018. Monthly payments of \$450.63 are due, with the first payment made on December 20, 2018. The City guarantees the lessor will receive the fair market value (\$7,145.19) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

Enterprise Fleet Management (1960) – entered into a five-year lease for a vehicle on January 14, 2019. Monthly payments of \$661.43 are due, with the first payment made on February 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,406.29) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.46%.

Enterprise Fleet Management (6551) – entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.50%.

Enterprise Fleet Management (6552) – entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.50%.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE V - LEASE OBLIGATIONS (Concluded)

Enterprise Fleet Management (6553) – entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.50%.

Enterprise Fleet Management (6554) – entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.50%.

Enterprise Fleet Management (6555) – entered into a five-year lease for a vehicle on March 11, 2019. Monthly payments of \$679.35 are due, with the first payment made on April 20, 2019. The City guarantees the lessor will receive the fair market value (\$3,522.82) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.50%.

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, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 999,000	\$ 1,019,000	\$ 1,094,079	\$ 75,079
Franchise Taxes	655,000	655,000	762,640	107,640
Occupational License Fees	8,375,000	10,050,000	10,185,101	135,101
Other Taxes	2,335,000	2,359,227	2,390,630	31,403
Permits and Fees	112,000	72,000	91,344	19,344
Grants - Federal	1,350,050	1,350,050	897,595	(452,455)
Grants - State	399,700	399,700	409,711	10,011
Other Grants	52,012	55,012	91,491	36,479
Interest Income	68,000	69,500	345,973	276,473
Other Revenue	1,032,315	1,112,335	1,307,016	194,681
Total Revenues	<u>\$ 15,378,077</u>	<u>\$ 17,141,824</u>	<u>\$ 17,575,580</u>	<u>\$ 433,756</u>
EXPENDITURES				
CURRENT				
General Government	\$ 4,971,158	\$ 6,073,916	\$ 4,796,238	\$ 1,277,678
Public Safety				
Police	2,652,528	2,897,710	2,626,356	271,354
Fire	2,902,069	2,963,271	2,799,226	164,045
Ambulance Service	138,900	138,900	129,605	9,295
Dispatch Service	504,446	514,496	422,688	91,808
Codes	344,454	351,058	251,885	99,173
911	316,624	323,124	313,752	9,372
Emergency Shelter	11,000	26,000	21,000	5,000
Streets	3,096,594	3,764,971	3,020,080	744,891
Parking Garage	108,800	108,800	87,192	21,608
Recreation	932,325	1,174,254	980,657	193,597
Fiber	615,242	615,242	93,736	521,506
Tourism	468,694	658,109	617,076	41,033
Lake Cleanup	85,930	86,430	72,131	14,299
Landscape	107,866	107,866	99,512	8,354
Capital Outlay	0	0	0	0
Debt Service	0	0	0	0
Principal Retirement	21,141	75,166	51,370	23,796
Interest	0	31,620	30,337	1,283
Grants / Loan Advances	141,000	151,000	140,618	10,382
Total Expenditures	<u>\$ 17,418,771</u>	<u>\$ 20,061,933</u>	<u>\$ 16,553,459</u>	<u>\$ 3,508,474</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (2,040,694)</u>	<u>\$ (2,920,109)</u>	<u>\$ 1,022,121</u>	<u>\$ 3,942,230</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Fixed Assets	5,000	1,451,139	1,141,510	(309,629)
Inception of Leases	0	0	436,673	436,673
East Kentucky Exposition Center / Tourism	1,392,980	1,406,363	1,766,590	360,227
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	(2,301,099)	(3,164,549)	(3,059,657)	104,892
Total Other Financing Sources (Uses)	<u>\$ (903,119)</u>	<u>\$ (307,047)</u>	<u>\$ 285,116</u>	<u>\$ 592,163</u>
Net Change In Fund Balance	\$ (2,943,813)	\$ (3,227,156)	\$ 1,307,237	\$ 4,534,393
FUND BALANCES - BEGINNING OF YEAR	2,944,342	3,229,006	15,032,115	11,803,109
FUND BALANCES-END OF YEAR	<u>\$ 529</u>	<u>\$ 1,850</u>	<u>\$ 16,339,352</u>	<u>\$ 16,337,502</u>

