

CITY OF TOMPKINSVILLE, KENTUCKY
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
JUNE 30, 2018

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

MAYOR

SCOTTY TURNER

COMMISSIONERS

TONY BARTLEY

BOBBY ADAMS

ANITA BARTLETT

TENNA CAIN

CITY CLERK-ADMINISTRATOR

ASHLEY PENNINGTON

CITY ATTORNEY

RICHARD JACKSON

POLICE CHIEF

JEFF DENHARD

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

Other Matters***Required Supplementary Information***

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 through 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 21, 2018, 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 21, 2018

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

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash on Hand and in Banks	\$ 117,744	\$ 233,934	\$ 351,678
Receivables, Net			
Property Taxes	4,993	0	4,993
Utility Services	0	122,256	122,256
Prepaid Insurance	1,493	0	1,493
Due from Other Funds	0	155,774	155,774
Unbilled Revenue	0	149,422	149,422
Total Current Assets	<u>124,230</u>	<u>661,386</u>	<u>785,616</u>
RESTRICTED ASSETS			
Restricted Cash			
Municipal Road Aid	21,175	0	21,175
Gas Assistance Fund	0	297	297
Construction Funds	100	2,157	2,257
Sinking Fund	0	71,522	71,522
Depreciation Fund	0	58,677	58,677
Total Restricted Assets	<u>21,275</u>	<u>132,653</u>	<u>153,928</u>
PROPERTY, PLANT, AND EQUIPMENT (NET)			
Capital Assets			
Construction in Process	28,914	1,088,017	1,116,931
Land	1,174,068	626,635	1,800,703
Streets and Infrastructure, Net	674,730	0	674,730
Other Capital Assets, Net	712,540	6,205,626	6,918,166
Total Property, Plant, and Equipment (Net)	<u>2,590,253</u>	<u>7,920,278</u>	<u>10,510,530</u>
TOTAL ASSETS	<u>2,735,758</u>	<u>8,714,317</u>	<u>11,450,075</u>
DEFERRED OUTFLOWS OF RESOURCES:			
PENSION CONTRIBUTIONS-			
CURRENT YEAR	<u>859,288</u>	<u>361,128</u>	<u>1,220,416</u>

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

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	Total
	Activities	Activities	
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	25,347	61,139	86,488
Accrued Wages & Taxes	18,245	15,580	33,825
Compensated Absences	7,595	10,640	18,235
Payroll Taxes Payable	6,422	7,054	13,476
Sales & School Tax Payable	0	5,809	5,809
Meter Deposits	0	141,365	141,365
Retirement Payable	17,065	11,426	28,491
Due to Other Funds	0	155,774	155,794
Gas Assistance Fund Payable	0	297	297
Interest Payable	0	75,872	75,872
Current Portion of Debt			
Note Payable- Individual	4,725	0	6,500
Note Payable South Central Bank Paved Trails	6,500	0	4,725
Note Payable- South Central Bank Moe Lane	0	7,994	7,994
Note Payable- South Central Bank Telemetry	0	49,179	49,179
Note Payable- South Central Bank Backhoe	0	16,365	16,365
Note Payable-South Central Bank Cave Excavation	0	9,227	9,227
Note Payable- TNC National Bank	0	33,837	33,837
GMAC- 1986 Series	0	6,000	6,000
USDA- 1998 Series	0	20,000	20,000
USDA- 2015 Series	0	11,500	11,500
Total Current Liabilities	<u>85,899</u>	<u>639,058</u>	<u>724,957</u>
LONG TERM LIABILITIES			
Long-Term Portion of Debt			
Note Payable- Individual	0	0	0
Note Payable- South Central Bank Moe Lane	0	74,240	74,240
Note Payable- South Central Bank Telemetry	0	129,981	129,981
Note Payable- South Central Bank Backhoe	0	42,681	42,681
Note Payable-South Central Bank Cave Excavation	0	29,693	29,693
Note Payable South Central Bank EPA Sludge Project	0	407,998	407,998
Note Payable- TNC National Bank	0	70,889	70,889
GMAC-1986 Series	0	48,000	48,000
USDA-1998 Series	0	624,000	624,000
USDA 2015 Series	0	1,046,500	1,046,500
Net Pension Liability	<u>2,322,868</u>	<u>873,928</u>	<u>3,196,796</u>
Total Long Term Liabilities	<u>2,322,868</u>	<u>3,347,910</u>	<u>5,670,778</u>
TOTAL LIABILITIES	<u>2,408,767</u>	<u>3,986,968</u>	<u>6,395,735</u>
DEFERRED INFLOWS OF RESOURCES:			
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investment	<u>44,720</u>	<u>51,931</u>	<u>96,651</u>
NET POSITION			
Investment in Capital Assets, Net of Related Debt	1,120,284	6,417,968	7,538,252
Restricted for:			
Gas Assistance Funds	0	297	297
Construction Funds	0	2,157	2,157
Debt Service Funds	0	130,199	130,199
Municipal Road Aid Fund	21,275	0	21,275
Unrestricted	<u>0</u>	<u>(1,514,075)</u>	<u>(1,514,075)</u>
TOTAL NET POSITION	<u>\$ 1,141,559</u>	<u>\$ 5,036,546</u>	<u>\$ 6,178,105</u>

