

CITY OF JACKSON, KENTUCKY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Kentucky (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City'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, each major fund, and the aggregate remaining fund information of the City of Jackson, Kentucky as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the financial statements, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as amended by GASB Statement No. 85, *Omnibus 2017* effective July 1, 2017. 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 Schedule of City's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 34-37 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 in 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.

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements 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 statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates 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 information is 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 March 6, 2019, on our consideration of the City'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's internal control over financial reporting and compliance.

Kelley Ballaway Smith Goodby, PSC

Ashland, Kentucky
March 6, 2019

CITY OF JACKSON, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 138,579	\$ 83,897	\$ 222,476
Accounts receivable	32,216	295,965	328,181
Taxes receivable	5,452	-	5,452
Due from (to) other funds	515,406	(515,406)	-
Restricted assets -			
Cash and cash equivalents	252,898	117,286	370,184
Investments-debt reserve - KADD	135,508	-	135,508
Nondepreciable capital assets	515,000	1,723,788	2,238,788
Depreciable capital assets	8,836,858	28,285,311	37,122,169
Accumulated depreciation	(6,115,797)	(13,365,634)	(19,481,431)
	<u>4,316,120</u>	<u>16,625,207</u>	<u>20,941,327</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred savings from debt refunding	63,000	-	63,000
Deferred outflows - pension related	697,151	271,053	968,204
Deferred outflows - OPEB related	195,170	75,883	271,053
Total deferred outflow of resources	<u>955,321</u>	<u>346,936</u>	<u>1,302,257</u>
LIABILITIES			
Accounts payable	46,646	158,811	205,457
Other accrued liabilities	94,124	35,026	129,150
Current portion of long-term debt	462,618	320,507	783,125
Accrued interest payable	-	63,360	63,360
Customer deposits	-	220,031	220,031
Net pension liability	1,983,665	914,600	2,898,265
Net OPEB liability	716,748	278,674	995,422
Long-term debt, net of current portion	2,162,809	5,595,819	7,758,628
	<u>5,466,610</u>	<u>7,586,828</u>	<u>13,053,438</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows - pension related	325,881	126,703	452,584
Deferred inflows - OPEB related	37,527	14,591	52,118
	<u>363,408</u>	<u>141,294</u>	<u>504,702</u>
NET POSITION			
Net investment in capital assets	673,634	10,727,139	11,400,773
Restricted	468,406	117,286	585,692
Unrestricted	(1,700,617)	(1,600,404)	(3,301,021)
	<u>\$ (558,577)</u>	<u>\$ 9,244,021</u>	<u>\$ 8,685,444</u>

The accompanying notes to financial statements are
an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 780,576	\$ -	\$ 11,000	\$ -	\$ (769,576)	\$ -	\$ (769,576)
Police	765,325	7,378	22,556	-	(735,391)	-	(735,391)
Fire	298,610	-	-	-	(298,610)	-	(298,610)
Streets	258,771	-	69,164	-	(189,607)	-	(189,607)
Sanitation	292,901	398,614	-	-	105,713	-	105,713
Tourism	47,019	-	-	-	(47,019)	-	(47,019)
Parks	457,112	80,472	-	-	(376,640)	-	(376,640)
Social service	6,250	-	-	-	(6,250)	-	(6,250)
Infrastructure depreciation	18,601	-	-	-	(18,601)	-	(18,601)
Debt service	543,076	-	-	-	(543,076)	-	(543,076)
Total governmental activities	<u>3,468,241</u>	<u>486,464</u>	<u>102,720</u>	<u>-</u>	<u>(2,879,057)</u>	<u>-</u>	<u>(2,879,057)</u>
Business-Type Activities							
Water	1,892,725	1,550,849	-	628,473	-	286,597	286,597
Sewer	783,776	701,306	-	436,773	-	354,303	354,303
Total business-type activities	<u>2,676,501</u>	<u>2,252,155</u>	<u>-</u>	<u>1,065,246</u>	<u>-</u>	<u>640,900</u>	<u>640,900</u>
Total primary government	<u>\$ 6,144,742</u>	<u>\$ 2,738,619</u>	<u>\$ 102,720</u>	<u>\$ 1,065,246</u>	<u>\$ (2,879,057)</u>	<u>\$ 640,900</u>	<u>\$ (2,238,157)</u>
General Revenues:							
Property and other local taxes					\$ 473,511	\$ -	\$ 473,511
Occupational license fees					1,582,272	-	1,582,272
Insurance premiums					367,214	-	367,214
Tourism tax					347,774	-	347,774
Coal/mineral severance & LGEA					19,299	-	19,299
Interest income					468	1,471	1,939
Other income					241,465	-	241,465
Total general revenues					<u>3,032,003</u>	<u>1,471</u>	<u>3,033,474</u>
Change in net position					<u>152,946</u>	<u>642,371</u>	<u>795,317</u>
Net position, June 30, 2017, as restated					<u>(711,523)</u>	<u>8,601,650</u>	<u>7,890,127</u>
Net position, June 30, 2018					<u>\$ (558,577)</u>	<u>\$ 9,244,021</u>	<u>\$ 8,685,444</u>

The accompanying notes to financial statements are
an integral part of this statement.

