

CITY OF TOMPKINSVILLE, KENTUCKY
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
JUNE 30, 2016

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DIRECTORY
CITY OF TOMPKINSVILLE, KENTUCKY
(MAYOR-COMMISSION FORM OF GOVERNMENT)

MAYOR

SCOTTY TURNER

COMMISSIONERS

SHERRY CRAWFORD

BOBBY ADAMS

ANITA BARTLETT

RICKY RICHARDSON

CITY CLERK-ADMINISTRATOR

LESLEY PAGE

CITY ATTORNEY

RICHARD JACKSON

POLICE CHIEF

BRIAN COFFELT

FIRE CHIEF

MORRIS ADAMS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission
City of Tompkinsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the business-type activities, and each major fund of the City of Tompkinsville, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Tompkinsville, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, and each major of the City of Tompkinsville, Kentucky, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

The City of Tompkinsville has elected to omit the Management Discussion and Analysis. 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement are not affected by the missing information.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 42 through 43 and certain pension disclosures on pages 44 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 to provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the City of Tompkinsville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. that report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tompkinsville, Kentucky's internal control over financial reporting and compliance.

Gilbert & Gilbert CPA's


December 16, 2016

BASIC FINANCIAL STATEMENTS

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2016

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash on Hand and in Banks	\$ 152,684	\$ 487,625	\$ 640,309
Receivables, Net			
Property Taxes	5,022	0	5,022
Utility Service	0	122,476	122,476
Prepaid Insurance	14,004	26,254	40,258
Due from Other Funds	0	103,742	103,742
Unbilled Revenue	<u>0</u>	<u>148,551</u>	<u>148,551</u>
Total Current Assets	<u>171,710</u>	<u>888,648</u>	<u>1,060,358</u>
RESTRICTED ASSETS			
Restricted Cash			
Municipal Road Aid	52,815	0	52,815
Gas Assistance Fund	0	173	173
Construction Fund	0	1,267	1,267
Sinking Fund	0	29,275	29,275
Depreciation Fund	<u>0</u>	<u>58,337</u>	<u>58,337</u>
Total Restricted Assets	<u>52,815</u>	<u>89,052</u>	<u>141,867</u>
PROPERTY, PLANT, AND EQUIPMENT (NET)			
Capital Assets			
Construction in Process	0	0	0
Land	1,174,068	626,635	1,800,703
Streets and Infrastructure, Net	717,976	0	717,976
Other Capital Assets, Net	<u>509,575</u>	<u>5,888,783</u>	<u>6,398,358</u>
Total Property, Plant, and Equipment (Net)	<u>2,401,619</u>	<u>6,515,418</u>	<u>8,917,037</u>
TOTAL ASSETS	<u>2,626,144</u>	<u>7,493,118</u>	<u>10,119,262</u>
DEFERRED OUTFLOWS OF RESOURCES:			
PENSION CONTRIBUTIONS-			
CURRENT YEAR	<u>283,377</u>	<u>187,827</u>	<u>471,204</u>

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

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	10,476	43,945	54,421
Construction Payable	0	199,248	199,248
Accrued Wages & Taxes	10,954	9,785	20,739
Compensated Absences	12,136	14,133	26,269
Payroll Taxes Payable	11,384	5,225	16,609
Sales & School Tax Payable	0	4,759	4,759
Meter Deposits	0	132,200	132,200
Retirement Payable	18,201	10,194	28,395
Due to Other Funds	0	103,742	103,742
Gas Assistance Fund Payable	0	173	173
Interest Payable	89,003	0	89,003
Current Portion of Debt			
Lease Payable Lease One Magnolia	28,586	0	28,586
Impound Lot	4,725	0	4,725
GMAC-1986 Series	0	5,000	5,000
USDA-1998 Series	0	0	0
Total Current Liabilities	<u>185,465</u>	<u>528,404</u>	<u>713,869</u>
LONG TERM LIABILITIES			
Long-Term Portion of Debt			
Lease Payable Lease One Magnolia	19,689	0	19,689
Impound Lot	9,450	0	9,450
Construction Loan	0	946,035	946,035
GMAC-1986 Series	0	59,000	59,000
USDA-1998 Series	0	663,000	663,000
Net Pension Liability	<u>1,305,045</u>	<u>472,132</u>	<u>1,777,177</u>
Total Long Term Liabilities	<u>1,334,184</u>	<u>2,140,167</u>	<u>3,474,351</u>
TOTAL LIABILITIES	<u>1,519,649</u>	<u>2,668,571</u>	<u>4,188,220</u>
DEFERRED INFLOWS OF RESOURCES:			
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investment	<u>0</u>	<u>0</u>	<u>0</u>
NET POSITION			
Investment in Capital Assets, Net of Related Debt	2,353,344	4,842,383	7,195,727
Restricted for:			
Gas Assistance Funds	0	173	173
Construction Funds	0	1,267	1,267
Debt Service Funds	0	87,612	87,612
Municipal Road Aid Fund	52,815	0	52,815
Unrestricted	(1,016,287)	80,939	(935,348)
TOTAL NET POSITION	<u>\$ 1,389,872</u>	<u>\$ 5,012,374</u>	<u>\$ 6,402,246</u>

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 536,923	\$ 0	\$ 0	\$ 0
Public Safety:				
Police Department	694,646	175	56,843	0
Fire Department	19,426	0	0	8,250
Street Department	130,147	0	0	50,504
Recycling	13,665	5,322	0	0
Parks and Recreation	<u>59,106</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>1,453,913</u>	<u>5,497</u>	<u>56,843</u>	<u>58,754</u>
Business-Type Activities				
Water	1,007,857	1,050,660	0	100,000
Sewer	422,254	387,469	0	0
Natural Gas	982,407	995,158	0	0
Sanitation	<u>433,457</u>	<u>260,946</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities	<u>2,845,975</u>	<u>2,694,233</u>	<u>0</u>	<u>100,000</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>4,299,888</u>	\$ <u>2,699,730</u>	\$ <u>56,843</u>	\$ <u>158,754</u>

General Revenues:

Taxes:

Property

Payroll Tax Revenue

Occupational Licenses

Insurance Premiums Tax

Franchise Premiums Tax

Bank Deposit Tax

Sale of Asset

Interest Income

Other Income

Transfers In/Out

Total General Revenues and Transfers

Change In Net Position

Net Position-Beginning

Net Position-Ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (536,923)	\$ 0	\$ (536,923)
(637,628)	0	(637,628)
(11,176)	0	(11,176)
(79,643)	0	(79,643)
(8,343)	0	(8,343)
<u>(59,106)</u>	<u>0</u>	<u>(59,106)</u>
<u>(1,332,819)</u>	<u>0</u>	<u>(1,332,819)</u>
0	142,803	142,803
0	(34,785)	(34,785)
0	12,751	12,751
<u>0</u>	<u>(172,511)</u>	<u>(172,511)</u>
<u>0</u>	<u>(51,742)</u>	<u>(51,742)</u>
(1,332,819)	(51,742)	(1,384,561)
281,220	0	281,220
586,326	0	586,326
54,147	0	54,147
191,558	0	191,558
25,458	0	25,458
34,263	0	34,263
3,455	0	3,455
200	608	808
84,235	72,905	157,140
<u>14,813</u>	<u>(14,813)</u>	<u>0</u>
1,275,675	58,700	1,334,375
<u>(57,144)</u>	<u>6,958</u>	<u>(50,186)</u>
<u>1,447,016</u>	<u>5,005,416</u>	<u>6,452,432</u>
<u>\$1,389,872</u>	<u>\$5,012,374</u>	<u>\$ 6,402,246</u>

CITY OF TOMPKINSVILLE, KENTUCKY
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2016

	General <u>Fund</u>
ASSETS	
Cash on Hand and in Banks	\$ 152,684
Receivables, Net of Allowance For Uncollectible Accounts	
Property Taxes	2,072
Prepaid Insurance	14,004
Restricted Assets-Cash	
Municipal Road Aid	<u>52,815</u>
TOTAL ASSETS	\$ <u>221,575</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	10,476
Accrued Wages & Taxes	10,954
Payroll Taxes Payable	11,384
Retirement Payable	18,201
Unearned Revenues	<u>89,003</u>
Total Liabilities	<u>140,018</u>
FUND BALANCES	
Restricted	52,815
Unassigned	<u>28,742</u>
Total Fund Balances	<u>81,557</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>221,575</u>

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

CITY OF TOMPKINSVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances-Total Governmental Funds	\$ 81,557
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Amounts reported for *Governmental Activities* in the Statement of Net Position are different because:

Capital assets of \$5,043,250, net of accumulated depreciation of (\$2,641,631), are not financial resources and, therefore, are not reported in the funds. See Note 6 for additional detail.	2,401,619
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Net Pension Liability of \$1,305,045 plus deferred inflows of resources of \$0 less deferred outflows of resources of \$283,377 associated with the pension plan liability are not reported in the fund financial statements.	(1,021,668)
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Long-term liabilities of \$(62,450) are not due and payable in the current period and are not reported in the funds. See Note 8 for additional details	(62,450)
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Accrued compensated absences of \$12,136 are not due and payable in the current period and are not reported in the funds. See Note 1-M for detail	(12,136)
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In the Statement of Activities property tax revenue is recognized when earned whereas in the governmental fund it is recognized when available. This is the amount collected when 60 days after the year end.	<u>2,950</u>
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Net Position of Governmental Activities	\$ <u>1,389,872</u>
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The notes to the financial statements are an integral part of this statement.