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

FUNCTIONS/PROGRAMS		Program Revenues		
		Charges	Operating	Capital
PRIMARY GOVERNMENT	Expenses	for Services	Grants	Grants
Governmental Activities				
General Government	\$ 794,168	\$ 0	\$ 10,359	\$ 0
Public Safety:				
Police Department	1,174,984	70	59,557	50,000
Fire Departmentt	19,848	0	0	11,000
Street Department	130,104	0	0	47,045
Recycling	67,522	14,996	0	70,316
Parks and Recreation	<u>120,218</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>2,306,844</u>	<u>15,066</u>	<u>69,916</u>	<u>178,361</u>
Business-Type Activities				
Water	1,241,307	1,351,837	0	0
Sewer	463,421	456,988	0	0
Natural Gas	968,983	1,087,403	0	671,120
Sanitation	<u>612,486</u>	<u>304,769</u>	<u>0</u>	<u>0</u>
Total Business-Type Activities	<u>3,286,197</u>	<u>3,200,997</u>	<u>0</u>	<u>671,820</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>5,593,041</u>	\$ <u>3,216,063</u>	\$ <u>69,916</u>	\$ <u>849,481</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
\$ (783,809)	\$ 0	\$ (783,809)
(1,065,357)	0	(1,065,357)
(8,848)	0	(8,848)
(83,059)	0	(83,059)
17,790	0	17,790
<u>(120,218)</u>	<u>0</u>	<u>(120,218)</u>
<u>(2,043,501)</u>	<u>0</u>	<u>(2,043,501)</u>
0	110,530	110,530
0	(6,433)	(6,433)
0	789,540	789,540
<u>0</u>	<u>(307,717)</u>	<u>(307,717)</u>
<u>0</u>	<u>585,920</u>	<u>585,920</u>
(2,043,501)	585,920	(1,457,581)
311,715	0	311,715
637,746	0	637,746
52,731	0	52,731
252,734	0	252,734
25,475	0	25,475
34,221	0	34,221
0	0	0
207	327	534
155,066	84,300	239,366
<u>272,512</u>	<u>(272,512)</u>	<u>0</u>
1,742,407	(187,885)	1,554,522
<u>(301,094)</u>	<u>398,035</u>	<u>96,941</u>
<u>1,442,654</u>	<u>4,638,510</u>	<u>6,081,164</u>
\$ <u>1,141,560</u>	\$ <u>5,036,545</u>	\$ <u>6,178,105</u>

CITY OF TOMPKINSVILLE, KENTUCKY
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2018

	General <u>Fund</u>
ASSETS	
Cash on Hand and in Banks	\$ 117,744
Receivables, Net of Allowance For Uncollectible Accounts	
Property Taxes	4,698
Prepaid Insurance	1,493
Restricted Assets-Cash	
Conservation Fund	100
Municipal Road Aid	<u>21,175</u>
TOTAL ASSETS	\$ <u>145,210</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	25,347
Accrued Wages & Taxes	18,245
Payroll Taxes Payable	6,422
Retirement Payable	<u>17,065</u>
Total Liabilities	<u>67,079</u>
FUND BALANCES	
Restricted	21,275
Unassigned	<u>56,856</u>
Total Fund Balances	<u>78,131</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>145,210</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, 2018

Total Fund Balances-Total Governmental Funds	\$ 78,131
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Amounts reported for *Governmental Activities* in the Statement of Net Position are different because:

Capital assets of \$5,474,937, net of accumulated depreciation of (\$2,884,684), are not financial resources and, therefore, are not reported in the funds. See Note 6 for additional detail.	2,590,253
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Net Pension Liability of \$2,322,868 plus deferred inflows of resources of \$44,720 less deferred outflows of resources of \$859,288 associated with the pension plan liability are not reported in the fund financial statements.	(1,508,300)
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Long-term liabilities of \$(29,139) are not due and payable in the current period and are not reported in the funds. See Note 8 for additional details	(11,225)
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Accrued compensated absences of \$7,595 are not due and payable in the current period and are not reported in the funds. See Note 1-M for detail	(7,595)
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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>295</u>
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Net Position of Governmental Activities	\$ <u>1,141,559</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, 2018

	General Fund
REVENUES	
Property Taxes	\$ 307,017
Occupational Licenses	52,731
Payroll Tax Revenue	637,746
Insurance Premiums Tax	252,734
Bank Deposit Tax	34,221
Intergovernmental Revenue	109,996
Cable Franchise Fees	25,475
Penalties and Fines	43,060
Recycling Revenue	14,996
Other Revenue	<u>116,746</u>
Total Revenues	<u>1,594,722</u>
EXPENDITURES	
Current	
General Government	702,592
Public Safety	
Police	989,711
Fire	13,343
Street Department	17,098
Recycling	43,995
Park and Recreation	90,004
Capital Outlay	288,880
Debt Service	
Lease Payments	42,829
Interest	<u>948</u>
Total Expenditures	<u>2,189,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(594,678)</u>
OTHER FINANCING SOURCES (USES)	
Donations	20,245
Interest Income	207
Grant Proceeds	138,281
Transfers In/Out	<u>272,512</u>
Total Other Financing Sources (Uses)	<u>431,245</u>
NET CHANGE IN FUND BALANCES	(163,433)
FUND BALANCES-BEGINNING	<u>241,564</u>
FUND BALANCES-ENDING	<u>\$ 78,131</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, 2018

Net Changes in Fund Balances-Total Governmental Fund **\$ (163,433)**

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 \$288,880 exceeded depreciation of \$126,930. 161,949

Compensated absences are reported in the governmental fund when paid but reported when liable in the Statement of Net Position. 5,104

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 payments of \$42,829 exceeded debt payments of \$24,915. See Note 8 for additional details. 17,914

Pension expense is reported in the Governmental Fund when paid as a contribution to the retirement system, however in the Statement of Activities Pension Expense is the City's proportionate share of the state pension expense as adjusted by current year changes to deferred outflows and inflows of resources. \$ (327,326)

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 within 60 days after the year end. 4,698

Change in Net Position of Governmental Activities **\$ (301,094)**

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, 2018

	Enterprise Funds				
	Natural				
	Water	Sewer	Gas	Sanitation	Total
ASSETS					
CURRENT ASSETS					
Cash on Hand and in Banks	\$ 146,764	\$ 41,791	\$45,379	\$ 0	\$ 233,934
Prepaid Insurance	0	0	0	0	0
Receivables, Net of Allowance for Uncollectible Accounts	44,475	24,041	38,613	15,127	122,256
Unbilled Revenue	75,179	25,295	34,352	14,596	149,422
Due from Other Funds	0	46,091	77,168	32,515	155,774
Total Current Assets	<u>266,418</u>	<u>137,218</u>	<u>195,512</u>	<u>62,238</u>	<u>661,386</u>
RESTRICTED ASSETS:					
Gas Assistance Fund	0	0	297	0	297
Construction Fund	1,052	1,105	0	0	2,157
Sinking Fund	56,462	0	15,060	0	71,522
Reserve Fund	0	0	0	0	0
Depreciation Fund	58,577	0	100	0	58,677
Total Restricted Assets	<u>116,091</u>	<u>1,105</u>	<u>15,457</u>	<u>0</u>	<u>132,653</u>
Property, Plant, and Equipment (Net):					
Capital Assets					
Construction in Process	634,671	226,673	226,673	0	1,088,017
Land	0	0	0	0	0
Other Capital Assets, Net of Accumulated Deprecation	2,941,911	1,944,771	1,736,609	208,970	6,832,261
Total Property, Plant, and Equipment (Net)	<u>3,576,582</u>	<u>2,171,444</u>	<u>1,963,282</u>	<u>208,970</u>	<u>7,920,278</u>
TOTAL ASSETS	<u>3,959,091</u>	<u>2,309,767</u>	<u>2,174,251</u>	<u>271,208</u>	<u>8,714,317</u>