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

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES AND EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - COAL SEVERANCE
For The Year End June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenue	\$ 230,000	\$ 189,630	\$ 201,580	\$ 11,950
Other Grants	0	0	0	0
Interest Income	6,000	6,000	24,022	18,022
Other Revenue	0	0	0	0
TOTAL REVENUES	<u>\$ 236,000</u>	<u>\$ 195,630</u>	<u>\$ 225,602</u>	<u>\$ 29,972</u>
EXPENDITURES				
Current				
General Government	\$ 0	\$ 0	\$ 0	\$ 0
Grants / Loan Advances				
Animal Shelter	0	0	0	0
Big Sandy Heritage Center	0	0	0	0
Senior Citizens Center	30,000	30,000	30,000	0
Capital Outlay	525,534	393,534	204,777	188,757
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
TOTAL EXPENDITURES	<u>\$ 555,534</u>	<u>\$ 423,534</u>	<u>\$ 234,777</u>	<u>\$ 188,757</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (319,534)</u>	<u>\$ (227,904)</u>	<u>\$ (9,175)</u>	<u>\$ (158,785)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	0	(492,000)	(492,000)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 0</u>	<u>\$ (492,000)</u>	<u>\$ (492,000)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCE	<u>\$ (319,534)</u>	<u>\$ (719,904)</u>	<u>\$ (501,175)</u>	<u>\$ (158,785)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>320,000</u>	<u>720,500</u>	<u>1,267,000</u>	<u>546,500</u>
FUND BALANCE - END OF YEAR	<u>\$ 466</u>	<u>\$ 596</u>	<u>\$ 765,825</u>	<u>\$ 387,715</u>

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - CAPITAL PROJECTS - PROJECTS CONTROL
For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$ 14,528,898	\$ 13,384,221	\$ 3,290,926	\$ (10,093,295)
State Grants	8,116,146	7,710,346	3,217,237	(4,493,109)
Other Grants	0	0	0	0
Interest	0	139	25,912	25,773
Miscellaneous	0	0	0	0
Total Revenues	<u>\$ 22,645,044</u>	<u>\$ 21,094,706</u>	<u>\$ 6,534,075</u>	<u>\$ (14,560,631)</u>
EXPENDITURES				
Miscellaneous	\$ 0	\$ 0	\$ 0	\$ 0
Capital Outlay	27,992,123	26,817,600	7,494,751	19,322,849
Grants to Others	0	0	0	0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>\$ 27,992,123</u>	<u>\$ 26,817,600</u>	<u>\$ 7,494,751</u>	<u>\$ 19,322,849</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (5,347,079)</u>	<u>\$ (5,722,894)</u>	<u>\$ (960,676)</u>	<u>\$ 4,762,218</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Long-Term Debt	\$ 5,000,000	\$ 4,157,711	\$ 4,157,711	\$ 0
Operating Transfers In	120,000	1,853,287	1,721,543	(131,744)
Operating Transfers (Out)	(698,483)	(1,329,770)	(524,395)	805,375
Total Other Financing Sources (Uses)	<u>\$ 4,421,517</u>	<u>\$ 4,681,228</u>	<u>\$ 5,354,859</u>	<u>\$ 673,631</u>
NET CHANGE IN FUND BALANCE	\$ (925,562)	\$ (1,041,666)	\$ 4,394,183	\$ 5,435,849
FUND BALANCE - BEGINNING OF YEAR	925,562	1,041,666	1,952,331	910,665
FUND BALANCE - END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,346,514</u>	<u>\$ 6,346,514</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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$ 2,274,697	\$ 2,303,697	\$ 2,616,728	\$ 313,031
Service Charges	12,000	38,000	43,854	5,854
Penalties and Services	10,000	10,000	17,380	7,380
Water Tap Fees	15,000	15,000	7,670	(7,330)
Miscellaneous	0	0	0	0
TOTAL REVENUE	\$ 2,311,697	\$ 2,366,697	\$ 2,685,632	\$ 318,935
OPERATING EXPENSES				
Personnel Costs	\$ 43,300	\$ 53,050	\$ 57,912	\$ (4,862)
Contractual Service	1,409,218	1,487,118	1,484,061	3,057
Operational	597,120	557,710	548,534	9,176
Repairs and Maintenance	135,849	148,449	66,859	81,590
Provision For Bad Debts	3,000	11,300	10,955	345
Depreciation	658,715	658,715	542,390	116,325
Total Operating Expenses	\$ 2,847,202	\$ 2,916,342	\$ 2,710,711	\$ 205,631
Operating Income (Loss)	\$ (535,505)	\$ (549,645)	\$ (25,079)	\$ 524,566
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 5,086	\$ 5,086	\$ 16,855	\$ 11,769
Interest Expense	(88,852)	(94,372)	(79,122)	15,250
Premium (Discount) on Debt Restructuring	0	0	0	0
Grants	0	524,287	480,883	(43,404)
Gain (Loss) on Disposition	0	0	0	0
Total Nonoperating Revenues (Expenses)	\$ (83,766)	\$ 435,001	\$ 418,616	\$ (16,385)
NET INCOME (LOSS)(Before Transfers)	\$ (619,271)	\$ (114,644)	\$ 393,537	\$ 508,181
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 554,083	\$ 554,083
Operating Transfers (Out)	(120,000)	(524,397)	(487,568) x	36,829
Total Transfers	\$ (120,000)	\$ (524,397)	\$ 66,515	\$ 590,912
CHANGE IN NET POSITION	\$ (739,271)	\$ (639,041)	\$ 460,052	\$ 1,099,093
NET POSITION - BEGINNING OF YEAR	978,000	878,000	8,403,223	7,525,223
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	\$ 238,729	\$ 238,959	\$ 8,863,275	\$ 8,624,316