**CITY OF JACKSON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 138,579	\$ -	\$ -	\$ 138,579
Fee receivable	32,216	-	-	32,216
Taxes receivable	5,452	-	-	5,452
Restricted-cash	-	206,776	46,122	252,898
Restricted-investments-debt service	135,508	-	-	135,508
Due from other funds	435,406	80,000	-	515,406
Total assets	<u>\$ 747,161</u>	<u>\$ 286,776</u>	<u>\$ 46,122</u>	<u>\$ 1,080,059</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 46,646	\$ -	\$ -	\$ 46,646
Accrued expenses	94,124	-	-	94,124
Total liabilities	<u>140,770</u>	<u>-</u>	<u>-</u>	<u>140,770</u>
Fund Balances:				
Restricted	135,508	286,776	46,122	468,406
Unassigned	470,883	-	-	470,883
Total fund balances	<u>606,391</u>	<u>286,776</u>	<u>46,122</u>	<u>939,289</u>
Total liabilities and fund balances	<u>\$ 747,161</u>	<u>\$ 286,776</u>	<u>\$ 46,122</u>	<u>\$ 1,080,059</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF JACKSON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET
POSITION
JUNE 30, 2018

Total fund balance - total governmental funds		\$ 939,289
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of \$9,351,858 net of accumulated depreciation of \$6,115,797 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		3,236,061
Savings from debt refunding are not available to pay current period expenditures and therefore are not reported in the governmental funds		63,000
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds		528,913
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Debt	(2,625,427)	
Net pension liability	(1,983,665)	
Net OPEB liability	(716,748)	(5,325,840)
Net position - governmental activities		<u>\$ (558,577)</u>

The accompanying notes to financial statements are an integral part of this statement.

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

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 328,747	\$ -	\$ -	\$ 328,747
Delinquent property taxes	5,373	-	-	5,373
Franchise taxes	57,564	-	-	57,564
Occupational license fees	1,582,272	-	-	1,582,272
Arrest fees, fines and forfeitures	-	-	7,378	7,378
Garbage collections	398,614	-	-	398,614
Tourism tax	347,774	-	-	347,774
Insurance premiums	367,214	-	-	367,214
Parks and recreation	-	-	80,472	80,472
Grant income	11,000	-	22,556	33,556
Coal/mineral severance & LGEA	19,299	-	-	19,299
Municipal road aid	63,481	5,683	-	69,164
Alcohol revenues	-	-	81,827	81,827
Interest income	432	36	-	468
Other income	218,530	2,300	20,635	241,465
Total revenues	<u>3,400,300</u>	<u>8,019</u>	<u>212,868</u>	<u>3,621,187</u>
Expenditures				
General government	515,276	-	-	515,276
Police	632,331	-	91,173	723,504
Fire	234,624	-	-	234,624
Streets	204,109	37,860	-	241,969
Sanitation	269,278	-	-	269,278
Tourism	-	47,019	-	47,019
Parks	268,951	-	77,461	346,412
Social service	6,250	-	-	6,250
Capital outlay	-	-	37,489	37,489
Debt service	951,134	398,133	-	1,349,267
Total expenditures	<u>3,081,953</u>	<u>483,012</u>	<u>206,123</u>	<u>3,771,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>318,347</u>	<u>(474,993)</u>	<u>6,745</u>	<u>(149,901)</u>
Other financing sources (uses):				
Transfer to other funds	(651,027)	-	-	(651,027)
Transfer from other funds	-	651,027	-	651,027
Proceeds from debt	350,000	-	-	350,000
Total other financing sources (uses)	<u>(301,027)</u>	<u>651,027</u>	<u>-</u>	<u>350,000</u>
Net change in fund balances	17,320	176,034	6,745	200,099
Fund balance, beginning of year	<u>589,071</u>	<u>110,742</u>	<u>39,377</u>	<u>739,190</u>
Fund balance, end of year	<u>\$ 606,391</u>	<u>\$ 286,776</u>	<u>\$ 46,122</u>	<u>\$ 939,289</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF JACKSON, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$	200,099
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(266,554)
Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following: Capitalized savings from debt refunding amortization expense.		(8,400)
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.		
CERS contributions		825
Pension expense	<u>(237,615)</u>	(236,790)
Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statement, but are increases in liabilities in the Statement of Net Position.		(350,000)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the Statement of Net Position.		<u>814,591</u>
Change in net position of governmental activities	\$	<u><u>152,946</u></u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF JACKSON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities		Total
	Water Fund	Sewer Fund	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 52,943	\$ 30,954	\$ 83,897
Accounts receivable - utilities	202,111	93,854	295,965
Total current assets	<u>255,054</u>	<u>124,808</u>	<u>379,862</u>
Restricted Assets:			
Cash and cash equivalents	73,043	44,243	117,286
Total restricted assets	<u>73,043</u>	<u>44,243</u>	<u>117,286</u>
Capital Assets:			
Property, plant and equipment	20,380,081	9,629,018	30,009,099
Less: Accumulated depreciation	(8,629,670)	(4,735,964)	(13,365,634)
Total capital assets - net	<u>11,750,411</u>	<u>4,893,054</u>	<u>16,643,465</u>
Total assets	<u>12,078,508</u>	<u>5,062,105</u>	<u>17,140,613</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension related	209,328	61,725	271,053
Deferred OPEB related	58,602	17,281	75,883
Total deferred outflows of resources	<u>267,930</u>	<u>79,006</u>	<u>346,936</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	71,063	87,748	158,811
Due to other funds	472,702	42,704	515,406
Accrued liabilities	30,668	4,358	35,026
Accrued interest payable	62,311	1,049	63,360
Current portion of debt	162,122	158,385	320,507
Total current liabilities (payable from current assets)	<u>798,866</u>	<u>294,244</u>	<u>1,093,110</u>
Current liabilities (payable from restricted assets):			
Customer deposits	220,031	-	220,031
Total current liabilities (payable from restricted assets)	<u>220,031</u>	<u>-</u>	<u>220,031</u>
Net pension liability	621,146	293,454	914,600
Net OPEB liability	215,213	63,461	278,674
Long-term debt, net of current portion	4,027,546	1,568,273	5,595,819
Total liabilities	<u>5,882,802</u>	<u>2,219,432</u>	<u>8,102,234</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension related	97,850	28,853	126,703
Deferred OPEB related	11,268	3,323	14,591
Total deferred inflows of resources	<u>109,118</u>	<u>32,176</u>	<u>141,294</u>
NET POSITION			
Net investment in capital assets	7,560,743	3,166,396	10,727,139
Restricted	73,043	44,243	117,286
Unrestricted	(1,279,268)	(321,136)	(1,600,404)
Total net position	<u>\$ 6,354,518</u>	<u>\$ 2,889,503</u>	<u>\$ 9,244,021</u>

The accompanying notes to financial statements are
an integral part of this statement.