Deferred Outflows of Resources:

Pension	\$ 197,210	\$ 44,135	\$ 89,405	\$30,378	\$ 361,128
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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	\$ 24,197	\$ 7,034	\$ 9,798	\$ 20,110	\$ 61,139
Payroll Taxes Payable	2,716	883	1,388	2,067	7,054
Compensated Absences	3,436	2,455	1,725	3,024	10,640
Sales/School Tax Payable	2,690	0	3,119	0	5,809
Accrued Wages & Taxes	6,897	1,853	2,159	4,671	15,580
Meter Deposits	65,475	0	75,890	0	141,365
Retirement Payable	4,038	1,135	2,755	3,498	11,426
Due to Other Funds	155,774	0	0	0	155,774
Construction Payable	0	0	0	0	0
Gas Assistance Fund Payable	0	0	297	0	297
Interest Payable	63,308	0	12,564	0	75,872
Current Portion of:					
SCB- Moe Lane	7,994	0	0	0	7,994
SCB- Backhoe Loan	0	0	0	0	16,365
SCB-EPA Sludge Loan	0	0	16,365	0	16,365
SCB-Cat Excavator	0	0	9,227	0	9,227
SCB Telemetry	49,179	0	0	0	49,179
TCF-Sanitation Truck	0	0	0	33,637	33,837
Revenue Bonds Payable	0	0	0	0	0
GMAC-1986 Series	6,000	0	0	0	6,000
USDA-1998 Series	20,000	0	0	0	20,000
USDA-2015 Series	0	0	11,500	0	11,500
Total Current Liabilities	<u>411,704</u>	<u>13,360</u>	<u>146,787</u>	<u>67,207</u>	<u>639,058</u>
Deferred Inflows of Resources	<u>28,359</u>	<u>6,347</u>	<u>12,857</u>	<u>4,368</u>	<u>51,931</u>
LONG-TERM LIABILITIES:					
SCB- Moe Lane	74,240	0	0	0	74,240
SCB-Backhoe Loan	0	0	0	0	42,681
SCB-EPA Sludge Loan	407,998	0	42,681	0	407,998
SCB-Cat Excavator	0	0	29,693	0	29,693
SCB-Telemetry	129,981	0	0	0	129,981
TCF-Sanitation Truck	0	0	0	0	70,889
Revenue Bonds Payable	0	0	0	70,889	0
GMAC-1986 Series	48,000	106,807	0	0	48,000
USDA-1998 Series	624,000	0	0	0	624,000
USDA-2015 Series	0	0	1,046,500	0	1,046,500
Net Pension Liability	<u>477,248</u>	<u>106,807</u>	<u>216,359</u>	<u>73,514</u>	<u>873,928</u>
Total Long Term Liabilities	<u>1,761,467</u>	<u>106,807</u>	<u>1,335,233</u>	<u>144,403</u>	<u>3,347,910</u>
TOTAL LIABILITIES	<u>2,201,530</u>	<u>126,514</u>	<u>1,494,877</u>	<u>215,978</u>	<u>4,038,899</u>
Net Position:					
Invested in Capital Assets, Net of Debt	2,145,882	2,171,444	1,891,672	208,970	6,417,968
Restricted for:					
Gas Assistance Funds	0	0	297	0	297
Construction Funds	1,052	1,105	0	0	2,157
Debt Service	115,039	0	15,160	0	130,199
Unrestricted	<u>(307,202)</u>	<u>54,839</u>	<u>(1,138,350)</u>	<u>(123,362)</u>	<u>(1,514,075)</u>
Total Net Position	<u>1,954,771</u>	<u>2,227,388</u>	<u>768,779</u>	<u>85,608</u>	<u>5,036,545</u>
TOTAL NET POSITION					

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET POSITION-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
REVENUES					
Charges for Services	\$ 1,351,837	\$ 456,988	\$ 1,087,403	\$ 304,769	\$ 3,200,997
Reconnect/Service Charges	<u>18,113</u>	<u>1,255</u>	<u>18,325</u>	<u>115</u>	<u>37,808</u>
Total Revenues	<u>1,369,950</u>	<u>458,243</u>	<u>1,105,728</u>	<u>304,884</u>	<u>3,238,805</u>
EXPENSES					
Gas Purchases	0	0	459,039	0	459,039
Salaries and Wages	277,087	71,854	120,550	198,618	668,109
Utilities and Telephone	114,142	145,345	6,105	0	265,592
Repairs and Maintenance	18,006	13,033	5,551	19,805	56,395
Supplies	58,121	13,465	65,595	10,454	147,635
Insurance	97,334	32,690	23,117	106,495	259,636
Payroll Taxes	22,553	5,878	9,520	16,474	54,425
Computer Service	35	0	4,314	0	4,349
Depreciation	136,173	71,964	61,822	56,305	326,264
Gas and Oil	10,537	791	7,194	29,460	47,982
Chemicals	199,412	12,610	5,769	0	217,791
Training & Travel	4,932	263	13,488	1,129	19,813
Credit Card Processing Fees	512	709	1,138	96	2,455
Uniforms	4,281	1,005	3,697	11,114	20,097
Advertising	273	205	195	333	1,006
Lab Fees	2,140	27,728	0	0	29,868
Legal & Accounting	10,344	463	3,025	1,094	14,926
Landfill	0	0	0	87,198	87,198
Contract Labor	63,046	33,950	34,331	2,415	133,742
Retirement	77,098	21,027	35,045	63,080	196,250
Subscriptions & Dues	746	0	1,384	40	2,170
Equipment Rental	5,205	3,224	10,842	3,271	22,542
Sales/School Taxes	26,789	7,218	56,218	0	90,225
Other	<u>8,793</u>	<u>0</u>	<u>154</u>	<u>795</u>	<u>9,742</u>
Total Operating Expenses	<u>1,137,559</u>	<u>463,422</u>	<u>928,094</u>	<u>608,176</u>	<u>3,137,251</u>
OPERATING INCOME (LOSS)	232,391	(5,179)	177,634	(303,292)	101,554
NON-OPERATING REVENUES (EXPENSES)					
Grant Income	671,120	0	0	0	671,120
Interest Income	183	52	93	0	328
Penalty Income	9,199	8,167	8,755	5,041	31,162
Miscellaneous Income	2,373	875	1,774	10,308	15,330
Interest Expense	<u>(103,748)</u>	<u>0</u>	<u>(40,889)</u>	<u>(4,310)</u>	<u>(148,947)</u>
TOTAL	<u>579,127</u>	<u>9,094</u>	<u>(30,267)</u>	<u>11,039</u>	<u>568,994</u>
NET INCOME (LOSS) BEFORE TRANSFERS	811,518	3,915	147,367	(292,253)	670,547
Operating Transfers in/out, net	<u>(709,701)</u>	<u>162,852</u>	<u>(23,592)</u>	<u>297,929</u>	<u>(272,512)</u>
Net Income	101,817	166,767	123,775	5,676	398,035
Net Position-Beginning	<u>1,852,954</u>	<u>2,060,621</u>	<u>645,004</u>	<u>79,931</u>	<u>4,638,510</u>
Net Position-Ending	<u>\$ 1,954,771</u>	<u>\$ 2,227,388</u>	<u>\$ 768,779</u>	<u>\$ 85,608</u>	<u>\$ 5,036,546</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, 2018