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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sewer Service Charges	\$ 1,518,676	\$ 1,554,911	\$ 1,552,628	\$ (2,283)
Penalties and Services	5,000	5,000	17,233	12,233
Water and Sewer Tap Fees	10,000	10,000	19,483	9,483
Miscellaneous Revenues	0	0	0	0
TOTAL REVENUE	\$ 1,533,676	\$ 1,569,911	\$ 1,589,344	\$ 19,433
OPERATING EXPENSES				
Personnel Costs	\$ 29,300	\$ 37,300	\$ 38,918	\$ (1,618)
Contractual Service	467,638	464,638	438,101	26,537
Operational	298,720	264,720	240,379	24,341
Repairs and Maintenance	16,300,965	16,288,165	77,459	16,210,706
Provision For Bad Debts	3,300	6,300	5,308	992
Depreciation	425,000	429,000	428,305	695
Total Operating Expenses	\$ 17,524,923	\$ 17,490,123	\$ 1,228,470	\$ 16,261,653
Operating Income (Loss)	\$ (15,991,247)	\$ (15,920,212)	\$ 360,874	\$ 16,281,086
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 3,100	\$ 3,150	\$ 33,261	\$ 30,111
Interest Expense	(88,323)	(245,473)	(235,959)	9,514
Premium (Discount) on Debt Restructuring	0	0	0	0
Gain (Loss) on Disposition	0	0	0	0
Grants	12,878,037	12,878,037	5,386,375	(7,491,662)
Total Nonoperating Revenues (Expenses)	\$ 12,792,814	\$ 12,635,714	\$ 5,183,677	\$ (7,452,037)
NET INCOME (LOSS) Before Transfers	\$ (3,198,433)	\$ (3,284,498)	\$ 5,544,551	\$ 8,829,049
TRANSFERS				
Operating Transfers In	\$ 698,483	\$ 698,483	\$ 0	\$ (698,483)
Operating Transfers (Out)	0	(9,900)	(108)	9,792
Total Transfers	\$ 698,483	\$ 688,583	\$ (108)	\$ (688,691)
CHANGE IN NET POSITION	\$ (2,499,950)	\$ (2,595,915)	\$ 5,544,443	\$ 8,140,358
NET POSITION - BEGINNING OF YEAR	2,532,742	2,723,257	10,351,515	7,628,258
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	\$ 32,792	\$ 127,342	\$ 15,895,958	\$ 15,768,616