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

	General Fund
REVENUES	
Property Taxes	\$ 278,270
Occupational Licenses	54,147
Payroll Tax Revenue	586,326
Insurance Premiums Tax	191,558
Bank Deposit Tax	34,263
Intergovernmental Revenue	103,134
Cable Franchise Fees	25,458
Penalties and Fines	23,501
Recycling Revenue	5,322
Other Revenue	<u>26,729</u>
Total Revenues	<u>1,328,708</u>
EXPENDITURES	
Current	
General Government	525,489
Public Safety	
Police	656,652
Fire	13,653
Street Department	76,973
Recycling	13,465
Park and Recreation	51,465
Capital Outlay	128,475
Debt Service	
Lease Payments	33,307
Interest	<u>2,482</u>
Total Expenditures	<u>1,501,961</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(173,253)</u>
OTHER FINANCING SOURCES (USES)	
Donations	11,927
Insurance Proceeds	19,757
Interest Income	200
Sale of Asset	3,455
Grant Proceeds	14,959
Transfers In/Out	<u>14,813</u>
Total Other Financing Sources (Uses)	<u>65,111</u>
NET CHANGE IN FUND BALANCES	(108,142)
FUND BALANCES-BEGINNING	<u>189,699</u>
FUND BALANCES-ENDING	<u>\$ 81,557</u>

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

CITY OF TOMPKINSVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016

Net Changes in Fund Balances-Total Governmental Fund **\$ (108,142)**

Amounts reported for *Governmental Activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$128,475 exceeded depreciation of \$114,139. 14,336

Compensated absences are reported in the governmental fund when paid but reported when liable in the Statement of Net Position. 405

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayments of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which debt proceeds of \$0 exceeded debt payments of \$33,307. See Note 8 for additional details. 33,307

Governmental funds recognize revenues when available. However, in the Statement of Activities revenues are Recognized when earned. This is the amount of the revenue levied that was not collected with in 60 days after the year end. 2,950

Change in Net Position of Governmental Activities \$ (57,144)

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

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF NET POSITION-PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds				
	Natural				
	Water	Sewer	Gas	Sanitation	Total
ASSETS					
CURRENT ASSETS					
Cash on Hand and in Banks	\$142,395	\$87,745	\$257,485	\$ 0	\$487,625
Prepaid Insurance	6,349	6,349	4,150	9,406	26,254
Receivables, Net of Allowance for Uncollectible Accounts	51,124	18,930	38,674	13,748	122,476
Unbilled Revenue	86,916	24,033	23,358	14,244	148,551
Due from Other Funds	<u>0</u>	<u>34,644</u>	<u>42,301</u>	<u>26,797</u>	<u>103,742</u>
Total Current Assets	<u>286,784</u>	<u>171,701</u>	<u>365,968</u>	<u>64,195</u>	<u>888,648</u>
RESTRICTED ASSETS:					
Gas Assistance Fund	0	0	173	0	173
Construction Fund	100	1,105	62	0	1,267
Sinking Fund	29,275	0	0	0	29,275
Reserve Fund	0	0	0	0	0
Depreciation Fund	<u>58,337</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>58,337</u>
Total Restricted Assets	<u>87,712</u>	<u>1,105</u>	<u>235</u>	<u>0</u>	<u>89,052</u>
Property, Plant, and Equipment (Net):					
Capital Assets					
Land	491,217	8,000	127,418	0	626,635
Other Capital Assets, Net of Accumulated Deprecation	<u>2,429,166</u>	<u>2,018,206</u>	<u>1,428,794</u>	<u>12,617</u>	<u>5,888,783</u>
Total Property, Plant, and Equipment (Net)	<u>2,920,383</u>	<u>2,026,206</u>	<u>1,556,212</u>	<u>12,617</u>	<u>6,515,418</u>
TOTAL ASSETS	<u>3,294,879</u>	<u>2,199,012</u>	<u>1,922,415</u>	<u>\$76,812</u>	<u>\$7,493,118</u>
Deferred Outflows of Resources:					
Pension	\$ <u>116,192</u>	\$ <u>26,565</u>	\$ <u>0</u>	\$ <u>45,070</u>	\$ <u>187,827</u>

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

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
LIABILITIES AND FUND EQUITY					
CURRENT LIABILITIES:					
Accounts Payable	\$ 17,438	\$ 1,725	\$ 13,628	\$11,153	\$ 43,944
Payroll Taxes Payable	3,130	863	0	1,232	5,225
Compensated Absences	9,582	2,995	0	1,556	14,133
Sales/School Tax Payable	1,831	509	2,419	0	4,759
Accrued Wages & Taxes	4,922	1,424	0	3,439	9,785
Meter Deposits	61,550	0	70,650	0	132,200
Retirement Payable	6,256	1,474	0	2,464	10,194
Due to Other Fund	103,742	0	0	0	103,742
Construction Payable	0	0	199,248	0	199,248
Gas Assistance Fund Payable	0	0	173	0	173
Interest Payable	0	0	0	0	0
Current Portion of:					
SCB	139,441	0	806,594	0	946,035
GMAC-1986 Series	5,000	0	0	0	5,000
USDA-1998 Series	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	352,892	8,990	1,092,712	19,844	1,474,438
LONG-TERM LIABILITIES:					
Construction Loan	0	0	0	0	0
GMAC-1986 Series	59,000	0	0	0	59,000
USDA- 1998 Series	663,000	0	0	0	663,000
Net Pension Liability	<u>329,226</u>	<u>80,670</u>	<u>0</u>	<u>62,237</u>	<u>472,133</u>
Total Long Term Liabilities	<u>1,051,226</u>	<u>80,670</u>	<u>0</u>	<u>62,237</u>	<u>1,194,133</u>
TOTAL LIABILITIES	<u>1,404,118</u>	<u>89,660</u>	<u>1,092,712</u>	<u>82,081</u>	<u>2,668,571</u>
Deferred Inflows of Resources:					
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments					
Plan Investments	\$ <u>0</u>	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Position:					
Invested in Capital Assets, Net of Debt	2,053,942	2,026,206	749,618	12,617	4,842,383
Restricted for:					
Gas Assistance Funds	0	0	173	0	173
Construction Funds	100	1,105	62	0	1,267
Debt Service	87,612	0	0	0	87,612
Unrestricted	<u>(134,701)</u>	<u>108,606</u>	<u>79,850</u>	<u>27,184</u>	<u>80,939</u>
Total Fund Equity	<u>2,006,953</u>	<u>2,135,917</u>	<u>829,703</u>	<u>39,801</u>	<u>5,012,374</u>
TOTAL NET POSITION	<u>\$3,411,071</u>	<u>\$2,225,577</u>	<u>\$1,922,415</u>	<u>121,882</u>	<u>7,680,945</u>