	Enterprise Funds				
	Water	Sewer	Natural Gas	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Flows from Customers	1,333,882	459,362	1,131,676	306,004	3,230,924
Cash Payments to Suppliers	(546,639)	(283,934)	(659,005)	(271,748)	(1,761,326)
Cash Payments to Employees	(272,228)	(112,047)	(165,668)	(294,580)	(844,524)
Other Operating Revenue	<u>18,113</u>	<u>1,255</u>	<u>18,325</u>	<u>115</u>	<u>37,808</u>
Net Cash Provided (Used) by Operating Activities	<u>533,128</u>	<u>64,636</u>	<u>325,328</u>	<u>(260,209)</u>	<u>662,884</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant Proceeds	671,120	0	0	0	671,120
Acquisition of Capital Asset	(634,671)	(226,673)	(295,478)	(15,950)	(1,172,772)
Payments on:					
Revenue Bonds	(22,430)	0	0	0	(22,430)
Loan Payments	(79,607)	0	(25,878)	(32,809)	(138,294)
Interest Paid on Revenue Bonds and Notes	<u>(103,748)</u>	<u>0</u>	<u>(40,889)</u>	<u>(32,809)</u>	<u>(148,947)</u>
Net Cash Provided (Used) by Capital and Financing Activities	<u>(169,336)</u>	<u>(226,673)</u>	<u>(362,245)</u>	<u>(4,310)</u>	<u>(811,323)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Loan Proceeds	407,998	0	48,835	0	456,833
Operating Transfers In/Out	<u>(709,701)</u>	<u>162,852</u>	<u>(23,592)</u>	<u>297,929</u>	<u>(272,512)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(301,703)</u>	<u>162,852</u>	<u>25,243</u>	<u>297,929</u>	<u>184,321</u>
CASH FLOWS FROM INVESTMENTS ACTIVITIES					
Other Income and Miscellaneous Income	11,572	9,042	10,529	15,349	46,492
Interest Income	<u>183</u>	<u>52</u>	<u>93</u>	<u>0</u>	<u>328</u>
Net Cash Provided (Used) by Investing Activities	<u>11,755</u>	<u>9,094</u>	<u>10,622</u>	<u>15,349</u>	<u>46,820</u>
NET INCREASE (DECREASE) IN CASH	73,844	9,909	(1,052)	0	82,701
CASH-BEGINNING OF YEAR	<u>189,011</u>	<u>32,987</u>	<u>61,888</u>	<u>0</u>	<u>283,886</u>
CASH-END OF YEAR	<u>\$ 262,855</u>	<u>\$ 42,896</u>	<u>\$ 60,836</u>	<u>\$ 0</u>	<u>\$ 366,587</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, 2018

	Enterprise Funds				
	Natural				
	Water	Sewer	Gas	Sanitation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 232,391	\$(5,179)	\$177,634	\$(303,292)	\$101,554
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	136,173	71,964	61,822	56,305	326,264
(Increase) Decrease in					
Receivables, Net of Allowance	(13,179)	1,405	17,600	915	6,741
Due from Other Funds	0	5,815	37,072	3,001	45,888
Prepaid Insurance	0	0	0	0	0
Grant Receivable	0	0	0	0	0
Unbilled Revenue	(10,729)	1,508	19,523	320	10,622
Increase (Decrease) in					
Accounts Payable	(16,269)	2,949	4,974	(1,050)	(9,396)
Construction Payable	0	0	0	0	0
Accrued Wages & Taxes	(355)	383	2,159	(3,019)	(832)
Compensated Absences	(680)	766	1,725	(2,027)	(216)
Payroll Tax Payable	(1,134)	124	1,388	2,067	2,445
Retirement Payable	472	457	2,755	3,498	7,182
Sales & School Tax Payable	403	(538)	1,539	0	1,404
Customer Gas Assistance Fund Payable	0	0	(78)	0	(78)
Interest Payable	48,390	0	105	0	48,495
Meter Deposits	5,550	0	5,690	0	11,240
Due to Other Fund	45,888	0	0	0	45,888
Net Pension Obligations	<u>106,207</u>	<u>(15,018)</u>	<u>(8,580)</u>	<u>(16,927)</u>	<u>65,682</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 533,128</u>	<u>\$ 64,636</u>	<u>\$325,328</u>	<u>\$(260,209)</u>	<u>\$662,884</u>

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

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

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, 2018

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, 2018

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, 2018

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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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 Constellation 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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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 2017 tax rate is .284 per \$100 assessed valuation for real property and \$.284 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 2017 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, 2017, the liability for Compensated Absences is \$18,234. The amount applicable to governmental activities is \$7,595 and the amount applicable to business-type activities is \$10,639.

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 21, 2018, the date the financial statements were available to be issued.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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 June 30, 2018.

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, 2018 were covered by federal depository insurance or by collateral held by the custodial banks. The balance of the City's cash accounts were \$505,606 which includes \$100 in petty cash, and the bank balances were \$525,038.

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, 2018 \$5,606 of the City's book balance of \$505,606 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>5,606</u>
Total bank deposits	\$ <u>505,606</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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, 2018, taxes were levied on November 1, 2017, and due and payable on December 31, 2017. 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 \$295.