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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Sales	\$ 1,557,700	\$ 1,162,700	\$ 1,491,837	\$ 329,137
Penalties & Service Charges	3,000	13,800	14,494	694
Tap Fees	5,000	5,000	4,700	(300)
Miscellaneous Income	0	0	0	0
TOTAL REVENUES	\$ 1,565,700	\$ 1,181,500	\$ 1,511,031	\$ 329,531
OPERATING EXPENSES				
Personnel Costs	47,000	50,000	\$ 42,286	7,714
Gas Purchased	1,096,000	1,155,800	1,068,210	87,590
Contractual Services	545,384	537,384	532,386	4,998
Operational	36,300	34,200	25,559	8,641
Repairs and Maintenance	63,000	60,500	20,584	39,916
Bad Debts	5,000	8,000	2,978	5,022
Depreciation	143,488	134,488	74,551	59,937
Total Operating Expenses	\$ 1,936,172	\$ 1,980,372	\$ 1,766,554	\$ 213,818
Operating Income	\$ (370,472)	\$ (798,872)	\$ (255,523)	\$ 543,349
NONOPERATING REVENUES (EXPENSES)				
Royalties	\$ 2,200	\$ 2,200	\$ 1,995	\$ (205)
Interest Revenue	8,000	24,200	31,835	7,635
Interest Expense	(1,500)	(3,200)	(303)	2,897
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	\$ 8,700	\$ 23,200	\$ 33,527	\$ 10,327
NET INCOME (LOSS) Before Transfers	\$ (361,772)	\$ (775,672)	\$ (221,996)	\$ 553,676
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 20,578	\$ 20,578
Operating Transfers (Out)	0	0	0	0
Total Transfers	\$ 0	\$ 0	\$ 20,578	\$ 20,578
CHANGE IN NET POSITION	\$ (361,772)	\$ (775,672)	\$ (201,418)	\$ 574,254
NET POSITION - BEGINNING OF YEAR	362,000	775,900	2,473,212	1,697,312
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	\$ 228	\$ 228	\$ 2,271,794	\$ 2,271,566

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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Garbage Fees	\$ 1,433,600	\$ 1,433,600	\$ 1,553,322	\$ 119,722
Penalties	7,000	7,000	9,998	2,998
Miscellaneous	0	0	1,496	1,496
Total Revenues	<u>\$ 1,440,600</u>	<u>\$ 1,440,600</u>	<u>\$ 1,564,816</u>	<u>\$ 124,216</u>
EXPENSES				
Personnel Costs	\$ 35,859	\$ 40,659	\$ 33,824	\$ 6,835
Contractual Services	727,423	749,523	734,380	15,143
Operational	105,050	93,900	72,916	20,984
Repairs and Maintenance	106,000	90,250	27,408	62,842
Dumping Fees	450,000	450,000	435,099	14,901
Bad Debts	2,500	6,500	4,334	2,166
Depreciation	227,108	219,508	129,391	90,117
Total Expenses	<u>\$ 1,653,940</u>	<u>\$ 1,650,340</u>	<u>\$ 1,437,352</u>	<u>\$ 212,988</u>
Operating Income	<u>\$ (213,340)</u>	<u>\$ (209,740)</u>	<u>\$ 127,464</u>	<u>\$ 337,204</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 8,000	\$ 8,000	\$ 36,759	\$ 28,759
Interest Expense	0	(3,600)	(852)	2,748
Gain (Loss) on Disposition	0	0	0	0
Grant	0	0	0	0
Total Nonoperating Revenues	<u>\$ 8,000</u>	<u>\$ 4,400</u>	<u>\$ 35,907</u>	<u>\$ 31,507</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (205,340)</u>	<u>\$ (205,340)</u>	<u>\$ 163,371</u>	<u>\$ 368,711</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>\$ (205,340)</u>	<u>\$ (205,340)</u>	<u>\$ 163,371</u>	<u>\$ 368,711</u>
NET POSITION - BEGINNING OF YEAR	205,600	205,600	2,432,520	2,226,920
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	<u>\$ 260</u>	<u>\$ 260</u>	<u>\$ 2,595,891</u>	<u>\$ 2,595,631</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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$ 665,400	\$ 717,400	\$ 787,511	\$ 70,111
Penalties & Service Charges	4,500	4,500	4,568	68
Tap Fees	0	0	0	0
Miscellaneous	0	0	0	0
TOTAL REVENUES	<u>\$ 669,900</u>	<u>\$ 721,900</u>	<u>\$ 792,079</u>	<u>\$ 70,179</u>
OPERATING EXPENSES				
Personnel Costs	\$ 11,438	\$ 23,408	\$ 20,572	\$ 2,836
Contractual Services	505,849	508,448	501,849	6,599
Operational	144,297	141,302	124,629	16,673
Repairs and Maintenance	22,151	28,751	10,347	18,404
Bad Debts	500	4,500	4,330	170
Depreciation	78,018	78,018	61,427	16,591
Total Operating Expenses	<u>\$ 762,253</u>	<u>\$ 784,427</u>	<u>\$ 723,154</u>	<u>\$ 61,273</u>
Operating Income	<u>\$ (92,353)</u>	<u>\$ (62,527)</u>	<u>\$ 68,925</u>	<u>\$ 131,452</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	\$ 1,097	\$ 1,097	\$ 4,312	\$ 3,215
Interest Rebate	0	0	6,692	6,692
Grants	0	0	0	0
Interest Expense	(38,826)	(42,292)	(38,264)	4,028
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	<u>\$ (37,729)</u>	<u>\$ (41,195)</u>	<u>\$ (27,260)</u>	<u>\$ 13,935</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (130,082)</u>	<u>\$ (103,722)</u>	<u>\$ 41,665</u>	<u>\$ 145,387</u>
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 2,234	\$ 2,234
Operating Transfers (Out)	0	(500)	0	500
Total Transfers	<u>\$ 0</u>	<u>\$ (500)</u>	<u>\$ 2,234</u>	<u>\$ 2,734</u>
CHANGE IN NET POSITION	<u>\$ (130,082)</u>	<u>\$ (104,222)</u>	<u>\$ 43,899</u>	<u>\$ 148,121</u>
NET POSITION - BEGINNING OF YEAR	180,000	154,659	990,342	835,683
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	<u>\$ 49,918</u>	<u>\$ 50,437</u>	<u>\$ 1,034,241</u>	<u>\$ 983,804</u>