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET POSITION-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
REVENUES					
Charges for Services	\$ 1,050,660	\$387,469	\$995,158	\$260,946	\$2,694,233
Reconnect/Service Charges	<u>16,321</u>	<u>3,040</u>	<u>13,964</u>	<u>858</u>	<u>34,183</u>
Total Revenues	<u>1,066,981</u>	<u>390,509</u>	<u>1,009,122</u>	<u>261,804</u>	<u>2,728,416</u>
EXPENSES					
Gas Purchases	0	0	486,464	0	486,464
Salaries and Wages	325,884	79,754	0	169,861	575,499
Utilities and Telephone	106,875	126,816	3,137	0	236,828
Repairs and Maintenance	27,895	23,959	3,555	32,787	88,196
Supplies	48,429	6,500	34,681	10,067	99,677
Insurance	27,752	27,752	17,820	48,519	121,843
Payroll Taxes	27,396	6,845	0	14,854	49,095
Computer Service	2,786	2,924	2,687	99	8,496
Depreciation	111,916	68,371	18,302	2,622	201,211
Gas and Oil	8,166	182	2,417	25,856	36,621
Chemicals	131,652	17,785	14,676	0	164,113
Training & Travel	4,310	2,998	1,451	1,757	10,516
Credit Card Processing Fees	566	406	509	0	1,481
Uniforms	2,462	1,193	674	8,873	13,202
Advertising	235	0	0	1,074	1,309
Lab Fees	2,936	21,015	0	0	23,951
Legal & Accounting	2,063	0	10,120	3,125	15,308
Landfill	0	6,481	0	75,109	81,590
Contract Labor	36,046	3,526	325,090	8,086	372,748
Retirement	70,650	16,152	0	27,404	114,206
Subscriptions & Dues	683	0	1,110	0	1,793
Equipment Rental	4,520	120	120	2,915	7,675
Sales/School Taxes	29,283	8,475	39,301	0	77,059
Other	<u>1,452</u>	<u>1,000</u>	<u>1,349</u>	<u>449</u>	<u>4,250</u>
Total Operating Expenses	<u>973,957</u>	<u>422,254</u>	<u>963,463</u>	<u>433,457</u>	<u>2,793,131</u>
OPERATING INCOME (LOSS)	93,024	(31,745)	45,659	(171,653)	(64,715)
NON-OPERATING REVENUES (EXPENSES)					
Grant Income	100,000	0	0	4,346	100,000
Interest Income	186	58	364	176	608
Penalty Income	7,981	7,271	17,948	0	37,546
Miscellaneous Income	0	1,000	0	0	1,176
Interest Expense	<u>(33,900)</u>	<u>0</u>	<u>(18,944)</u>	<u>0</u>	<u>(52,844)</u>
TOTAL	<u>74,267</u>	<u>8,329</u>	<u>(632)</u>	<u>4,522</u>	<u>86,486</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>167,291</u>	<u>(23,416)</u>	<u>45,027</u>	<u>(167,131)</u>	<u>21,771</u>
Operating Transfers in/out, net	<u>(163,932)</u>	<u>(67,205)</u>	<u>25,627</u>	<u>190,697</u>	<u>(14,813)</u>
Net Income	<u>3,359</u>	<u>(90,621)</u>	<u>0</u>	<u>23,566</u>	<u>6,958</u>
Net Position-Beginning	<u>2,003,594</u>	<u>2,226,538</u>	<u>759,049</u>	<u>16,235</u>	<u>5,005,416</u>
Net Position-Ending	\$ <u>2,006,953</u>	\$ <u>2,135,917</u>	\$ <u>829,703</u>	\$ <u>39,801</u>	\$ <u>5,012,374</u>

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

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Flows from Customers	1,045,717	434,672	992,916	259,183	2,732,488
Cash Payments to Suppliers	(440,988)	(261,274)	(963,714)	(234,527)	(1,900,503)
Cash Payments to Employees	(365,416)	(91,299)	0	(206,983)	(663,698)
Other Operating Revenue	<u>16,321</u>	<u>3,040</u>	<u>13,964</u>	<u>858</u>	<u>34,183</u>
Net Cash Provided (Used) by Operating Activities	<u>255,634</u>	<u>85,139</u>	<u>43,166</u>	<u>(181,469)</u>	<u>202,470</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant Proceeds	100,000	0	0	0	100,000
Acquisition of Capital Asset	(251,726)	(44,463)	(540,277)	(13,750)	(850,216)
Payments on:					
Revenue Bonds	(4,000)	0	0	0	(4,000)
KIA	(34,000)	0	0	0	(34,000)
Interest Paid on Revenue Bonds and Notes	<u>(33,900)</u>	<u>0</u>	<u>(18,944)</u>	<u>0</u>	<u>(52,844)</u>
Net Cash Provided (Used) by Capital and Financing Activities	<u>(223,626)</u>	<u>(44,463)</u>	<u>(559,221)</u>	<u>(13,750)</u>	<u>(841,060)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Loan Proceeds	139,441	0	479,632	0	619,073
Operating Transfers In/Out	<u>(163,932)</u>	<u>(67,205)</u>	<u>25,627</u>	<u>190,697</u>	<u>(14,813)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(24,491)</u>	<u>(67,205)</u>	<u>505,259</u>	<u>190,697</u>	<u>604,260</u>
CASH FLOWS FROM INVESTMENTS ACTIVITIES					
Other Income and Miscellaneous Income	7,981	8,271	17,948	4,522	38,722
Interest Income	<u>186</u>	<u>58</u>	<u>364</u>	<u>0</u>	<u>608</u>
Net Cash Provided (Used) by Investing Activities	<u>8,167</u>	<u>8,329</u>	<u>18,312</u>	<u>4,522</u>	<u>39,330</u>
NET INCREASE (DECREASE) IN CASH	15,684	(18,200)	7,516	0	5,000
CASH-BEGINNING OF YEAR	<u>214,423</u>	<u>107,050</u>	<u>250,204</u>	<u>0</u>	<u>571,677</u>
CASH-END OF YEAR	<u>\$ 230,107</u>	<u>\$ 88,850</u>	<u>\$ 257,720</u>	<u>\$ 0</u>	<u>\$ 576,677</u>

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

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds				
	Natural				
	Water	Sewer	Gas	Sanitation	Total
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH					
PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 93,024	\$(31,745)	\$45,659	\$(171,653)	\$(64,715)
Adjustments to Reconcile Operating					
Income (Loss) to Net Cash Provided					
by Operating Activities					
Depreciation	111,916	68,371	18,302	2,622	201,211
(Increase) Decrease in					
Receivables, Net of Allowance	6,719	7,115	(6,590)	77	7,321
Due from Other Funds	0	(2,942)	2,425	(6,415)	(6,932)
Prepaid Insurance	(6,349)	(6,349)	(4,150)	(9,406)	(26,254)
Grant Receivable	0	43,749	0	0	43,749
Unbilled Revenue	(16,715)	(3,691)	439	(1,840)	(21,807)
Increase (Decrease) in					
Accounts Payable	12,224	(851)	(3,161)	10	8,222
Construction Payable	0	0	(13,667)	949	(13,667)
Accrued Wages & Taxes	2,337	1,037	0	(344)	4,323
Compensated Absences	5,393	(50)	0	99	4,999
Payroll Tax Payable	1,304	592	0	(79)	1,995
Retirement Payable	2,931	612	0	0	3,464
Sales & School Tax Payable	553	30	(114)	0	469
Customer Gas Assistance Fund Payable	0	0	73	0	73
Interest Payable	(15,683)	0	0	0	(15,683)
Meter Deposits	4,500	0	3,950	0	8,450
Due to Other Fund	6,931	0	0	0	6,931
Net Pension Obligations	<u>46,549</u>	<u>9,261</u>	<u>0</u>	<u>4,511</u>	<u>60,321</u>
Net Cash Provided (Used)					
by Operating Activities	<u>\$ 255,634</u>	<u>\$ 85,139</u>	<u>\$43,166</u>	<u>\$(181,469)</u>	<u>\$202,470</u>

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

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Tompkinsville was chartered in 1817. The City operated under a Mayor-Commission form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water, sewer, and natural gas utilities; sanitation; public improvements; park and recreation; and general administrative services.

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 Statement No. 14 of the Governmental Accounting Standards Board. 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. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are 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.

B. Government-Wide and Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and city general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported in separate columns.

C. Measurement Focus, Basis of Accounting, And Financial Statement Presentation

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Generally fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Statement of Net Position presents assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is related to the acquisition, construction and improvement of capital assets. The outstanding debt is also offset by any unspent proceeds from such debt.
- Restricted net position result from restrictions placed by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consist of net position which do not meet the definition of the two preceding categories.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. 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 program, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources, such as taxes and other items not properly included among program revenues, are reported instead as general revenues.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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

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

Fund financial statements reflect assets equaling liabilities and fund equity. Fund equity are reported in the following fund categories.

Nonspendable- Amounts that cannot be spent either because they are not in a spendable form or they are legally or contractually required to be maintained in tact.

Restricted- Amounts that can be spent only for specific purposed city charter, city code, state or federal laws, or extremely imposed conditions by grantors or creditors.