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, 2018:

	Property Taxes	Total Governmental Funds
Accounts Receivable, Beginning	\$ 59,833	\$ 59,833
Change in Accounts Receivable	<u>2,852</u>	<u>2,852</u>
Accounts Receivable, Ending	\$ <u>62,685</u>	\$ <u>62,685</u>
Allowances for Uncollectibles, Beginning	42,847	42,847
Change in Allowance for Uncollectibles	<u>14,845</u>	<u>14,845</u>
Allowance for Uncollectibles, Ending	<u>57,692</u>	<u>57,692</u>
Accounts Receivables, Net of Allowance for Uncollectibles	\$ <u>4,993</u>	\$ <u>4,993</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

4. Receivables-Concluded

Following is a summary of the enterprise fund's accounts receivable and allowances for uncollectible accounts as of June 30, 2018:

	<u>Water</u>	<u>Natural Gas</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total Enterprise Funds</u>
Accounts Receivable, Beginning	\$ 115,308	\$ 42,026	\$ 45,272	\$ 28,423	\$ 231,029
Change in Accounts Receivable	<u>(26,359)</u>	<u>35,200</u>	<u>2,811</u>	<u>1,832</u>	<u>13,485</u>
Accounts Receivable, Ending	\$ <u>88,949</u>	\$ <u>77,226</u>	\$ <u>48,083</u>	\$ <u>30,255</u>	\$ <u>244,513</u>
Allowance for Uncollectibles, Beginning	\$ 57,654	\$ 21,013	\$ 22,636	\$ 14,212	\$ 115,515
Change in Allowance for Uncollectibles	<u>(13,179)</u>	<u>17,600</u>	<u>1,406</u>	<u>916</u>	<u>6,742</u>
Allowance for Uncollectibles, Ending	<u>44,744</u>	<u>38,613</u>	<u>24,041</u>	<u>15,127</u>	<u>122,257</u>
Accounts Receivable, Net of Allowance	\$ <u>44,475</u>	\$ <u>38,613</u>	\$ <u>24,041</u>	\$ <u>15,127</u>	\$ <u>122,256</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, 2018

6. Capital Assets-Concluded

	Balance 6-30-17	Additions	Deletions	Balance 6-30-18
PRIMARY GOVERNMENT				
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	1,174,068	0	0	1,174,068
Construction in Process	0	28,915	0	28,915
Total Capital Assets Not Being Depreciated	1,174,068	28,915	0	1,202,983
Other Capital Assets				
Infrastructure	1,984,522	21,310	0	2,005,832
Buildings	366,025	0	0	366,025
Equipment & Furnishings	985,930	97,773	0	1,083,703
Vehicles	388,934	74,245	0	463,179
Public Works & Street Equipment	13,541	0	0	13,541
Municipal Park	273,038	66,636	0	339,674
Total Other Capital Assets	4,011,990	259,964	0	4,271,954
Less Accumulated Depreciation For:				
Infrastructure	1,273,482	57,620	0	1,331,102
Buildings	101,484	9,920	0	111,404
Equipment & Furnishings	848,848	30,142	0	878,990
Vehicles	328,153	12,178	0	340,331
Public Works & Street Equipment	10,102	0	0	10,102
Municipal Park	195,685	17,070	0	212,755
Total	2,757,754	126,930	0	2,884,684
Governmental Activities Capital Assets, Net	2,428,304	161,949	0	2,590,253
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	626,635	0	0	626,635
Construction In Process	44,955	1,088,017	44,955	1,088,017
Total Capital Assets Not Being Depreciated	671,590	1,088,017	44,955	1,714,652
Other Capital Assets				
Buildings and Plant	5,581,972	44,955	0	5,626,927
Equipment	7,391,786	84,755	0	7,476,541
Total Other Capital Assets	12,973,758	129,710	0	13,103,468
Less Accumulated Depreciation	6,571,580	326,263	0	6,897,843
Business-Type Activities Capital Assets, Net	7,073,768	891,464	44,955	7,920,277
PRIMARY GOVERNMENT Capital Assets, Net	9,502,072	1,053,413	44,955	10,510,530

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

7. Depreciation Expense

Depreciation expense was charged to governmental functions as follows:

PRIMARY GOVERNMENT

Governmental Activities

General Government	\$ 0
Public Safety:	
Police	30,127
Fire	4,269
Recycling	17,844
Street Department	57,620
Park and Recreation	<u>17,070</u>
Total Depreciation Expense — Governmental Activities	<u>126,930</u>

Business-Type Activities

Water	136,172
Sewer	71,964
Natural Gas	61,822
Sanitation	<u>56,305</u>
Total Depreciation Expense — Business-Type Activities	<u>326,263</u>

TOTAL DEPRECIATION EXPENSE — PRIMARY GOVERNMENT	\$ <u>453,193</u>
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CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

8. Liabilities

CAPITAL LEASE AND NOTES PAYABLE— 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, 2018 the balance was \$0.

(B) Due to Individual

The City purchased the impound lot they were previously renting from an individual. The total cost was \$19,995 which will be repaid over 4 years. At June 30, 2018 the balance was \$4,725.

(C) The City has started the process to complete a paved trail project at the City Park. A note in the amount of \$200,000 has been secured at South Central Bank at June 30, 2018. The balance was \$6,500.

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, 2018 of \$82,234.

(B) The City financed the Telemetry System on the water plant through South Central Bank. Loan Proceeds of \$250,000 were used to install the new system. Terms of this loan are semiannual payments of \$27,321 for next 5 years at 3.25%. As of June 30, 2018 the balance was \$179,160.

(C) The City purchased a backhoe and financed the purchase through South Central Bank. Total loan amount was \$82,900. Monthly payments of \$1,471 are due for a term of 5 years at 2.49%. The June 30, 2018 balance was \$59,046.

(D) A note for \$654,200 at South Central Bank was obtained to complete a large overhaul of the sludge pads and process at the treatment plant. As of June 30, 2018 \$407,898 was used.

(E) A 2017 Mini Cat Excavator was purchased to be used by all departments for various projects around the city. The balance of South Central Bank as of June 30, 2018 was \$38,920.