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

CITY OF PIKEVILLE, KENTUCKY

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL - OUTSIDE SEWER
For The Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Sewer Service Charges	\$ 717,000	\$ 708,100	\$ 731,306	\$ 23,206
Penalties & Service Charges	4,000	4,000	8,718	4,718
Water and Sewer Tap Fees	0	0	0	0
Miscellaneous Revenues	0	0	0	0
Total Revenues	<u>\$ 721,000</u>	<u>\$ 712,100</u>	<u>\$ 740,024</u>	<u>\$ 27,924</u>
EXPENSES				
Personnel Costs	\$ 14,550	\$ 23,050	\$ 21,064	\$ 1,986
Contractual Services	201,747	196,747	185,849	10,898
Operational	116,743	146,518	102,313	44,205
Repairs and Maintenance	142,876	142,926	86,965	55,961
Bad Debts	2,000	6,000	3,042	2,958
Depreciation	210,000	210,000	204,677	5,323
Total Expenses	<u>\$ 687,916</u>	<u>\$ 725,241</u>	<u>\$ 603,910</u>	<u>\$ 121,331</u>
Operating Income	<u>\$ 33,084</u>	<u>\$ (13,141)</u>	<u>\$ 136,114</u>	<u>\$ 149,255</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 2,672	\$ 11,572	\$ 16,083	\$ 4,511
Interest Rebate	0	0	16,531	16,531
Grants	0	0	0	0
Interest Expense	(76,205)	(76,514)	(75,719)	795
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	<u>\$ (73,533)</u>	<u>\$ (64,942)</u>	<u>\$ (43,105)</u>	<u>\$ 21,837</u>
NET INCOME (LOSS) Before Transfers	<u>\$ (40,449)</u>	<u>\$ (78,083)</u>	<u>\$ 93,009</u>	<u>\$ 171,092</u>
TRANSFERS				
Operating Transfers In	\$ 0	\$ 0	\$ 4,563	\$ 4,563
Operating Transfers (Out)	0	0	0	0
Total Transfers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,563</u>	<u>\$ 4,563</u>
CHANGE IN NET POSITION	<u>\$ (40,449)</u>	<u>\$ (78,083)</u>	<u>\$ 97,572</u>	<u>\$ 175,655</u>
NET POSITION - BEGINNING OF YEAR	178,000	215,485	4,344,889	4,129,404
Prior Period Adjustment	0	0	0	0
NET POSITION - END OF YEAR	<u><u>\$ 137,551</u></u>	<u><u>\$ 137,402</u></u>	<u><u>\$ 4,442,461</u></u>	<u><u>\$ 4,305,059</u></u>

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

CITY OF PIKEVILLE, KENTUCKY
Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees Retirement System Non-Hazardous and Hazardous
For The Year Ended June 30, 2019

Last Ten Fiscal Years **

	2018-19	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	0.96301%	8.76540%	0.08099%	0.07518%	0.07309%
Hazardous	0.27379%	0.28568%	0.29878%	0.31822%	0.31257%
City's proportionate share of the net pension liability					
Non Hazardous	\$ 5,865,024	\$ 5,130,658	\$ 3,987,411	\$ 3,232,536	2,371,374
Hazardous	6,621,421	6,391,457	5,126,942	4,884,991	3,756,558
	<u>\$ 12,486,445</u>	<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	\$ 4,475,611	\$ 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	278.98861%	291.59967%	217.84342%	211.72348%	166.97699%
Plan fiduciary net position as a percentage of the total pension liability	278.98861%	291.59967%	217.84342%	211.72348%	166.97699%

Schedule of Contributions

	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	\$ 1,065,579	\$ 946,528	\$ 891,593	\$ 845,267	\$ 874,135
Contributions in relation to the contractually required contribution	1,065,579	946,528	891,593	845,267	874,135
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered payroll	4,475,611	3,951,347	4,183,901	3,834,023	3,669,926
Contributions as a percentage of covered-employee payroll	23.8086%	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.