Committed- Amounts that can be used only for specific purposes determined by a formal action by city council ordinance.

Assigned- Amounts that are designated by the mayor for a specific purpose but are not spendable until a budget or ordinance is passed by city council.

Unassigned- All amounts not included in other spendable classifications.

The Water, Sewer, Gas and Sanitation Fund (the proprietary fund financial statements) uses the accrual basis of accounting, which is the same method of accounting used to reflect Water and Sewer activity in the government-wide statements. Non-operating revenue such as interest income and other income not from the delivery of services are reported after income from operations.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS-CONTINUED
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25-50
Improvements, other than Buildings	20-25
Infrastructure	25-50
Equipment and Furnishings	5-10
Vehicles	3-10

For information describing capital assets, see Note 6.

D. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

General Fund— reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds

The City reports the following major enterprise funds:

Water Fund- accounts for the operating activities of the City's water utilities services.

Sewer Fund- accounts for the operating activities of the City's sewer utilities services.

Natural Gas Fund- accounts for the operating activities of the City's natural gas utilities services.

Sanitation Fund- accounts for the operating activities of the City's sanitation services

E. Cash and Investments

The City's cash consists of cash on hand and demand deposits. It is the policy of the City of Tompkinsville to invest public funds in a manner which will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the City of Tompkinsville and conforming to all state statutes and the City of Tompkinsville regulations governing the investment of public funds.

The City is authorized by statute to invest in: (1) obligations of the United States and of its agencies and instrumentalities; (2) bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; (3) shares of any savings and loan association insured by an agency of the government of the United States up to the amount so insured; and (4) interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts providing such banks shall pledge as security obligations of the United states government, its agencies and instrumentalities.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

F. Capital Assets and Depreciation

The City's property, plant equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains

infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

G. Long-term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts, or premiums, and the difference between the requisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Additional information regarding long-term debt is shown in Note 8.

H. Fund Equity

The governmental fund financial statements report a reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

I. Economic Dependency

The City of Tompkinsville, Kentucky, purchases its natural gas from Atmos Energy. Due to the nature of the infrastructure system, the City of Tompkinsville, Kentucky, is economically dependent on this supplier. The infrastructure system of the City's enterprise funds serves residents of Tompkinsville and Monroe County.

J. Restricted Funds

Restricted funds are handled in accordance with state and federal laws and regulations, as well as bond and debt requirements.

K. Use of Estimates and Assumptions

In preparing financial statements that conform with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses reflected during the reporting period. Accordingly, actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the allowance for doubtful accounts for accounts receivable.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

L. Property Tax

Taxes are levied in September and are payable through December 31 of each year, becoming delinquent as of January 31. The City has the PVA office print their bills, but all collections are done by the City. City property tax revenues are recognized if collected within thirty days after year end.

The 2015 tax rate is .276 per \$100 assessed valuation for real property and \$.276 per \$100 assessed valuation for tangible property. The City is permitted by the State Constitution to levy taxes up to \$.75 per \$100 assessed valuation; however, accordingly to statutes, the City may not increase the tax rate on real property by more than four percent per year (exclusive of assessment growth) without obtaining consent through referendum.

The 2015 tax rate for motor vehicles and water craft is .200 per \$100 assessed valuation.

Motor vehicle taxes are due and collected in the birth month of the vehicle's licensee. They are collected by the County Clerk of Monroe County and remitted to the City monthly.

M. Compensated Absences

As of June 30, 2016, the liability for Compensated Absences is \$26,269. The amount applicable to governmental activities is \$12,136 and the amount applicable to business-type activities is \$14,133.

N. Encumbrances

Due to the size of the City of Tompkinsville, the city does not use encumbrance accounting.

O. Pensions

Employer contributions to KRS are calculated based upon creditable compensation for active members reported by employers. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions.

The fiduciary net position of the Kentucky Retirement Systems (KRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and addition to/ deductions from KRS fiduciary net position. 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.

P. Subsequent Events

Management has evaluated subsequent events through December 16, 2016, the date the financial statements were available to be issued.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

2. Budgetary Information

Budget Policy and Practice:

The Mayor submits an annual budget to the City Commission in accordance with the City Charter and Kentucky Revised Statutes. The budget is presented to the City Commission for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Commission adopts the annual fiscal year budgets for City operating funds, once approved; the City Commission may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. An amendment of the budget was passed shortly before year end.

Basis of Budgeting:

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that are allowed by the ordinance that alter total expenditures of any fund must be approved by the City Commission. Total expenditures for a fund may not legally exceed the total appropriations. One revision to the budget was made during the year. Annual budgets for all governmental fund types were adopted on a basis consistent with accounting principles generally accepted in the United States. Appropriations for annually budgeted funds lapse at the fiscal year end.

3. Cash and Cash Equivalents and Custodial Credit Risk

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. Treasury and U.S. Agencies, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans, or interest bearing deposits of insured national or state banks.

The City of Tompkinsville deposits at June 30, 2016 were covered by federal depository insurance or by collateral held by the custodial banks. The book balance of the City's deposits was \$782,176 which includes \$100 in petty cash, and the bank balances were \$803,520.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2016 \$303,520 of the City's bank balance of \$803,520 was exposed to custodial credit risk, detailed as follows:

The deposits are categorized to give an indication of the level of risk assumed by the City at year end. The categories are described as follows:

Category 1 - Insured

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Collateralized with securities held by the pledged financial institution in the institution's name.

Insured	\$ 500,000
Collateral held by pledging bank's trust department	
In the City's name	<u>303,520</u>
Total bank deposits	\$ <u>803,520</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

4. Receivables

Property Taxes- The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by the Monroe County Property Valuation Administrator as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Monroe County, and the annual increase in the property tax levy cannot exceed 4%. For the year ended June 30, 2016, taxes were levied on November 1, 2016, and due and payable on December 31, 2015. A 4% discount is given if paid by November 30. A penalty of 4% is charged for the month of January and 6% each month thereafter until they are paid. The tax rates are set by ordinance each year. Liens are not placed on property for delinquent taxes. All property taxes receivable at June 30 are considered delinquent. In the government wide statement of net position, property taxes are valued at total receivable less an allowable for uncollectibles. The allowance for uncollectible taxes is 100% of the prior year's receivables. City property tax revenues are recognized when levied to the extent they result in current receivables in accordance with GASB Statement No. 1, *Revenue Recognition — Property Taxes*. In the governmental funds property tax receivables are recognized only to the extent that they represent current financial resources and are available. The amount of the receivable is the amount collected within 60 days after year end was \$2,072.

Utility Billings - The garbage collection is billed along with the water, sewer, and gas charges. The allowance for uncollectible accounts has been estimated at the greater of 100% of inactive customer balances or 50% of the receivables.

Following is a summary of the governmental funds accounts receivable and allowances for uncollectible accounts as of June 30, 2016:

	Property Taxes	Total Governmental Funds
Accounts Receivable, Beginning	\$ 47,574	\$ 47,574
Change in Accounts Receivable	<u>(2,582)</u>	<u>(2,582)</u>
Accounts Receivable, Ending	\$ <u>44,992</u>	\$ <u>44,992</u>
Allowances for Uncollectibles, Beginning	41,917	41,917
Change in Allowance for Uncollectibles	<u>(1,947)</u>	<u>(1,947)</u>
Allowance for Uncollectibles, Ending	<u>39,970</u>	<u>39,970</u>
Accounts Receivables, Net of Allowance for Uncollectibles	\$ <u><u>5,022</u></u>	\$ <u><u>5,022</u></u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

4. Receivables-Concluded

Following is a summary of the enterprise fund's accounts receivable and allowances for uncollectible accounts as of June 30, 2016:

	<u>Water</u>	<u>Natural Gas</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total Enterprise Funds</u>
Accounts Receivable, Beginning	\$ 115,685	\$ 64,168	\$ 52,090	\$27,650	\$ 259,593
Change in Accounts Receivable	<u>(13,437)</u>	<u>13,180</u>	<u>(14,230)</u>	<u>(154)</u>	<u>(14,641)</u>
Accounts Receivable, Ending	\$ <u>102,248</u>	\$ <u>77,348</u>	\$ <u>37,860</u>	\$ <u>27,496</u>	\$ <u>244,952</u>
Allowance for Uncollectibles, Beginning	\$ 57,842	\$ 32,084	\$ 26,045	\$13,825	\$ 129,796
Change in Allowance for Uncollectibles	<u>(6,718)</u>	<u>6,590</u>	<u>(7,115)</u>	<u>(77)</u>	<u>(7,320)</u>
Allowance for Uncollectibles, Ending	<u>51,124</u>	<u>38,674</u>	<u>18,930</u>	<u>13,748</u>	<u>122,476</u>
Accounts Receivable, Net of Allowance	\$ <u>51,124</u>	\$ <u>38,674</u>	\$ <u>18,930</u>	\$ <u>13,748</u>	\$ <u>122,476</u>

5. Restricted Assets

Certain fund assets restricted for construction are funded through long-term debt. Net position restricted for debt service include the excess of assets over certain liabilities restricted for the debt service or revenue bonds. Restricted assets are also reported in various funds for cash deposited in bank accounts legally restricted for specified uses, such as the payment of debt service and fiscal fees on long term debt or mortgage loans. See Note 1 describing priority for use of restricted and unrestricted assets.