TCF National Bank

(F) A 2016 freightliner garbage truck was financed through TCF National Bank in the amount of \$169,347. Annual payments of \$37,119 are due each February and the interest rate is 3.09%. This note had a balance of \$104,726 at June 30, 2018.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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, 2017 are as follows:

	<u>GMAC</u>	<u>USDA</u>	<u>USDA</u>	<u>Total</u>
1. Bond Ordinance of 1986	\$ 54,000	\$ 0	\$ 0	\$ 54,000
2. Water and Sewer Revenues Bond of 1998	0	644,000	0	644,000
3. Bond Ordinance of 2015	0	0	1,058,000	1,058,000
	54,000	644,000	1,058,000	1,756,000
Current Portion	(6,000)	(20,000)	0	(26,000)
Long Term Portion	\$ <u>48,000</u>	\$ <u>624,000</u>	\$ <u>1,058,000</u>	\$ <u>1,730,000</u>

1. 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, 2018, there is \$54,000 outstanding, with final maturity in 2026.

2. 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 \$644,000 outstanding as of June 30, 2018. Final maturity is in 2038.

3. Bond Ordinance of 2015 was issued by U.S. Department of Agriculture on December 30, 2016 in the amount of \$1,058,000. The bond proceeds were used to upgrade the Gas System of the City. Bonds mature in January starting in 2019 and bear on interest rate of 2.375%. At June 30, 2018 bonds outstanding were \$1,058,000.

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
- (e) City of Tompkinsville Gas Sinking Fund
- (f) City of Tompkinsville Gas Depreciation 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, 2018

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, 2018

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, 1998, and 2015 sinking fund requirements for the next five years are as follows:

Sinking Fund Bonds 2015

Pursuant to General Bond Obligations of 2015, there shall be transferred from the General Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current 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, plus

(2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds maturing on the next succeeding January 1.

If the City for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Bonds, as same fall due, such excess may be used for redemption or prepayment of any Bonds, subject to the terms and conditions set forth therein, prior to maturity.

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Sinking</u> <u>Fund</u>
6-30-19	37,500	56,186	57,058
6-30-20	39,000	54,694	56,840
6-30-21	41,500	53,120	57,550
6-30-22	43,000	51,759	94,759
6-30-23	44,500	49,747	94,949
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 \$58,577 as of June 30, 2018.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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.

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.

Depreciation Fund Bonds 2015

Pursuant to General Bond Obligations of 2015 it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by RHS, there shall be transferred from the General Fund the sum of at least \$480 annually which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$57,600, which amount shall be maintained, and when necessary, restored to said sum of \$57,600, so long as any of the Current Bonds are outstanding and unpaid.

Moneys in the Debt Reserve 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 paying the costs of constructing future construction and equipping of fire fighting facilities 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 Current 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.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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.

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, 2018

8. Liabilities-Continued

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance 7-1-17	Issued	Retired	Balance 6-30-18	Short Term	Long Term
PRIMARY GOVERNMENT						
Governmental						
Due to Individual						
Matures 7/1/19	\$ 9,450	\$ 0	\$ 4,725	\$ 4,725	\$ 4,725	\$ 0
Magnolia Bank, Inc.						
4% Interest						
Matures 3/1/18	\$ 19,689	\$ 0	\$ 19,689	\$ 0	\$ 0	\$ 0
South Central Bank						
Paved Trails						
3.75% Interest						
Matures 3/29/18	\$ <u>0</u>	\$ <u>24,915</u>	\$ <u>18,415</u>	\$ <u>6,500</u>	\$ <u>6,500</u>	\$ <u>0</u>
Total	\$ <u>29,139</u>	\$ <u>24,915</u>	\$ <u>42,829</u>	\$ <u>11,225</u>	\$ <u>11,225</u>	\$ <u>0</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

8. Liabilities- Continued

	Balance 7-1-17	Issued	Retired	Balance 6-30-18	Short Term	Long Term
PRIMARY GOVERNMENT						
Business-Type Activities						
Loans Payable						
South Central Bank						
4.0% Interest						
Matures 12-9-17	\$ 90,232	\$ 0	\$ 7,998	\$82,234	\$ 7,994	\$74,240
South Central Bank						
4.375% Interest						
Matures 12-19-21	\$226,769	\$ 0	\$ 47,609	\$179,160	\$49,179	\$129,981
South Central Bank						
2.49% Interest						
Matures 1-1-22	\$ 75,009	\$ 0	\$ 15,963	\$ 59,046	\$16,365	\$ 42,681
TCF						
3.09% Interest						
Matures 1-1-22	\$137,535	\$ 0	\$ 32,809	\$104,726	\$33,837	\$70,889
South Central Bank						
3.75% Interest						
Matures 5-1-19	\$ 0	\$407,998	\$ 0	\$407,998	\$ 0	\$407,998
South Central Bank						
3.25% Interest						
Matures 12-15-21	\$ 0	\$48,835	\$ 9,915	\$ 38,920	\$9,227	\$ 29,693
Total Business-Type Activities-						
Loans Payable	<u>\$529,545</u>	<u>\$456,833</u>	<u>\$114,295</u>	<u>\$872,084</u>	<u>\$116,602</u>	<u>\$755,482</u>
PRIMARY GOVERNMENT						
Business-Type Activities-						
Revenue Bonds Payable						
1986 Issue-GMAC	\$ 59,000	\$ 0	\$ 5,000	\$54,000	\$6,000	\$48,000
1998 Issue-RD	663,000	0	19,000	644,000	20,000	624,000
2015 Issue -USDA	<u>\$ 1,058,000</u>	<u>0</u>	<u>0</u>	<u>1,058,000</u>	<u>0</u>	<u>1,058,000</u>
Total Business-Type Activities-						
Revenue Bonds Payable	<u>\$ 1,780,000</u>	<u>\$ 0</u>	<u>\$ 24,000</u>	<u>\$ 1,756,000</u>	<u>\$ 26,000</u>	<u>\$1,730,000</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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, 2019	<u>11,225</u>	<u>211</u>	<u>11,436</u>
Total Governmental Activities	<u>11,225</u>	<u>211</u>	<u>11,436</u>

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

PRIMARY GOVERNMENT			
Business-Type Activities			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2019	524,925	62,971	587,896
June 30, 2020	120,667	10,787	131,454
June 30, 2021	124,526	6,929	131,455
June 30, 2022	55,098	3,042	58,140
June 30, 2023	9,760	1,735	11,495
June 30, 2024-June 30, 2027	<u>37,108</u>	<u>2,835</u>	<u>39,943</u>
Total Business-Type Activities	<u>\$ 872,084</u>	<u>\$ 88,299</u>	<u>\$ 960,383</u>