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

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>2019</u>	<u>2018</u>
City's proportion of the collective net OPEB liability (asset)		
Non Hazardous	0.096298%	0.087654%
Hazardous	0.273802%	0.285680%
City's proportionate share of the collective net OPEB liability (asset)		
Non Hazardous	\$ 1,709,752	\$ 1,762,145
Hazardous	<u>1,952,097</u>	<u>2,361,635</u>
Total	<u>\$ 3,661,849</u>	<u>\$ 4,123,780</u>
City's covered-employee payroll		
Non Hazardous	\$ 3,135,774	\$ 2,426,209
Hazardous	<u>1,339,837</u>	<u>1,525,138</u>
Total	<u>\$ 4,475,611</u>	<u>\$ 3,951,347</u>
City's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	81.818%	104.364%
Plan fiduciary net position as a percentage of the total OPEB liability	0.121%	0.116%

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

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

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

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS - MEDICAL INSURANCE PLAN

County Employees Retirement Plan

Last 10 Fiscal Years*

(Dollar amounts in thousands)

		<u>2019</u>	<u>2018</u>
Contractually required contribution -	Non Hazardous	\$ 132,586	\$ 100,945
	Hazardous	<u>130,589</u>	<u>146,629</u>
		\$ 263,175	\$ 247,574
Contributions in relation to the			
Contractually required contribution		<u>(263,175)</u>	<u>(247,574)</u>
Contribution deficiency (excess)		<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll		<u>\$ 4,475,611</u>	<u>\$ 3,951,347</u>
Contributions as a percentage of covered employee payroll		<u>5.88%</u>	<u>6.27%</u>

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

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

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2019

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, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2017, 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, 2017), 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, 2018:

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	
Pre – 65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2019

Kentucky Retirement System – County Employee OPEB Plan

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 in 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	\$3,661,849
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For the year ended June 30, 2019, the City recognized OPEB expense of \$549,162. At June 30, 2019, 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	\$ 199,249	\$ 218,153	\$ 417,402
Changes of assumptions	341,463	599,045	940,508	3,950	5,340	9,290
Investment Experience	0	0	0	117,768	185,582	303,350
Changes in proportion and differences between District contributions and proportionate share of contributions	115,112	0	115,112	3,314	62,050	65,364
District contributions subsequent to the measurement date	0	0	0	0	0	0
Total	<u>\$ 456,575</u>	<u>\$ 599,045</u>	<u>\$ 1,055,620</u>	<u>\$ 324,281</u>	<u>\$ 471,125</u>	<u>\$ 795,406</u>

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2019

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, 2020. 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	\$ 27,030	\$ 99,677
2020	27,030	99,677
2021	27,030	(8,065)
2022	49,903	(63,368)
2023	6,038	0
Thereafter	(4,739)	0
	<u>\$ 132,292</u>	<u>\$ 127,921</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
Salary Increases	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre - 65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post - 65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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, 2019

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	All Insurance	
	Target Allocation	Long-Term Expected Real Rate of Return
US Equity		
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity		
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed		
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate - The projection of cash flows used to determine the discount rate of 5.86% for KERS Non-hazardous, 5.88% for KERS Hazardous, 5.85% for CERS Non-hazardous, and 5.97% 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.

CITY OF PIKEVILLE, KENTUCKY
Notes to the Required Supplementary Information
for the Year Ended June 30, 2019

Kentucky Retirement System – County Employee OPEB Plan

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85% non-hazardous and 5.97% hazardous, 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 than the current rate: (4.85%) or 1-percentage-point higher (4.85%) non-hazardous, and 1-percentage-point lower (4.97%) or 1-percentage-point higher (6.97%) hazardous :

	<u>1% Decrease Rate (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase Rate (6.85%)</u>
City's net OPEB liability			
Non Hazardous	\$ 2,220,694	\$ 1,709,752	\$ 1,274,523
	<u>Rate (4.97%)</u>	<u>Rate (5.97%)</u>	<u>Rate (6.97%)</u>
Hazardous	\$ 2,713,511	\$ 1,952,097	\$ 1,342,565