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

	Business-Type Activities		Total
	Water Fund	Sewer Fund	
OPERATING REVENUES			
Water sales	\$ 1,550,755	\$ -	\$ 1,550,755
Sewer service	-	689,766	689,766
Miscellaneous	94	11,540	11,634
Total operating revenues	<u>1,550,849</u>	<u>701,306</u>	<u>2,252,155</u>
OPERATING EXPENSES			
Personnel	500,819	149,022	649,841
Depreciation	523,898	198,737	722,635
Utilities	196,256	112,551	308,807
Supplies	245,068	92,045	337,113
Insurance	133,884	112,551	246,435
Contract labor	37,038	26,806	63,844
Sludge hauling	-	2,669	2,669
Miscellaneous	85,398	14,329	99,727
Total operating expenses	<u>1,722,361</u>	<u>708,710</u>	<u>2,431,071</u>
OPERATING LOSS	<u>(171,512)</u>	<u>(7,404)</u>	<u>(178,916)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	1,392	79	1,471
Grant income	621,163	436,773	1,057,936
Interest expense	(170,364)	(75,066)	(245,430)
Total non-operating revenues (expenses)	<u>452,191</u>	<u>361,786</u>	<u>813,977</u>
INCOME BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>280,679</u>	<u>354,382</u>	<u>635,061</u>
CAPITAL CONTRIBUTIONS (TAPS)	<u>7,310</u>	<u>-</u>	<u>7,310</u>
INCREASE IN NET POSITION	287,989	354,382	642,371
NET POSITION, JUNE 30, 2017, as restated	<u>6,066,529</u>	<u>2,535,121</u>	<u>8,601,650</u>
NET POSITION, JUNE 30, 2018	<u>\$ 6,354,518</u>	<u>\$ 2,889,503</u>	<u>\$ 9,244,021</u>

The accompanying notes to financial statements are
an integral part of this statement.

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

	Business-Type Activities		Total
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,519,624	\$ 684,352	\$ 2,203,976
Cash payments to suppliers for goods and services	(712,283)	(310,866)	(1,023,149)
Cash payments to employees	(422,517)	(118,239)	(540,756)
Other operating revenues	94	11,540	11,634
Net cash provided by operating activities	384,918	266,787	651,705
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Change in customer deposits	6,946	-	6,946
Net cash provided by non-capital financing activities	6,946	-	6,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(176,152)	(266,388)	(442,540)
Interest paid on long-term debt	(172,010)	(77,137)	(249,147)
Issuance of debt	-	308,040	308,040
Purchase of property, plant & equipment	(621,164)	(617,762)	(1,238,926)
Capital grants	621,163	436,773	1,057,936
Capital contributions	7,310	-	7,310
Net cash used for capital and related financing activities	(340,853)	(216,474)	(557,327)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	1,392	79	1,471
Net cash provided by investing activities	1,392	79	1,471
Net increase (decrease) in cash and cash equivalents	52,403	50,392	102,795
Cash and cash equivalents, June 30, 2017	73,583	24,805	98,388
Cash and cash equivalents, June 30, 2018	\$ 125,986	\$ 75,197	\$ 201,183
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (171,512)	\$ (7,404)	\$ (178,916)
Adjustments:			
Depreciation	523,898	198,737	722,635
Net pension adjustment	73,225	31,439	104,664
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(31,131)	(5,414)	(36,545)
Increase (decrease) in accounts payable	(14,639)	50,085	35,446
Increase (decrease) in other accrued liabilities	5,077	(656)	4,421
Net cash provided by operating activities	\$ 384,918	\$ 266,787	\$ 651,705

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property taxes	\$ 330,454	\$ (1,704)	\$ 328,750	\$ 328,747	\$ (3)
Delinquent taxes	8,000	(6,975)	1,025	5,373	4,348
Franchise taxes	67,300	(9,700)	57,600	57,564	(36)
Occupational license fee	1,440,200	142,300	1,582,500	1,582,272	(228)
Garbage collections	370,546	28,154	398,700	398,614	(86)
Tourism tax	274,600	73,200	347,800	347,774	(26)
Insurance premium tax	340,000	27,500	367,500	367,214	(286)
Grant income	1,500	(1,500)	-	74,481	74,481
Coal severance	10,000	7,700	17,700	19,299	1,599
Interest income	-	-	-	432	432
Other income	413,400	13,700	427,100	218,530	(208,570)
Total revenues	3,256,000	272,675	3,528,675	3,400,300	(128,375)
Expenditures					
General government	1,081,100	281,058	1,362,158	515,276	846,882
Police	701,500	(51,500)	650,000	632,331	17,669
Fire	295,183	(74,683)	220,500	234,624	(14,124)
Park	234,100	35,900	270,000	268,951	1,049
Streets	223,000	(23,000)	200,000	204,109	(4,109)
Sanitation	300,000	-	300,000	269,278	30,722
Social service	8,017	-	8,017	6,250	1,767
Capital outlay	1,000	-	1,000	-	1,000
Debt service	760,100	104,900	865,000	951,134	(86,134)
Total expenditures	3,604,000	272,675	3,876,675	3,081,953	794,722
Excess (deficiency) of revenues over (under) expenditures	(348,000)	-	(348,000)	318,347	666,347
Other financing sources (uses):					
Transfers out	(2,000)	-	(2,000)	(651,027)	(649,027)
Proceeds from debt	350,000	-	350,000	350,000	-
Total other financing sources (uses)	348,000	-	348,000	(301,027)	(649,027)
Net change in fund balances	-	-	-	17,320	17,320
Fund balance, beginning of year	-	-	-	589,071	589,071
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 606,391</u>	<u>\$ 606,391</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Tourism tax	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance premium tax	-	-	-	-	-
Grant income	-	-	-	-	-
Coal severance	-	-	-	-	-
Municipal road aid	16,000	-	16,000	5,683	(10,317)
Interest income	-	-	-	36	36
Other income	-	-	-	2,300	2,300
Total revenues	16,000	-	16,000	8,019	(7,981)
Expenditures					
Fire	-	-	-	-	-
Streets	16,000	-	16,000	37,860	(21,860)
Tourism	-	-	-	47,019	(47,019)
Parks	-	-	-	-	-
Social service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	398,133	(398,133)
Total expenditures	16,000	-	16,000	483,012	(467,012)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(474,993)	(474,993)
Other financing sources (uses):					
Transfers in	-	-	-	651,027	651,027
Total other financing sources (uses)	-	-	-	651,027	651,027
Net change in fund balances	-	-	-	176,034	176,034
Fund balance, beginning of year	-	-	-	110,742	110,742
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,776</u>	<u>\$ 286,776</u>