6. Capital Assets

Depreciation is recorded on all of the capital assets except for land, which is not a depreciable asset. Business-type activities include construction funded with revenue bonds payable and other charges.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

6. Capital Assets-Concluded

	Balance 6-30-15	Additions	Deletions	Balance 6-30-16
PRIMARY GOVERNMENT				
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	<u>1,154,073</u>	<u>19,995</u>	<u>0</u>	<u>1,174,068</u>
Total Capital Assets Not Being Depreciated	<u>1,154,073</u>	<u>19,995</u>	<u>0</u>	<u>1,174,068</u>
Other Capital Assets				
Infrastructure	1,874,549	61,052	0	1,935,601
Buildings	366,025	0	0	366,025
Equipment & Furnishings	893,604	18,485	2,713	909,376
Vehicles	372,934	1,000	0	373,934
Public Works & Street Equipment	13,541	0	0	13,541
Municipal Park	<u>242,762</u>	<u>27,943</u>	<u>0</u>	<u>270,705</u>
Total Other Capital Assets	<u>3,763,415</u>	<u>108,480</u>	<u>2,713</u>	<u>3,869,182</u>
Less Accumulated Depreciation For:				
Infrastructure	1,165,231	52,394	0	1,217,625
Buildings	82,651	7,321	0	89,972
Equipment & Furnishings	823,765	16,931	2,713	837,983
Vehicles	268,539	29,072	0	297,611
Public Works & Street Equipment	9,322	780	0	10,102
Municipal Park	<u>180,697</u>	<u>7,641</u>	<u>0</u>	<u>188,338</u>
Total	<u>2,530,205</u>	<u>114,139</u>	<u>2,713</u>	<u>2,641,631</u>
Governmental Activities Capital Assets, Net	<u>2,387,283</u>	<u>14,336</u>	<u>0</u>	<u>2,401,619</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	626,635	0	0	626,635
Construction In Process	<u>1,420,950</u>	<u>580,645</u>	<u>2,001,595</u>	<u>0</u>
Total Capital Assets Not Being Depreciated	<u>2,047,585</u>	<u>580,645</u>	<u>2,001,595</u>	<u>626,635</u>
Other Capital Assets				
Buildings and Plant	2,912,527	2,241,461	0	5,153,988
Equipment	<u>6,999,304</u>	<u>29,704</u>	<u>0</u>	<u>7,029,008</u>
Total Other Capital Assets	<u>9,911,831</u>	<u>2,271,165</u>	<u>0</u>	<u>12,182,996</u>
Less Accumulated Depreciation	<u>6,093,003</u>	<u>201,211</u>	<u>0</u>	<u>6,294,214</u>
Business-Type Activities Capital Assets, Net	<u>5,866,413</u>	<u>2,650,599</u>	<u>2,001,595</u>	<u>6,515,417</u>
PRIMARY GOVERNMENT Capital Assets, Net	<u>8,253,696</u>	<u>2,664,935</u>	<u>2,001,595</u>	<u>8,917,036</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

7. Depreciation Expense

Depreciation expense was charged to governmental functions as follows:

PRIMARY GOVERNMENT

Governmental Activities

General Government \$ 11,839

Public Safety:

Police 35,512

Fire 5,773

Recycling 200

Street Department 53,174

Park and Recreation 7,641

Total Depreciation Expense — Governmental Activities 114,139

Business-Type Activities

Water 111,916

Sewer 68,371

Natural Gas 18,302

Sanitation 2,622

Total Depreciation Expense — Business-Type Activities 201,211

TOTAL DEPRECIATION EXPENSE — PRIMARY GOVERNMENT \$ 315,350

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities

CAPITAL LEASES — GOVERNMENTAL ACTIVITIES

(A) Magnolia Bank, Inc.

On February 28, 2013, the City entered into a capital lease with Magnolia Bank, Inc to purchase five new 2013 Dodge Charger police cars for a total of \$135,862. Monthly payments of \$2497.49 for a term of five years, including interest of 4%. At June 30, 2016 the balance was \$48,275.

(B) Joe Peteet

The City purchased the impound lot they were previously renting from Joe Peteet. The total cost was \$19,995 which will be repaid over the next 4 years. After making the initial down payment of \$1,095 and the first repayment of \$4,725, the balance was \$14,175 at June 30, 2016.

LOANS PAYABLE — BUSINESS-TYPE ACTIVITIES

South Central Bank

(A) The City had to make emergency repairs to Moe Lane to replace a failing culvert. A small portion of the funds came from the emergency fund of Municipal Road Aid but the majority was borrowed from South Central Bank. The loan bears an interest rate of 4.375% and had a balance at June 30, 2016 of \$139,441.

(B) Interim Financing was secured through South Central Bank for doing major repairs to the City's gas system. The City has \$1,033,000 available to fund the Natural Gas System Project, as of June 30, 2016, the City had drawn \$806,594 from the available \$1,033,000. Once the project is complete USDA Rural Housing Service will purchase \$1,058,000 worth of General Obligation Bonds for the City to payoff the Interim Financing with South Central Bank.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities- Continued

REVENUE BONDS PAYABLE — BUSINESS-TYPE ACTIVITIES

Revenue bonds outstanding consist of debt issued by the water fund. In general, the respective facility and revenues derived from them are pledged for the payment of revenue bond debt service.

A Summary of Bond issues and remaining balances as of June 30, 2016 are as follows:

	<u>GMAC</u>	<u>USDA</u>	<u>Total</u>
1. Bond Ordinance of 1986	\$ 64,000	\$ 0	\$ 64,000
2. Water and Sewer Revenues Bond of 1998	<u>0</u>	<u>663,000</u>	<u>663,000</u>
	64,000	663,000	727,000
Current Portion	<u>(5,000)</u>	<u>0</u>	<u>(5,000)</u>
Long Term Portion	\$ <u>59,000</u>	\$ <u>663,000</u>	\$ <u>722,000</u>

The bond ordinance of 1986 authorized \$131,000 of bonds to be issued for the construction of additions, extensions, and improvements to the sewer system. The bonds were purchased by Farmers Home Administration and, subsequently, by GMAC. As of June 30, 2016, there is \$64,000 outstanding, with final maturity in 2026.

The Water and Sewer Revenue Bond of 1998 was issued to U.S. Department of Agriculture -Rural Development (RD) on February 24, 1999, in the amount of \$867,000. The proceeds from this bond issue were used to retire interim financing provided for the construction of the water and wastewater treatment facility. This bond matures each July 1 beginning in 2001 and bears interest at the rate of 4.5%, with \$663,000 outstanding as of June 30, 2016. Final maturity is in 2038.

There were heretofore created in the prior bond ordinance the following funds and accounts:

- (a) City of Tompkinsville Waterworks and Sewer Revenue Fund
- (b) City of Tompkinsville Water and Sewer Sinking Fund
- (c) City of Tompkinsville Water and Sewer Depreciation Fund
- (d) City of Tompkinsville Water and Sewer Operation and Maintenance Fund

All of the funds shall be maintained with the depository bank so long as any bonds remain outstanding.

All proceedings preliminary to and in connection with the issuance of the outstanding bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the outstanding bonds; (ii) the operation of the system on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the system; (iv) the enforcement and payment of the outstanding bonds and (v) the depreciation of the system; and all other covenants for the benefit of bond owners set out in the prior bond ordinance, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the outstanding bonds, the same as if such provisions and proceedings were set out in full herein;

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities-Continued

provided, further, that after the issuance of the current bonds, the income and revenues of the system shall be collected, segregated, accounted for and distributed as follows:

Revenue Fund

The City covenants and agrees that it will continue to deposit in the revenue fund, promptly as received from time to time, all revenues of the system, as same may be extended and improved from time to time. The moneys in the revenue fund shall continue to be used, disbursed and applied by the City only for the purpose and in the manner and order of priorities specified in the prior bond ordinance, as hereinafter modified by this ordinance, all as permitted by the act, and in accordance with previous contractual commitments.