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

PRIMARY GOVERNMENT			
Business-Type Activities			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2019	37,500	56,186	93,686
June 30, 2020	39,000	54,694	93,694
June 30, 2021	41,500	53,120	94,620
June 30, 2022	43,000	51,461	94,461
June 30, 2023	44,500	49,747	94,947
June 30, 2024-June 30, 2028	233,500	222,116	455,616
June 30, 2029-June 30, 2033	264,000	177,255	441,255
June 30, 2034-June 30, 2038	346,500	122,461	468,961
June 30, 2039-June 30, 2043	145,500	77,284	222,784
June 30, 2044-June 30, 2048	180,000	58,426	238,426
June 30, 2049-June 30, 2053	223,000	35,102	258,102
June 30, 2054-June 30, 2056	<u>158,000</u>	<u>7,600</u>	<u>165,600</u>
	<u>\$ 1,756,000</u>	<u>\$ 965,452</u>	<u>\$ 2,721,452</u>

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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, 2018, are as follows:

	<u>Internal Receivables</u>	<u>Internal Payables</u>
PRIMARY GOVERNMENT		
Business-Type Activities		
Water	\$ 0	\$ 155,774
Sewer	46,091	0
Natural Gas	77,168	0
Sanitation	<u>32,515</u>	<u>0</u>
Total	\$ <u>155,774</u>	\$ <u>155,774</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, 2018

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, 2018, 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, 2018, the City contributed 19.18 % and 31.55% of each covered employee's nonhazardous and hazardous wages which equals 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, 2018

11. Pension Plan (Continued)

The City contributed \$287,249 to the pension plan for the fiscal year ended June 30, 2017 or 100% of the required contribution. The contribution was allocated \$212,232 to the CERS pension fund and to the CERS insurance fund \$75,015.

Pension Liabilities Expense, Deferred Outflows of Resources and Deferred Inflows of Resources- At June 30, 2018 the City reported a liability of \$3,196,796 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 the City's proportion was .027788 percent for nonhazardous and .070186 percent for hazardous payroll.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual results	\$ 59,613	\$ 41,288
Changes of assumptions (liability expense)	613,371	-
Difference between projected and actual earnings on plan investments (liability expense)	33,840	-
Changes in proportion and differences between City contributions and proportionate share of contributions	301,360	55,363
Company contributions subsequent to the measurement date	<u>212,232</u>	<u>-</u>
Total	\$ <u>1,220,416</u>	\$ <u>96,651</u>

The \$212,232 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, 2019. Other Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending	
2018	436,228
2019	376,826
2020	136,500
2021	(38,019)

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

11. Pension Plan (Continued)

Actuarial Assumptions- The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 were based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for any of the systems. However, subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017.

Inflation	2.30%
Salary increases	3.05%, average
Investment Rate of return	6.25%

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.

Assumptions and funding policies are reviewed against actual plan experience at least once every five years through the completion of an actuarial experience study. The actuarial assumption used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study for the period July 1, 2008-June 30, 2013. The investment return, price inflation, and payroll growth assumptions were adopted by the Board in May and July 2017, for use with the June 30, 2017 valuation.

CITY OF TOMPKINSVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash Equivalent	<u>2.00%</u>	1.88%
Total	100%	

Discount Rate- The discount rate used to measure the total pension liability was 6.25 percent at June 30, 2017. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 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 6.25 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 (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Company's Proportionate Share of Net Pension Liability		
	Discount Rate	Hazardous	Non Hazardous Total
1% decrease	5.25%	\$ 1,974,341	\$2,051,390 \$4,025,731
Current discount rate	6.25%	\$ 1,570,279	\$1,626,517 \$3,196,796
1% increase	7.25%	\$ 1,236,582	\$1,271,114 \$2,507,696

Payable to the Pension- Plan. At June 30, 2018, the City reported a payable of \$ for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018. The payable includes both the pension and insurance contribution allocation.

CITY OF TOMPKINSVILLE, KENTUCKY
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts <u>Budgetary Basis</u>	Variance With Final <u>Budget</u>
REVENUES				
Property Taxes	345,500	345,000	341,238	(3,762)
Payroll Tax	600,000	635,000	637,746	2,746
Licenses & Fees	33,000	22,600	52,731	30,131
Insurance Premiums Tax	215,000	253,000	252,734	(266)
Intergovernmental Revenue	53,500	53,400	109,996	56,596
Cable Franchise Fees	0	21,000	25,475	4,475
Recycling Revenues	0	0	14,996	14,996
Penalties & Fines	75	550	43,060	42,510
Other Revenues	<u>312,900</u>	<u>305,870</u>	<u>116,746</u>	<u>(189,124)</u>
Total Revenues	<u>1,559,907</u>	<u>1,636,420</u>	<u>1,594,722</u>	<u>(41,698)</u>
EXPENDITURES				
Current				
General Government and Recycling	1,271,600	518,100	746,587	(228,487)
Public Safety				
Police	993,000	1,074,400	989,711	84,689
Fire	17,300	17,400	13,343	4,057
Street	50,545	50,445	17,098	33,347
Park and Recreation	<u>297,800</u>	<u>361,300</u>	<u>90,004</u>	<u>271,296</u>
Total Expenditures	<u>2,630,245</u>	<u>2,021,645</u>	<u>1,856,743</u>	<u>164,902</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,070,338)</u>	<u>(385,225)</u>	<u>(262,021)</u>	<u>123,204</u>
OTHER FINANCING SOURCES (USES)				
Donations	27,850	21,850	20,245	1,605
Interest Income	25	0	207	(207)
Transfers In/Out	974,418	305,200	272,512	32,688
Grant Proceeds	<u>68,045</u>	<u>58,175</u>	<u>138,281</u>	<u>(80,106)</u>
Total Other Financing Sources (Uses)	<u>1,070,338</u>	<u>385,225</u>	<u>431,245</u>	<u>(46,020)</u>
NET CHANGE IN FUND BALANCES	<u>0</u>	<u>0</u>	<u>169,224</u>	<u>169,224</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, 2018

**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.	1,594,722
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>1,594,722</u>
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Uses/outflows of resources	
Actual amounts (budgetary basis) from the Budgetary Comparison Schedule:	1,856,743
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>332,657</u>
--	----------------