The accompanying notes to financial statements are
an integral part of this statement.

CITY OF JACKSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of Jackson, Kentucky (the "City") conform to U.S. generally accepted accounting principles. The following notes are an integral part of the City of Jackson, Kentucky's financial statements.

The City of Jackson, Kentucky was created by the Acts of the Kentucky General Assembly and operates under an elected Mayor and City Council form of government and provides such services as police, fire, streets, sanitation, parks and recreation, and social service.

a. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility including, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon these criteria, the City has no component units to be reported in these financial statements.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon

as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major 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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund is a major fund.

The City reports the following major Proprietary Funds:

Water Fund - The Water Fund is used to account for water services for the City and surrounding communities.

Sewer Fund - The Sewer Fund is used to account for sewer services for the City and surrounding communities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City Utility Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's Enterprise Funds, are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 they are needed.

d. Budgeting

Prior to June 30, the Mayor submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes proposed operating and capital expenditures and the means of financing them. The Mayor is authorized to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council. Therefore, the level of control on budgetary items is maintained at the department level. Management is of the opinion that its method of adopting the budget is in compliance with applicable regulations.

e. Investments

Investments are carried at market value. The investment policy allows the City to invest in those instruments authorized by KRS 66.480.

f. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capitalized assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Water and Sewer Systems	40-50 years
Equipment & Vehicles	3-10 years
Buildings	40 years
Infrastructure	20 years

The City is required by GASB 34 to prospectively report general infrastructure assets in the statement of net position.

g. Fund Balances

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- Assigned fund balance-amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Commissioners or by an official or body to which the City delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned and unassigned resources are available for use, it is the City's policy to use committed and assigned resources first, then unassigned resources as they are needed.

h. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments (including restricted cash) with a maturity of three months or less when purchased to be cash equivalents.

i. Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

j. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Activities will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

k. Pension

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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

l. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for uncollectible accounts and the useful lives used to depreciate capital assets, and actuarial assumptions used in determining pension costs. Actual results could differ from estimated amounts.

m. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers or as reimbursements of expenses, when applicable.

n. Interfund Receivables (Payables)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds."

o. New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"). GASB 75 replaces

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits (“OPEB”). In addition, GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. See Note (11) for the effect of this adoption on beginning net position.

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the City beginning with its year ending June 30, 2020. Management is currently evaluating the impact of this Statement on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* (“GASB 85”), which seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses several topics, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (i.e., pensions and other post-employment benefits (OPEB)). In particular, this Statement covers:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

See Note (11) for the effect of this adoption on the beginning net position.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (“GASB 86”), which seeks to (1) improve consistency in accounting and financial reporting

for certain debt extinguishments and (2) enhance the decision-usefulness of such information. GASB 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. Additionally, it amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB 86 establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 will be effective for the City beginning with its year ending June 30, 2019. Management is currently evaluating the impact of this Statement on its financial statements.

(2) CASH AND INVESTMENTS

Deposits - The funds of the City must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At June 30, 2018, the carrying amount of the City's deposits (including amounts in restricted asset accounts) was \$725,648 and the bank balances totaled \$778,960. The difference between the carrying amounts and the bank balances was due to items in transit. Of the bank balances, \$550,524 was

covered by the Bank Insurance Fund as of June 30, 2018 and the remainder was collateralized by pledge securities.

Restricted Cash - The Jackson Municipal Waterworks System is required to maintain restricted bank accounts in accordance with ordinances established in connection with the sale of the Waterworks Revenue Bond issues of 1979, 1980, 1983, 1999, 2004, and 2016. Specified amounts of current operating receipts are to be deposited to the restricted bank accounts monthly. Disbursements from the accounts are restricted as specified to the retirement of outstanding bonds, semiannual interest payments, and utility plant additions or replacements.

Investments - At June 30, 2018, the City had the following investments and maturities:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government					
Mutual funds	\$ 135,508	\$ 135,508	\$ -	\$ -	\$ -

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City may invest the monies in interest-bearing bonds of any county, urban-county government or city of the first, second, or third class in the State of Kentucky, or in any securities in which trustees are permitted to invest trust funds under the laws of the State of Kentucky, including participation in a local government pension investment fund created pursuant to KRS 95.895.