First Lien Sinking Fund

There shall be transferred from the revenue fund and deposited into the first lien sinking fund on or before the 20th day of each month, for payment of interest on and principal of the series 1971 bonds, a sum equal to the total of the following:

1. An amount equal to one-sixth (1/6) of the next succeeding interest payment to become due on all series 1971 bonds then outstanding, plus
2. An amount equal to one-twelfth (1/12) of the principal of all of the series 1971 bonds maturing on the next succeeding January 1.

Said first lien sinking fund shall be used solely and only and is hereby pledged for the purpose of

Paying the principal of and interest on the series 1971 bonds.

Prior Reserve Fund

There shall next be transferred from the revenue fund and deposited into the prior reserve fund such funds as are required by the terms of the 1971 bond ordinance to be deposited; and such sums shall be held and applied by the City in the manner required by the 1971 bond ordinance.

Second Lien Sinking Fund

At or after the time that the current bonds have been delivered, there shall be transferred from the construction account into the second lien sinking fund an amount sufficient (currently estimated at \$40,000) to provide for capitalized interest during the construction of the project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the project.

After the monthly transfers required in the preceding paragraphs have been paid from the revenue fund, there shall next be transferred monthly from said revenue fund and deposited into the second lien sinking fund on or before the 20th day of each month, for payment of interest on and principal of the current bonds and the series 1986 bonds, a sum equal to the total of the following:

1. An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the current bonds and the series 1986 bonds then outstanding, plus

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities-Continued

2. An amount equal to one-twelfth (1/12) of the principal of any current bonds and the series 1986 bonds maturing on the next succeeding January 1.

The second lien sinking fund is hereby pledged for the payment of the interest and the principal of the current bonds and the series 1986 bonds, but subject to the vested rights and priorities of the series 1971 bonds.

The 1986 and 1998 sinking fund requirements for the next five years are as follows:

Fiscal Year Ending	Principal	Interest	Sinking Fund
6-30-17	5,000	17,983	22,983
6-30-18	24,000	32,206	56,206
6-30-19	26,000	31,058	57,058
6-30-20	27,000	29,840	56,840
6-30-21	29,000	28,550	57,550

Depreciation Fund

Pursuant to the provisions of the 1986 bond ordinance which requires that an adjustment be made on the depreciation fund upon the issuance of bonds ranking on a parity with the series 1986 bonds, it is hereby determined that upon the issuance of the 1998 bonds, and upon completion of the project, as certified by the engineers and by the RU, there shall next be transferred from the revenue fund the sum of at least \$470 (increased from \$65) each month which shall be deposited into the depreciation fund until there is accumulated in such depreciation fund the sum of at least \$56,400 (increased from \$7,300), which amount shall be maintained, and when necessary, restored to said sum of \$56,400, so long as any of the bonds are outstanding and unpaid. The current depreciation fund had a balance of \$58,337 as of June 30, 2016.

As further security for the bond owners and for the benefit of the City, it has been and is hereby provided that in addition to the monthly transfers required to be made from the revenue fund into the depreciation fund, there shall be deposited into said depreciation fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the system, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities-Continued

Moneys in the depreciation fund may be withdrawn and used by the City, upon appropriate certification of the City Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the system which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the bonds if the amount on deposit in the sinking fund is not sufficient to make such payments.

Operation and Maintenance Fund

There shall next be transferred monthly from the revenue fund and deposited into said operation and maintenance fund, sums sufficient to meet the current expenses of operating and maintaining the system. The balance maintained in said operation and maintenance fund shall not be in excess of the amount required to cover anticipated system expenditures for a two-month period pursuant to the City's annual budget.

Monthly Principal and Interest Payments if Requested by the RD

So long as any of the bonds are held or insured by the RD, the City shall, if requested by the RD, make the payments required by Section 402, in monthly installments to the RD or to the insured owners of the bonds.

Surplus Fund

Subject to the provisions for the disposition of the income and revenues of the system as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the revenue fund on such date, to the depreciation fund for application in accordance with the terms of this ordinance or to the sinking fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of outstanding bonds.

Investment and Miscellaneous Provisions

All monies in the sinking fund and the depreciation fund shall be deposited in the depository bank, or such portion thereof as is designated by the City Commission. API monies in the sinking fund and the depreciation fund shall be invested for the benefit of such respective funds in certificates of time deposit or savings accounts of the depository bank or in U.S. obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the City on deposit in the depository bank shall cause the total deposits of the City in said depository bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities — Continued

Investment and Miscellaneous Provisions - Concluded

If the RD has purchased any of the outstanding bonds, investments in certificates of deposit may be made only if a separate RD Form 402-4 agreement is executed. Any such investments will be a part of the respective funds from which the proceeds invested are derived, and income from such investments will be credited to such respective funds. All investments of funds derived from proceeds of the outstanding bonds shall be subject to the applicable limitations set out in Section 303 hereof.

All payments into the funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (20th) day of any month shall be a Saturday, Sunday or a legal holiday, then such payment shall be made on the next succeeding business day. The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any bonds.

All monies held in any of the funds shall be kept apart from all other City funds and shall be deposited in the depository bank, and all such deposits which cause the aggregate of all deposits of the City therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. obligations, having a market value equivalent to such deposit.

Bond Subordination and Parity

It is hereby certified and declared that prior to the issuance of any of the current bonds, there will have been procured and filed with the City Clerk of the City (i) a letter from the RD to the effect that the RD agrees to the issuance of the current bonds ranking on a parity as to security and source of payment with the prior bonds, all of which are owned by the RD, together with (H) a certification signed by the RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the series 1986 bonds held by the RD, evidencing the agreement of the RD as the then owner of the series 1986 bonds, to the issuance of the current bonds so as to rank on a parity with the series 1966 bonds, such legend to be in substantially the following form:

The holder of this bond has consented to the issuance of \$867,000 of City of Tompkinsville Water and Sewer Revenue Bonds, Series 1998 ranking on a parity as to security and source of payment with this bond.

Accordingly, it is hereby found and declared that the current bonds shall rank and be payable on a parity with said outstanding series 1986 bonds from the gross income and revenues of the system, provided that the current bonds and the series 1986 bonds shall be subordinate to the lien and pledge of the series 1971 bonds on the gross revenues of the system.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities-Continued

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Balance 7-1-15	Issued	Retired	Balance 6-30-16	Short Term	Long Term
PRIMARY GOVERNMENT						
Governmental Activities-Capital						
Leases						
Impound Lot						
Matures 7/1/19	\$ 0	\$19,995	\$ 5,820	\$14,175	\$ 4,725	\$ 9,450
Magnolia Bank, Inc.						
4% Interest						
Matures 3-1-18	\$ <u>75,763</u>	\$ <u>0</u>	\$ <u>27,487</u>	\$ <u>48,276</u>	\$ <u>28,586</u>	\$ <u>19,690</u>
Total Governmental Activities-						
Capital Lease	\$ <u>75,763</u>	\$ <u>19,995</u>	\$ <u>33,307</u>	\$ <u>62,451</u>	\$ <u>33,311</u>	\$ <u>29,140</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities- Continued

	Balance 7-1-15	Issued	Retired	Balance 6-30-16	Short Term	Long Term
PRIMARY GOVERNMENT						
Business-Type Activities-Loans Payable						
South Central Bank						
4.375% Interest						
Matures 1-29-17	\$ 326,962	\$ 479,632	\$ 0	\$ 806,594	\$ 0	\$806,594
South Central Bank						
4.0% Interest						
Matures 12-9-17	\$ 0	139,441	0	139,441	0	\$ 139,441
Total Business-Type Activities- Loans Payable	<u>\$ 326,962</u>	<u>\$ 619,073</u>	<u>\$ 0</u>	<u>\$ 946,035</u>	<u>\$ 0</u>	<u>\$ 946,035</u>
PRIMARY GOVERNMENT						
Business-Type Activities- Revenue Bonds Payable						
1986 Issue-GMAC	\$ 68,000	\$ 0	\$ 4,000	\$ 64,000	\$ 5,000	\$59,000
1998 Issue-Rural Development	<u>697,000</u>	<u>0</u>	<u>34,000</u>	<u>663,000</u>	<u>0</u>	<u>663,000</u>
Total Business-Type Activities- Revenue Bonds Payable	<u>\$ 765,000</u>	<u>\$ 0</u>	<u>\$ 38,000</u>	<u>\$ 727,000</u>	<u>\$ 5,000</u>	<u>\$722,000</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

8. Liabilities-Concluded

THE DEBT SERVICE FOR CAPITAL LEASES ARE:

PRIMARY GOVERNMENT	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities			
June 30, 2017	33,311	1,483	34,794
June 30, 2018	24,414	360	24,774
June 30, 2019	<u>4,725</u>	<u>0</u>	<u>4,725</u>
Total Governmental Activities	<u>62,450</u>	<u>1,843</u>	<u>64,293</u>

THE DEBT SERVICE FOR THE BUSINESS-TYPE ACTIVITIES LOANS PAYABLE ARE:

PRIMARY GOVERNMENT
Business-Type Activities

South Central Bank is providing Interim Financing for the Natural Gas System Project. Once the project is complete a repayment schedule will be determined.