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	\$ 1,274,523	\$ 1,709,752	\$ 2,224,642
Hazardous	\$ 1,329,472	\$ 1,952,097	\$ 2,723,244

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, 2019

REVENUES

	Debt Service Jenny Wiley Construction	Event Center / Pool Station Debt Service	Series 2017 Debt Service	Tourism / Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Totals
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	0	10,633	0	0	10,633
Other Grants	0	0	0	0	0	0	0	0	0
Interest Income	1,456	16	0	354	171	349	0	0	2,346
Other Revenue	0	0	0	0	0	0	40,172	0	40,172
Total Revenues	\$ 1,456	\$ 16	\$ 0	\$ 354	\$ 171	\$ 10,982	\$ 40,172	\$ 0	\$ 53,151

EXPENDITURES

CURRENT

General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,947	\$ 0	\$ 44,947
Public Safety	0	0	0	0	7,749	563	0	0	8,312
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	11,571	0	0	11,571
Debt Service	135,000	0	40,000	0	0	0	0	0	175,000
Principal Retirement	57,839	32,097	13,950	0	0	0	0	0	103,886
Interest	0	0	0	2,012,594	0	0	0	0	2,012,594
Grants / Loan Advances	\$ 192,839	\$ 32,097	\$ 53,950	\$ 2,012,594	\$ 7,749	\$ 12,134	\$ 44,947	\$ 0	\$ 2,356,310
Total Expenditures	\$ (191,383)	\$ (32,081)	\$ (53,950)	\$ (2,012,240)	\$ (7,578)	\$ (1,152)	\$ (4,775)	\$ 0	\$ (2,303,159)
Excess of Revenues Over (Under) Expenditures									

OTHER FINANCING SOURCES (USES)

Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	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	192,839	42,392	58,950	2,016,816	0	0	0	0	2,310,997
Operating Transfers Out	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 192,839	\$ 42,392	\$ 58,950	\$ 2,016,816	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,310,997

NET CHANGE IN FUND BALANCES

	\$ 1,456	\$ 10,311	\$ 5,000	\$ 4,576	\$ (7,578)	\$ (1,152)	\$ (4,775)	\$ 0	\$ 7,838
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FUND BALANCES - BEGINNING OF YEAR

	66,472	0	18,032	14,458	15,108	19,765	13,457	13,138	160,430
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Prior Period Adjustment

	0	0	0	0	0	0	0	0	0
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FUND BALANCES-END OF YEAR

	\$ 67,928	\$ 10,311	\$ 23,032	\$ 19,034	\$ 7,530	\$ 18,613	\$ 8,682	\$ 13,138	\$ 168,268
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See independent auditor's report and accompanying notes to the financial statement.

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET - COMBINING
OTHER GOVERNMENTAL FUNDS
June 30, 2019

ASSETS

	Debt Service Jenny Wiley Construction	Event Center / Pool Station Debt Service	Series 2017 Debt Service	Tourism / Convention	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Total Other Governmental Funds
Cash and Investments									
Cash	\$ 0	\$ 0	\$ 0	\$ 19,034	\$ 7,530	\$ 61,195	\$ 8,682	\$ 11,367	\$ 107,808
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	1,771	1,771
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	0	0	0	0	0	0	0	0	0
Cash	67,928	10,311	23,032	0	0	0	0	0	101,271
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	\$ 67,928	\$ 10,311	\$ 23,032	\$ 19,034	\$ 7,530	\$ 61,195	\$ 8,682	\$ 13,138	\$ 210,850

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES

Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,875	\$ 0	\$ 0	\$ 1,875
Accrued Expenses	0	0	0	0	0	0	0	0	0
Customer's Deposit	0	0	0	0	0	0	0	0	0
Due To Other Funds	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,875	\$ 0	\$ 0	\$ 1,875

Uncollected Real Estate Taxes

Deferred Revenues

TOTAL DEFERRED INFLOWS OF RESOURCES

FUND BALANCES

Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for:									
Debt Service	67,928	10,311	23,032	0	0	0	0	0	101,271
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	0	18,613	0	0	26,143
Unrestricted	0	0	0	19,034	7,530	0	8,682	13,138	40,854
TOTAL FUND BALANCES	\$ 67,928	\$ 10,311	\$ 23,032	\$ 19,034	\$ 7,530	\$ 18,613	\$ 8,682	\$ 13,138	\$ 168,268
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 67,928	\$ 10,311	\$ 23,032	\$ 19,034	\$ 7,530	\$ 61,195	\$ 8,682	\$ 13,138	\$ 210,850

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 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, 2019, and the related notes to the financial statements, which collectively comprise the City of Pikeville, Kentucky's basic financial statements, and have issued our report thereon dated December 6, 2019.