(3) PROPERTY TAXES

Property is assessed at its value on January 1 of each year. Taxes are payable in one installment on or before January 31 of the next year. The City bills and collects its own property taxes.

The 2018 assessed value for real and tangible property was \$123,529,593. The tax rate adopted was \$.2781 and \$.2654 per \$100 valuation for real and tangible property, respectively.

(4) CAPITAL ASSETS

A summary of changes in the City's capital assets is as follows:

	June 30, 2017	Increases	Decreases	June 30, 2018
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 515,000	\$ -	\$ -	\$ 515,000
Capital Assets, Depreciated:				
City Hall	1,178,137	-	-	1,178,137
Administrative office & equipment	26,760	-	-	26,760
Infrastructure	366,021	-	-	366,021
Street equipment	261,121	-	-	261,121
Fire equipment & vehicles	1,487,006	-	-	1,487,006
Fire department buildings	776,431	-	-	776,431
Parks and recreation	3,921,016	-	-	3,921,016
Sanitation equipment	406,084	-	-	406,084
Police equipment & vehicles	376,793	37,489	-	414,282
Totals	9,314,369	37,489	-	9,351,858
Less: Accumulated Depreciation	(5,811,754)	(304,043)	-	(6,115,797)
Governmental Activities Capital Assets, Net	\$ 3,502,615	\$ (266,554)	\$ -	\$ 3,236,061
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 536,862	\$ -	\$ -	\$ 536,862
Construction in progress	854,653	1,186,926	-	2,041,579

Capital Assets, Depreciated:				
Distribution plant and equipment	25,581,665	-	-	25,581,665
Machinery and equipment	<u>1,796,993</u>	<u>52,000</u>	-	<u>1,848,993</u>
Totals	28,770,173	1,238,926	-	30,009,099
Less: Accumulated Depreciation	<u>(12,642,999)</u>	<u>(722,635)</u>	-	<u>(13,365,634)</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 16,127,174</u>	<u>\$ 516,291</u>	<u>\$ -</u>	<u>\$ 16,642,255</u>

Depreciation expense was allocated to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 28,510
Police	41,821
Fire	63,986
Street	16,802
Sanitation	23,623
Park	110,700
Infrastructure	<u>18,601</u>
	<u>\$ 304,043</u>
Business-type activities:	
Water	\$ 523,898
Sewer	<u>198,737</u>
	<u>\$ 722,635</u>

(5) LONG-TERM DEBT

Business-Type Activities

Long-term debt of Proprietary Funds at June 30, 2018 consists of the following:

Bonds Payable:

\$750,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 1980, payable in annual installments ranging from \$18,000 to \$42,000 through 2020, with interest paid semi-annually at 5.00%	82,000
\$60,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 1983, payable in annual installments ranging from \$2,000 to \$3,000 through 2022, with interest paid semi-annually at 5.00%	12,000
\$2,217,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 2004, payable in annual installments ranging from \$60,000 to \$120,000 through 2044, with interest paid semi-annually at 4.5%	1,821,000
\$550,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 2004B, payable in annual installments ranging from \$10,000 to \$30,000 through 2044, with interest paid semi-annually at 4.5%	452,000
\$650,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 2016, payable	

in annual installments ranging from \$11,500 to \$24,500 through 2056, with interest paid semi-annually at 2.0%	650,000
\$140,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 1999, payable in annual installments ranging from \$1,500 to \$7,100 through 2039, with interest paid semi-annually at 4.50%	103,800
	<u>3,120,800</u>
<u>Capital Lease Obligation:</u>	
\$450,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments of \$3,514 through November, 2022, with interest at 3.82%	162,093
\$890,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through February, 2040, with interest at rates ranging from 1.1% to 4.7%	741,670
\$465,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through February, 2038, with interest at 3.125%	356,667
\$550,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments of \$3,324 through November, 2028, with interest at 3.0%	336,346
	<u>1,596,776</u>
<u>Installment Notes Payable:</u>	
\$1,500,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority (“KIA”), payable in annual installments in the amount of \$39,789 through 2030 with interest paid semi-annually at 1.0%	462,982
\$700,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority (“KIA”), payable in annual installments with interest paid semi-annually at 1.0%	528,670
\$593,000 subordinated assistance agreement to the Kentucky Infrastructure Authority (“KIA”), payable in annual installments through 2038 with interest paid semi-annually at .25%	127,760
6.00% Capital lease obligation with a local bank, \$52,520 with monthly payments of \$995 through March, 2023, secured by a jetter	50,193
\$681,983 subordinated assistance agreement to the Kentucky Infrastructure Authority (“KIA”), payable in annual installments ranging from	

\$20,398 to \$20,958 through 2018 with interest paid semi-annually at 1.8%

	29,145
	<u>1,198,750</u>
Total long-term debt - proprietary funds	5,916,326
Less - current portion	<u>(320,507)</u>
	<u>\$ 5,595,819</u>

The debt service requirements on the above proprietary fund indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 320,507	\$ 211,210	\$ 531,717
2020	302,096	191,479	493,575
2021	269,280	182,624	451,904
2022	366,124	178,040	544,164
2023	252,758	161,952	414,710
2024-2028	1,226,912	693,589	1,920,501
2029-2033	1,130,505	550,706	1,681,211
2034-2038	924,944	364,706	1,289,660
2039-2043	841,200	193,259	1,034,459
2044-2048	100,000	24,300	124,300
2049-2053	110,000	13,900	123,900
2054-2056	72,000	2,900	74,900
	<u>\$ 5,916,326</u>	<u>\$2,768,665</u>	<u>\$ 8,654,991</u>

The revenue bonds require annual deposits to the reserve account of approximately \$21,940 to attain a balance of \$224,860 as of June 30, 2018. The balance of this reserve at June 30, 2018 was \$33,672. The 2013 KIA loan requires annual deposits to the reserve account of \$1,750 starting December 1, 2016 to attain a balance of \$17,500. The 2010 KIA loan requires annual deposits to the reserve account of \$3,750 starting December 1, 2011 to attain a balance of \$37,500. The City had \$17,546 of KIA reserve funds at June 30, 2018.