THE DEBT SERVICE FOR THE BUSINESS-TYPE ACTIVITIES REVENUE BONDS PAYABLE ARE:

PRIMARY GOVERNMENT	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Business-Type Activities			
June 30, 2017	5,000	17,983	22,983
June 30, 2018	24,000	32,206	56,206
June 30, 2019	26,000	31,058	57,058
June 30, 2020	27,000	29,840	56,840
June 30, 2021	29,000	28,550	57,550
June 30, 2022-June 30, 2026	160,000	121,395	281,395
June 30, 2027-June 20, 2031	155,000	87,010	242,010
June 30, 2032-June 30, 2036	193,000	48,099	241,099
June 30, 2037-June 30, 2038	<u>108,000</u>	<u>6,248</u>	<u>118,248</u>
Total Business-Type Activities	<u>\$ 727,000</u>	<u>\$ 402,389</u>	<u>\$ 1,133,389</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

9. Risk Management

The City is exposed to various forms of loss related to torts, theft or damage to assets, errors and omissions, injuries to employees, and natural disasters. Each of these risk areas is covered through the purchase of commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City has purchased certain policies, which are retrospectively rated, including worker's compensation insurance. The City purchases unemployment insurance through the Kentucky League of Cities; however, risk has not been transferred to that fund. Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the City at risk for a loss contingency. Claims expenditures and liabilities would be reported in the affected fund if and when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

10. Balances and Transfers/Payments Within The Reporting Entity

Internal Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds include outstanding charges by one fund to another for subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as due to/from other funds."

The City uses a Clearing Account under the Water Department to deposit all utility revenues. The following shows how much is due from the Clearing Account to other funds.

Internal receivable and payable balances at June 30, 2016, are as follows:

	<u>Internal Receivables</u>	<u>Internal Payables</u>
PRIMARY GOVERNMENT		
Business-Type Activities		
Water	\$ 0	\$ 103,742
Sewer	34,644	0
Natural Gas	42,301	0
Sanitation	<u>26,797</u>	<u>0</u>
Total	\$ <u>103,742</u>	\$ <u>103,742</u>

TRANSFERS AND PAYMENTS

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions and funding capital asset acquisitions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The government-wide statement of activities eliminates transfers as reported within the governmental activities column.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTES TO FINANCIAL STATEMENTS - CONTINUED

11. Pension Plan

City of Tompkinsville is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description-CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions- For the year ended June 30, 2016, plan members were required to contribute 5.00% of wages for non-hazardous job classifications and 8.00% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2016, the City contributed 17.06 % and 34.31% of each employee's nonhazardous and hazardous wages from January to June, 2015 and 17.67% and 34.31% of each employee's wages from July to December, 2015, both of which are equal to the actuarially determined rates set by the Board. Administrative costs of the Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% and 8.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. for nonhazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

11. Pension Plan (Continued)

The City contributed \$283,620 to the pension plan for the fiscal year ended June 30, 2016 or 100% of the required contribution.

Pension Liabilities Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At June 30, 2016 the City reported a liability of \$1,777,177 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015 the City's proportion was .022005 percent for nonhazardous and .054139 percent for hazardous payroll.

For the year ended June 30, 2016, the City recognized pension expense of \$362,148. At June 30, 2016, 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>
Difference between expected and actual results	\$ 25,913	\$ -
Changes of assumptions	167,223	-
Difference between projected and actual earnings on plan investments	13,700	-
Changes in proportion and differences between City contributions and proportionate share of contributions	101,176	-
Company contributions subsequent to the measurement date	<u>163,192</u>	<u>-</u>
Total	\$ <u>471,204</u>	\$ <u>-</u>

The \$163,192 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending	
2017	\$(114,654)
2018	(114,653)
2019	(55,791)
2020	(22,914)

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

11. Pension Plan (Continued)

Actuarial Assumptions- The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment Rate of return	7.50%, net of plan investment expense, including inflation

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 actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July-1, 2008-June 30, 2013.

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

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

11. Pension Plan (Continued)

The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	<u>2%</u>	-0.25%
Total	100%	

Discount Rate- The discount rate used to measure the total pension liability was 7.50 percent at June 30, 2015. 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 28 year amortization period of the unfunded actuarial accrued liability. The discount rate does not use a municipal bond rate.

Sensitivity of the Company's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>Discount Rate</u>	<u>Company's Proportionate Share of Net Pension Liability</u>
1% decrease	6.50%	\$ 2,268,788
Current discount rate	7.50%	\$ 1,777,177
1% increase	8.50%	\$ 1,356,151

Payable to the Pension- Plan. At June 30, 2016, the City reported a payable of \$28,395 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016. The payable includes both the pension and insurance contribution allocation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts <u>Budgetary Basis</u>	Variance With Final <u>Budget</u>
REVENUES				
Property Taxes	330,000	342,000	337,991	(4,009)
Payroll Tax	535,000	602,519	586,326	(16,193)
Licenses & Fees	35,000	37,429	54,147	16,718
Insurance Premiums Tax	193,000	218,996	191,558	(27,438)
Intergovernmental Revenue	80,250	88,401	103,134	14,733
Recycling Revenues	0	5,322	5,322	0
Penalties & Fines	0	0	23,501	23,501
Other Revenues	<u>11,605</u>	<u>24,160</u>	<u>26,729</u>	<u>2,569</u>
Total Revenues	<u>1,184,855</u>	<u>1,318,827</u>	<u>1,328,708</u>	<u>9,881</u>
EXPENDITURES				
Current				
General Government and Recycling	510,800	585,790	535,494	50,296
Public Safety				
Police	680,250	622,866	656,652	(33,786)
Fire	16,200	15,173	17,853	(2,680)
Street	48,500	202,748	138,025	64,723
Park and Recreation	<u>64,530</u>	<u>75,199</u>	<u>76,740</u>	<u>(1,541)</u>
Total Expenditures	<u>1,320,280</u>	<u>1,501,776</u>	<u>1,424,764</u>	<u>77,012</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(135,425)</u>	<u>(182,949)</u>	<u>(96,056)</u>	<u>86,893</u>
OTHER FINANCING SOURCES (USES)				
Donations	2,500	11,961	11,927	34
Interest Income	305	2	200	(198)
Transfers In/Out	78,370	(37,653)	14,813	52,466
Sale of Assets	1,000	9,834	3,455	6,379
Loan Proceeds	0	130,000	130,000	0
Grant Proceeds	<u>53,250</u>	<u>68,805</u>	<u>14,959</u>	<u>53,846</u>
Total Other Financing Sources (Uses)	<u>135,425</u>	<u>182,949</u>	<u>175,354</u>	<u>7,595</u>
NET CHANGE IN FUND BALANCES	<u>0</u>	<u>0</u>	<u>79,298</u>	<u>79,298</u>

See note on budgetary information on the next page.

See Independent Auditor's Report.