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

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Purpose of this Report

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

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

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

December 6, 2019

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, 2019. 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, 2019.

To the Board of Commissioners
City of Pikeville, Kentucky

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Report on Internal Control over Compliance

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

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

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

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

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

Wallen, Puckett and Anderson, PSC

Certified Public Accountants

Pikeville, Kentucky

December 6, 2019

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>PASSED THROUGH RURAL DEVELOPMENT</u>			
Marion's Branch Water Sewer	10.760	N/A	\$ 480,883
Waste Water Treatment Plant Upgrade-Loan	10.760	N/A	3,376,431
Waste Water Treatment Plant Upgrade-Grant	10.760	N/A	3,147,950
		Total	\$ 7,005,264
Farmer's Market and Local Food Promotion Program	10.168	N/A	48,753
Farmer's Market Weatherization	10.351	N/A	4,260
Cooperative Forestry Assistance	10.664	18-DG-11083121-001	4,333
Total U.S. Department of Agriculture			\$ 7,062,610
<u>Economic Development</u>			
Waste Water Treatment Plant Upgrade	11.307	N/A	1,497,760
Total Economic Development			\$ 1,497,760
<u>Department of the Interior</u>			
Commonwealth of Kentucky, Energy and Environmental Cabinet, Department for Natural Resources, Department of Abandoned Mine Lands Kentucky Enterprise Industrial Park - Speculative Building	15.252	P02 17000002120 1	2,983,821
Commonwealth of Kentucky, Energy and Environmental Cabinet, Department for Natural Resources, Department of Abandoned Mine Lands EnerBlu Manufacturing Facility Phase I AML Pilot Program	15.252	S18AF20020	292,904
		Total	\$ 3,276,725
Commonwealth of Kentucky, Energy and Environmental Cabinet, Department for Natural Resources, Department of Abandoned Mine Lands Walters Rd	15.200	P01281900007363	1,720
Total Department of Interior			\$ 3,278,445
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Kentucky Transportation Cabinet			
Highway Safety Grant	20.616	SC 625 1900000902	21,700
Downtown Pikeville Bikeway Project	20.205	P02 628 160003733	14,200
Total U. S. Department of Transportation			\$ 35,900

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
HIDTA Taskforce/SEKY Corruption Taskforce	95.001	G19AP0001A	\$ 13,296
Equitable Sharing Program	16.922	N/A	7,750
Bulletproof Vest Partnership Program/Police Body Armor Grant*	16.607	N/A	365
Total U. S. Department of Justice			<u>\$ 21,411</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Federal Emergency Management Agency</u>			
<u>Kentucky Division of Emergency Management</u>			
FEMA DR4358 PW-30	97.036	* 44194	2,932
FEMA DR4358 PW-32	97.036	* 44195	10,461
FEMA DR4358 PW-45	97.036	* 44196	2,381
Total U. S. of Homeland Security			<u>\$ 15,774</u>
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Big Sandy Broadband Community Development Block	14.228	15-064	398,395
Big Sandy Broadband ARC	23.001	KY-18327	388,195
Waste Water Treatment Plant Upgrade Community Development Block	14.228	14-032	461,883
Waste Water Treatment Plant Upgrade ARC	23.001	KY-18605	278,782
Total U. S. of Housing and Urban Development			<u>\$ 1,527,255</u>
			<u>\$ 13,439,154</u>
* Funds Expended Prior Year			

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

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	\$	1,318,000
Non Taxable Series 2010s-2 Build America Bonds		1,613,500
Marion's Branch Water Sewer		3,068,000
Water and Sewer Revenue Bonds Series 2017A		5,500,000
Water and Sewer Revenue Bonds Series 2017B		5,000,000

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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
U.S. Department of Housing and Urban Development / Waste Water Treatment Plant Upgrade	14.228
U.S. Department of Housing and Urban Development / Big Sandy Broadband Community Development	14.228
U.S. Department of Housing and Urban Development / Big Sandy Broadband Community Development	23.001
U.S. Department of Housing and Urban Development / Waste Water Treatment Plant Upgrade	23.001

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.

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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, 2019

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