The following is a summary of changes in long-term debt (including current portions) of the City for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<u>Governmental Activities</u>				
General obligation bonds – \$915,000 originally issued with interest rate of 2.0% with annual payments through June, 2019, secured by park assets and tourism tax	\$ 205,000	\$ -	\$ 100,000	\$ 105,000
Capital lease obligation with Kentucky League of Cities, \$3,385,000 with monthly payments through January, 2027, secured by general obligations	2,672,496	-	272,085	2,400,411
6.00% Capital lease obligation with a bank, \$443,372 with monthly payments of \$14,882 through May, 2019, secured by a 2009 fire truck	107,983	-	54,223	53,760

Interest-free note payable to Breathitt County Health Department, \$42,000 due in annual installments of \$3,000 through July, 2026, parking lot	27,000	-	3,000	24,000
2.42% Capital lease obligation with a bank, \$165,364 with monthly payments of \$3,064 through august, 2019, secured by a freightliner	77,539	-	35,283	42,256
5.0% Tax anticipation notes payable with a bank, payment due June 30, 2018	-	350,000	350,000	-
	<u>\$ 3,090,018</u>	<u>\$ 350,000</u>	<u>\$ 814,591</u>	<u>\$ 2,625,427</u>

<i><u>Business-type Activities</u></i>	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Notes payable	\$ 1,140,825	\$ 308,040	\$ 250,115	\$ 1,198,750
Capital lease obligation	1,695,701	-	98,925	1,596,776
Bonds payable	3,214,300	-	93,500	3,120,800
Total Business-type Activities	<u>\$ 6,050,826</u>	<u>\$ 308,040</u>	<u>\$ 442,540</u>	<u>\$ 5,916,326</u>

Governmental Activities

The annual requirements to amortize the City's indebtedness as of June 30, 2018 (including interest payments) are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 462,618	\$ 78,757	\$ 541,375
2020	303,562	68,341	371,903
2021	292,165	60,292	352,457
2022	300,080	50,894	350,974
2023	309,250	41,240	350,490
2024-2027	957,752	64,167	1,021,919
	<u>\$ 2,625,427</u>	<u>\$ 363,691</u>	<u>\$ 2,989,118</u>

(6) LEGAL CONTINGENCIES

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the City's financial position or results of operations.

(7) RISK MANAGEMENT

Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(8) RETIREMENT

County Employees Retirement System

Plan description: Substantially all full-time employees of City participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, 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 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://kyret.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.

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. The City's contractually required contribution rate for the years ended June 30, 2018 and 2017 was 19.18% (14.48%-pension, 4.70%-insurance) and 18.68% (13.95%-pension, 4.73%-insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. Contributions to the pension plan from the City were \$167,811 and \$163,945 for the years ended June 30, 2018 and 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS

At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2017. At June 30 2017, the City's proportion was 0.049515%.

For the years ended June 30, 2018, the City recognized pension expense of \$284,490. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,595	\$ 73,570
Changes of assumptions	534,807	-
Net difference between projected and actual earnings on pension plan investments	229,539	193,691
Changes in proportion and differences between City contributions and proportionate share of contributions	32,452	185,323
City contributions subsequent to the measurement date	<u>167,811</u>	<u>-</u>
Total	<u>\$ 968,204</u>	<u>\$ 452,584</u>

At June 30, 2018, City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$167,811. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These amounts will be recognized in pension expense as follows:

<u>Year</u>	
2019	\$ 153,084
2020	154,468
2021	77,473
2022	<u>(37,216)</u>
	<u>\$ 347,809</u>

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:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	5-year smoothed market
Payroll Growth	2.00%
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

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 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity*	17.5%	5.97%
International Equity*	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate*	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real return*	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
Total	100.0%	6.56%

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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:

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City's proportionate share of the net pension liability	\$ 3,655,339	\$ 2,898,265	\$ 2,264,979

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

Payables to the pension plan: At June 30, 2018, there was a total payable to CERS of \$23,827, which includes pension and OPEB contributions.

(9) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents.

The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS 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://kyret.ky.gov>.

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2018, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2018, the City contributed \$18,494 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2018, the City reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2017. At June 30 2017, the City's proportion was 0.049515%.

For the year ended June 30, 2018, the City recognized OPEB expense of \$16,151, including an implicit subsidy of \$6,246. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected actual experience	\$ -	\$ 2,765
Changes of assumptions	216,598	-
Net difference between projected and actual earnings on investments	-	47,043
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,310
City contributions subsequent to the measurement date	54,455	-
	<u>\$ 271,053</u>	<u>\$ 52,118</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$54,455 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.

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	
2019	\$ 28,301
2020	28,301
2021	28,301
2022	28,301
2023	40,062
Thereafter	11,214
	<u>\$ 164,480</u>

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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 was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity*	17.5%	5.97%
International Equity*	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate*	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real return*	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
Total	<u>100.0%</u>	6.56%

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

Discount rate – The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate 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 following table presents the City’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, 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 (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	Current discount rate (5.84%)	1% Increase (6.84%)
City's proportionate share of the net OPEB liability	\$ 407,830	\$ 320,509	\$ 247,844

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:

	1% Decrease	Current trend rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 245,847	\$ 320,509	\$ 417,565

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

Payables to the OPEB plan: At June 30, 2018, there was a total payable to CERS of \$23,827, which includes pension and OPEB contributions.