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>2,189,400</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, 2018</u>			<u>June 30, 2017</u>		<u>June 30, 2016</u>		<u>June 30, 2015</u>	
<u>Hazardous</u>	<u>Non-Hazardous</u>		<u>Hazardous</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Non-Hazardous</u>
City's proportion of the net pension liability								
0.07186	0.027788		0.056328	0.029684	0.054139	0.02205	0.05257	0.018718
City's Proportionate share of the net pension liability								
\$ 1,570,279	\$ 1,626,517		\$966,561	\$1,461,503	\$831,499	\$946,091	\$631,835	\$607,282
City's covered-employee payroll								
\$435,845	\$780,710		\$385,285	\$676,580	\$314,499	\$712,143	\$288,019	\$515,907
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll								
360.28%	208.34%		250.09%	212.98%	264.26%	132.85%	219.37%	117.71%
Plan fiduciary net position as a percentage of the total pension liability								
49.80%	53.30%		53.95%	55.50%	57.52%	59.97%	63.46%	66.80%

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, 2018

	Hazardous	Non-Hazardous	Total
Contractually required contribution (includes \$61,727 for health insurance fund hazardous portion \$33,046, non-hazardous portion \$28,801)	\$ 119,669	\$ 128,184	\$ 247,853
Contribution in relation to the contractually required contribution	<u>(119,669)</u>	<u>(128,184)</u>	<u>(247,853)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
City's covered-employee payroll	\$ 385,285	\$ 686,211	\$ 1,071,496
Contributions as a percentage of covered-employee payroll	31.06%	18.68%	

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.

CITY OF TOMPKINSVILLE KENTUCKY
SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2017:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.35 to 2.30%.
- The payroll growth assumption was reduced from 4.00% to 2.00%.
- The salary increase assumption was reduced from 4.00% average to 3.05% average.

The following changes were adopted by the Board of Trustees and reelected 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 Sale BB to 2013 (set-back 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, 2018

	Governmental Fund Types <u>General</u>
REVENUES	
PROPERTY TAXES	
Personal Property taxes	\$ 289,667
Motor Vehicle Taxes	<u>17,350</u>
Total Property Taxes	<u>307,017</u>
OCCUPATIONAL LICENSES	<u>52,731</u>
PAYROLL TAX REVENUE	<u>637,746</u>
INSURANCE PREMIUMS TAX	<u>252,734</u>
BANK DEPOSIT TAX	<u>34,221</u>
INTERGOVERNMENTAL REVENUES	
Law Enforcement Fees (HB413)	6,539
Police Incentive Pay	53,018
Municipal Road Aid	47,045
Mineral Rights	<u>3,394</u>
Total Intergovernmental Revenues	<u>109,996</u>
CABLE FRANCHISE FEES	<u>25,475</u>
PENALTIES AND FINES	
Impound Lot	38,980
Arrest Fees	<u>4,080</u>
Total Penalties and Fines	<u>43,060</u>
RECYCLING REVENUE	<u>14,996</u>
OTHER INCOME	<u>116,746</u>
TOTAL REVENUES	<u>\$ 1,594,722</u>

See independent auditor's report

CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES-GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Fund Types <u>General</u>
GENERAL GOVERNMENT	
Mayor's Salary	\$ 24,519
Salaries and Wages	166,412
Commissioner's Compensation	3,950
Utilities and Telephone	16,139
Insurance	10,838
Retirement	204,561
Payroll Taxes	17,384
Legal and Accounting	31,269
Supplies	7,802
Computer Services	42,705
Postage and Office Supplies	33,380
Travel	6,721
Repairs and Maintenance	14,897
Bank Service Charges	9,601
Training	10,838
Advertising	1,362
Drug Testing	3,857
Contributions	20,500
Equipment Rental	2,984
Contract Labor	35,769
Other	5,004
Dues and Subscriptions	<u>2,100</u>
Total General Government	<u>672,592</u>
 POLICE DEPARTMENT	
Salaries and Wages	570,774
Postage and Office Supplies	4,709
Utilities and Telephone	12,265
Contract Labor	3,200
Repairs and Maintenance	15,886
Insurance	41,496
Payroll Taxes	35,778
Gas and Oil	8,655
Towing Fees	16,925
Uniforms	6,577
Supplies	7,131
Training	1,959
Traveling	2,547
Retirement	206,088
Legal & Accounting	575
Computer Services	8,918
Advertising	380
Equipment Rental	11,444
Other	<u>6,783</u>
Total Police Department	<u>962,090</u>

CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES-GOVERNMENTAL FUND TYPES-CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Fund Types
	<u>General</u>
FIRE DEPARTMENT	
Contract Labor	3,595
Utilities and Telephone	2,645
Repairs and Maintenance	234
Insurance	4,436
Gas and Oil	200
Supplies	4,459
Other	<u>10</u>
Total Fire Department	<u>15,579</u>
PARK AND RECREATION	
Salaries and Wages	55,414
Contract Labor	1,708
Gas and Oil	360
Repairs and Maintenance	6,845
Supplies	2,164
Utilities and Telephone	7,403
Retirement	8,628
Payroll Taxes	4,611
Insurance	2,588
Advertising	156
Other	<u>127</u>
Total Park and Recreation	<u>90,004</u>
RECYCLING	
Salaries and Wages	25,961
Payroll Taxes	2,156
Utilities and Telephone	3,393
Contract Labor	500
Supplies	2,609
Repairs and Maintenance	2,416
Gas and Oil	1,263
Insurance	2,008
Computer Services	3,216
Advertising	172
Other	<u>301</u>
Total Recycling	<u>43,995</u>
STREET DEPARTMENT	
Utilities and Street Lights	63,567
Repairs and Maintenance	7,209
Contract Labor	<u>1,707</u>
Total Street Department	<u>72,483</u>
CAPITAL OUTLAY	
Police Department	74,245
Administration Department	0
Fire Department	12,440
Park Department	95,551
Street Department	21,311
Recycling Department	<u>85,333</u>
Total Capital Outlay	<u>288,880</u>
DEBT SERVICE	<u>43,777</u>
TOTAL CURRENT EXPENDITURES	\$ <u>2,189,400</u>
See Independent Auditor's Report.	

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, 2018, 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 21, 2018, 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, 2018-1, 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 21, 2018

CITY OF TOMPKINSVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

II FINANCIAL STATEMENT FINDINGS

Reference # 2018-1

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, 2018

Reference #2017-1-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.