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-GENERAL FUND-(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

**Explanation of Differences between Budgetary inflows and outflows
and GAAP Revenues and Expenses**

Sources/Inflows of Resources

Actual amounts (budgetary basis) from the budgetary Comparison Schedule.	1,328,708
Differences-Budget to GAAP:	

No Difference	<u>0</u>
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Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in fund balances-governmental funds:	<u>1,328,708</u>
----------------------------------------------------------------------------------------------------------------------------	------------------

Uses/outflows of resources

Actual amounts (budgetary basis) from the Budgetary Comparison Schedule:	1,424,764
Differences-Budget to GAAP:	

Additional expenses attribute to the current year per GAAP due to current and previous year accruals of payables and recognizing expense previously considered prepaid, capital purchases, and debt service.	<u>77,197</u>
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Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in fund balances-governmental funds. See auditors' report and notes to financial statements.	<u>1,501,961</u>
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Budgetary Information

Budget Policy and Practice:

The Mayor submits an annual budget to the City Council in accordance with the City Charter and Kentucky Revised Statutes. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for city operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting:

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. The mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council. Total expenditures for a fund legally may not exceed the total appropriations. The budget was amended near year end.

The budget is prepared on the cash basis of accounting; the fund financial statements are prepared on the modified accrual basis of accounting, however, in the budget to actual comparison the actual numbers are prepared on the budgetary (cash) basis with an accompanying reconciliation to the fund financial statements.

CITY OF TOMPKINSVILLE
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM

	<u>June 30, 2016</u>	
	<u>Hazardous</u>	<u>Non-Hazardous</u>
City's proportion of the net pension liability	.054139	.022005
City's Proportionate share of the net pension liability	\$ 831,086	\$ 946,091
City's covered-employee payroll	\$ 288,019	\$ 515,907
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	288.55%	183.38%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	59.97%

Notes:

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

The amounts presented for the year were determined (measured) as of June 30, of the fiscal year presented.

See accompanying notes to financial statements.

CITY OF TOMPKINSVILLE
SCHEDULE OF THE CITY'S CONTRIBUTIONS COUNTY
EMPLOYEES' RETIREMENT SYSTEM FOR THE
YEAR ENDED JUNE 30, 2016

	Hazardous	Non-Hazardous	Total
Contractually required contribution (includes \$61,727 for Health Insurance Fund Hazardous portion \$33,046, non-hazardous portion \$28,801)	\$ 103,627	\$121,492	\$225,119
Contribution in relation to the contractually required contribution	<u>(103,627)</u>	<u>(121,492)</u>	<u>(225,119)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
City's covered-employee payroll	\$ 314,499	\$712,143	\$ 1,026,642
Contributions as a percentage of covered-employee payroll	32.95%	17.06%	

Notes

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

Contractually required employer contributions exclude the portion of contributions paid to the CERS, but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

The amounts presented for the fiscal year were determined (measured) as of the reporting year-end of the City.

See accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

CITY OF TOMPKINSVILLE KENTUCKY
SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2016

County Employee Retirement System

Changes of benefit terms- None.

Changes in assumptions- The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, 2015:

- 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% to 0.75%.
- The 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 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 (setback 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. 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.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF REVENUES-GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Fund Types
	<u>General</u>
REVENUES	
PROPERTY TAXES	
Personal Property taxes	\$ 263,075
Motor Vehicle Taxes	<u>15,195</u>
Total Property Taxes	<u>278,270</u>
OCCUPATIONAL LICENSES	<u>54,147</u>
PAYROLL TAX REVENUE	<u>586,326</u>
INSURANCE PREMIUMS TAX	<u>191,558</u>
BANK DEPOSIT TAX	<u>34,263</u>
INTERGOVERNMENTAL REVENUES	
Law Enforcement Fees (HB413)	9,621
Police Incentive Pay	40,513
Municipal Road Aid	50,504
Mineral Rights	<u>2,496</u>
Total Intergovernmental Revenues	<u>103,134</u>
CABLE FRANCHISE FEES	<u>25,458</u>
PENALTIES AND FINES	
Fines	565
Impound Lot	19,305
Arrest Fees	<u>3,631</u>
Total Penalties and Fines	<u>23,501</u>
RECYCLING REVENUE	<u>5,322</u>
OTHER INCOME	<u>26,729</u>
TOTAL REVENUES	<u>\$ 1,328,708</u>

See independent auditor's report

CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES-GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Fund Types <u>General</u>
GENERAL GOVERNMENT	
Mayor's Salary	\$ 25,481
Salaries and Wages	158,290
Commissioner's Compensation	4,200
Utilities and Telephone	12,388
Insurance	21,848
Retirement	121,321
Payroll Taxes	15,567
Legal and Accounting	46,749
Supplies	10,292
Computer Services	31,230
Postage and Office Supplies	24,283
Travel	3,410
Repairs and Maintenance	6,409
Bank Service Charges	5,359
Contract Labor	7,211
Training	5,232
Advertising	2,560
Drug Testing	1,660
Contributions	5,500
Equipment Rental	744
Other	9,318
Dues and Subscriptions	<u>6,437</u>
Total General Government	<u>525,489</u>
 POLICE DEPARTMENT	
Salaries and Wages	426,661
Postage and Office Supplies	2,164
Utilities and Telephone	8,610
Repairs and Maintenance	5,320
Insurance	9,363
Payroll Taxes	35,504
Gas and Oil	12,600
Towing Fees	9,700
Uniforms	4,478
Supplies	3,268
K-9 Expense	1,294
Traveling	1,572
Retirement	124,926
Legal & Accounting	481
Computer Services	5,765
Advertising	467
Other	<u>4,479</u>
Total Police Department	<u>656,652</u>

CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES-GOVERNMENTAL FUND TYPES-CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Fund Types <u>General</u>
FIRE DEPARTMENT	
Contract Labor	2,970
Utilities and Telephone	2,617
Repairs and Maintenance	1,361
Insurance	4,527
Gas and Oil	232
Supplies	1,874
Other	<u>72</u>
Total Fire Department	<u>13,653</u>
PARK AND RECREATION	
Salaries and Wages	29,700
Repairs and Maintenance	782
Supplies	2,309
Utilities and Telephone	6,512
Retirement	1,696
Payroll Taxes	2,341
Insurance	7,605
Uniforms	426
Other	<u>94</u>
Total Park and Recreation	<u>51,465</u>
RECYCLING	
Utilities and Telephone	2,408
Supplies	1,588
Repairs and Maintenance	2,805
Gas and Oil	918
Insurance	4,527
Computer Services	974
Other	<u>245</u>
Total Recycling	<u>13,465</u>
STREET DEPARTMENT	
Utilities and Street Lights	62,927
Repairs and Maintenance	4,502
Contract Labor	1,306
Supplies	100
Other	3,515
Equipment Rental	<u>4,623</u>
Total Street Department	<u>76,973</u>
CAPITAL OUTLAY	
Police Department	25,275
Administration Department	7,005
Fire Department	4,200
Park Department	27,943
Street Department	61,052
Recycling Department	<u>3,000</u>
Total Capital Outlay	<u>128,475</u>
DEBT SERVICE	<u>35,789</u>
TOTAL CURRENT EXPENDITURES	\$ <u>1,501,961</u>
See Independent Auditor's Report.	

OTHER REPORTS

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

Honorable Mayor and the City Commission
City of Tompkinsville, 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 City of Tompkinsville as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Tompkinsville's basic financial statements and have issued our report thereon dated December 16, 2016, which includes an explanatory paragraph regarding the omission of management's discussion analysis and budgetary comparison information.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, 2016-1, that we consider to be material weakness.

Compliance and Other Matters

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

City of Tompkinsville's Response to Findings

City of Tompkinsville's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Tompkinsville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Gilbert & Gilbert, CPA'S



December 16, 2016

CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2016

II FINANCIAL STATEMENT FINDINGS

Reference # 2016-1

Internal Control: The City does not have an individual capable of creating financial statements, including footnotes.

Criteria

Management is responsible to maintain a system of internal control including employing an individual capable of creating financial statements including footnotes.

Cause of Condition

The inherent size of the City.

Effect of Condition

There is an increased risk of material misstatement due to the deficiency in internal control.

Recommendation

We recommend that the City seek compensating controls to mitigate this deficiency.

Auditee Response

The City will search for ways to compensate for the internal control deficiency due to not having an individual capable of creating financial statements, including footnotes.

CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
STATUS AS OF THE YEAR ENDED JUNE 30, 2016

Reference #2015-1-Unresolved

Internal Control: The City does not have an individual capable of creating financial statements, including footnotes.

Criteria

Management is responsible to maintain a system of internal control including employing an individual capable of creating financial statements including footnotes.

Cause of Condition

The inherent size of the City.

Effect of Condition

There is an increased risk of material misstatement due to the deficiency in internal control.

Recommendation

We recommend that the city seek compensating controls to mitigate this deficiency.

Auditee Response

The city will search for ways to compensate for the internal control deficiency due to not having an individual capable of creating financial statements, including footnotes.