(10) INTERFUND TRANSACTIONS

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	\$ 472,702
General Fund	Sewer Fund	42,704
Special Revenue	General Fund	80,000

In addition, the General Fund refinanced debt of the Water and Sewer Funds in 2006 for which the Water Fund is paying \$6,170.75/month and the Sewer Fund is paying \$5,890.67/month to the General Fund for their portion of the debt service which offsets debt service expense.

(11) CHANGE IN ACCOUNTING PRINCIPLE

Net position as of June 30, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and as amended by GASB Statement No. 85, *Omnibus 2017*.

	Governmental Activities	Business-Type Activities	Total
Net Position as previously reported at June 30, 2017	\$ (193,434)	\$ 8,803,085	\$ 8,609,651
Prior period adjustment implementation of GASB 75:			
Net OPEB (measurement date as of June 30, 2017)	(562,195)	(218,583)	(780,778)
Deferred outflows Board contributions made during fiscal year 2017	44,106	17,148	61,254
Total prior period adjustment for GASB 75	(518,089)	(201,435)	(719,524)
Net position as restated, June 30, 2017	\$ (711,523)	\$ 8,601,650	\$ 7,890,127

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JACKSON
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Pension:				
City's proportion of the net pension liability	0.049515%	0.052896%	0.058417%	0.052225%
City's proportionate share of the net pension liability	\$ 2,898,265	\$ 2,604,411	\$ 2,511,669	\$ 1,694,000
City's covered-employee payroll	\$ 1,175,233	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	246.612%	206.403%	188.664%	141.389%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%
OPEB:				
City's proportion of the net OPEB liability	0.049515%			
City's proportionate share of the net OPEB liability	\$ 995,421			
City's covered-employee payroll	\$ 1,175,233			
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	84.700%			
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF JACKSON
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Pension:					
Contractually required contribution	\$ 167,811	\$ 163,945	\$ 156,717	\$ 169,739	\$ 164,621
Contributions in relation to the contractually required contribution	<u>167,811</u>	<u>163,945</u>	<u>156,717</u>	<u>169,739</u>	<u>164,621</u>
Contribution deficiency (excess)	-	-	-	-	-
City's covered-employee payroll	\$ 1,158,841	\$ 1,175,233	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's contributions as a percentage of its covered-employee payroll	14.48%	13.95%	12.42%	12.75%	13.74%
OPEB:					
Contractually required contribution	\$ 54,455	\$ 61,254			
Contributions in relation to the contractually required contribution	<u>54,455</u>	<u>61,254</u>			
Contribution deficiency (excess)	-	-			
City's covered-employee payroll	\$ 1,158,841	\$ 1,175,233			
City's contributions as a percentage of its covered-employee payroll	4.70%	4.73%			

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF JACKSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

(1) CHANGES OF ASSUMPTIONS

CERS - PENSION

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015 listed below:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

There were no changes made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

CERS - OPEB

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

CERS - PENSION

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2017 and 2018, determined as of July 1, 2016.

The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS - OPEB

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, closed
Payroll Growth Rate	2.00%
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%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post – 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for CERS pension or OPEB.

SUPPLEMENTARY INFORMATION

**CITY OF JACKSON, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	<u>Park</u>	<u>Shop With A Cop</u>	<u>ABC Account</u>	<u>Police Grants</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 13,364	\$ 15,829	\$ 11,498	\$ 5,431	\$ 46,122
Total assets	<u>\$ 13,364</u>	<u>\$ 15,829</u>	<u>\$ 11,498</u>	<u>\$ 5,431</u>	<u>\$ 46,122</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	<u>13,364</u>	<u>15,829</u>	<u>11,498</u>	<u>5,431</u>	<u>46,122</u>
Total fund balances	<u>13,364</u>	<u>15,829</u>	<u>11,498</u>	<u>5,431</u>	<u>46,122</u>
Total liabilities and fund balances	<u>\$ 13,364</u>	<u>\$ 15,829</u>	<u>\$ 11,498</u>	<u>\$ 5,431</u>	<u>\$ 46,122</u>

CITY OF JACKSON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Park	Shop With A Cop	ABC Account	Police Grants	Total Governmental Funds
Revenues					
Arrest fees, fines and forfeitures	\$ -	\$ -	\$ -	\$ 7,378	\$ 7,378
Parks and recreation	80,472	-	-	-	80,472
Grant income	-	-	-	22,556	22,556
Alcohol revenue	-	-	81,827	-	81,827
Other income	-	20,635	-	-	20,635
Total revenues	<u>80,472</u>	<u>20,635</u>	<u>81,827</u>	<u>29,934</u>	<u>212,868</u>
Expenditures					
Police	-	15,421	47,708	28,044	91,173
Parks	77,461	-	-	-	77,461
Capital outlay	-	-	37,489	-	37,489
Debt service	-	-	-	-	-
Total expenditures	<u>77,461</u>	<u>15,421</u>	<u>85,197</u>	<u>28,044</u>	<u>206,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,011</u>	<u>5,214</u>	<u>(3,370)</u>	<u>1,890</u>	<u>6,745</u>
Other financing sources (uses):					
Transfer from other funds	-	-	-	-	-
Proceeds from debt	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,011	5,214	(3,370)	1,890	6,745
Fund balance, beginning of year	<u>10,353</u>	<u>10,615</u>	<u>14,868</u>	<u>3,541</u>	<u>39,377</u>
Fund balance, end of year	<u>\$ 13,364</u>	<u>\$ 15,829</u>	<u>\$ 11,498</u>	<u>\$ 5,431</u>	<u>\$ 46,122</u>

CITY OF JACKSON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grant Number	Passed Through to Subrecipients	Expenditures
<u>Appalachian Regional Commission</u>				
Passed Through the Center for Rural Development -				
Appalachian Regional Commission	23.002	Hwy 15 Water Imp.	\$ -	\$ 272,696
Appalachian Regional Commission	23.002	Lift Station Rehab	-	309,013
Total Appalachian Regional Commission			-	581,709 *
<u>U.S. Department of Transportation</u>				
Passed Through the Kentucky Office of Highway Safety -				
State and Community Highway Safety	20.205	OP-17-07	-	4,344
New and Improved Sidewalks	20.616	VC0000120	-	35,300
Total U.S. Department of Transportation			-	39,644
<u>U. S. Environmental Protection Agency</u>				
Passed Through Kentucky Infrastructure Authority -				
Capitalization Grants for Clean Water State	66.458	Lift Station Rehab	-	255,520
Total Department of Agriculture			-	255,520
Total Expenditures of Federal Awards			\$ -	\$ 876,873

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson under the 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 Ashland Independent School City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The City of Jackson has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - OUTSTANDING LOAN

The City of Jackson received a loan from the Kentucky Infrastructure Authority under the Capitalization Grants for Clean Water State Grants program during the year ended June 30, 2018. The loan had drawdowns of \$255,520 and the balance outstanding at June 30, 2018 was \$127,760.



Kelley **G**alloway
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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***

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, 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, each major fund, and the aggregate remaining fund information of the City of Jackson (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2018-001 and 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-003.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelley Ballouay Smith Hooley, PSC

Ashland, Kentucky
March 6, 2019



Kelley **G**alloway
Smith **G**oolsby, PSC

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

The Honorable Mayor
and Members of City Council
City of Jackson
Jackson, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Jackson's (the "City") 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's major federal programs for the year ended June 30, 2018. The City'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'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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the City 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'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'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.

Kelley Dalloway Smith, CPA, PSC

Ashland, Kentucky
March 6, 2019

CITY OF JACKSON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None reported

Noncompliance material to the financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of Major Programs:
Appalachian Regional Commission

CFDA No.
23.002

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

Yes No

CITY OF JACKSON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

B. FINANCIAL STATEMENT FINDINGS

2018-001 PAYABLES AND RECEIVABLES

Statement of Condition: The City maintains their financial records on a cash basis; therefore, we had several audit adjustments related to unrecorded accounts payable, accrued liabilities, and accounts receivable at June 30, 2018.

Criteria for Condition: Modified accrual or accrual (for Proprietary Fund Types) basis of accounting is recommended by the American Institute of Certified Public Accountants in its industry audit guide, "Audits of State and Local Governmental Units".

Cause of Condition: The City currently maintains its accounting records on the cash basis of accounting.

Effect of Condition: As a result, financial statements prepared during the year could be misleading.

Recommendation for Correction: We recommend that the City utilize the accounts payable function within their accounting system to be able to view at any point in time open invoices/accounts payable and to adjust the other liabilities and accounts receivable balances on at least an annual basis.

Management Response and Corrective Action Plan: The City will provide a list of vendors and amounts due to them as of June 30, 2019 in order to make the necessary adjustments for the audit. The City will record recurring accounts payable and others when feasible.

2018-002 BANK RECONCILIATIONS

Condition: We noted several bank reconciliations that did not agree to the general ledger and/or contained old outstanding items listed, some that had already cleared the bank.

Criteria: Performing timely and accurate bank reconciliations provide for more accurate financial statements.

Cause: Personnel do not investigate outages or old outstanding items enough.

Effect: Inaccurate bank reconciliations.

Recommendation: We recommend that any bank reconciliation outages be investigated until found each month. Also, any outstanding items that have been outstanding for more than 90 days should be investigated further. In addition, the Mayor should start reviewing and initialing all bank reconciliations to ensure that they are being done properly.

Management's Response: The City will make every effort to reconcile bank statements on a timely basis and follow-up on old outstanding items.

CITY OF JACKSON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2018

2018-003 FINANCE CHARGES

Statement of Condition: We noted several instances where the City did not pay bills by the due date to avoid late charges and penalties.

Criteria for Condition: KRS 65.140 states bills for goods or services shall be paid within thirty (30) working days of receipt of vendor's invoice, except that when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor.

Cause of Condition: The City's cash flow in the utility departments did not allow for on-time payments prior to the rate increase.

Effect of Condition: As a result, the City incurred late payment fees on payments made late.

Recommendation for Correction: We recommend that the City ensure compliance with KRS 65.140 and pay all bills within 30 days upon receipt of the invoice or document reasons why not within 30 days.

Management Response and Corrective Action Plan: The City will make every effort possible to pay all bills by the due date in order to avoid late charges and penalties.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted in current year.

CITY OF JACKSON
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CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The City will provide a list of vendors and amounts due to them as of June 30, 2019 in order to make the necessary adjustments for the audit. The City will record recurring accounts payable and others when feasible.	June 30, 2019	Laura Thomas, Mayor
2018-002	The City will make every effort to reconcile bank statements on a timely basis and follow-up on old outstanding items.	June 30, 2019	Laura Thomas, Mayor
2018-003	The City will make every effort possible to pay all bills by the due date in order to avoid late charges and penalties.	June 30, 2019	Laura Thomas, Mayor

CITY OF JACKSON
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

<u>Findings</u>	<u>Findings/Noncompliance</u>
2017-001	<p>We recommend that the City utilize the accounts payable function within their accounting system to be able to view at any point in time open invoices/accounts payable and to adjust the other liabilities and accounts receivable balances on at least an annual basis.</p> <p>Status: This was repeated as 2018-001 in the current year.</p>
2017-002	<p>We noted several bank reconciliations that did not agree to the general ledger and/or contained old outstanding items listed, some that had already cleared the bank.</p> <p>Status: This was repeated as 2018-002 in the current year.</p>