

CITY OF BOONEVILLE, KENTUCKY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016
INCLUDING SUPPLEMENTAL SCHEDULES

CITY OF BOONEVILLE, KENTUCKY
JUNE 30, 2016

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CITY OF BOONEVILLE, KENTUCKY
JUNE 30, 2016

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SUMMERS, MCCRARY & SPARKS, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Commissioners
City of Booneville, KY

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and remaining aggregate fund information, of the City of Booneville, Kentucky, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-10 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Booneville, Kentucky's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the City of Booneville, 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 City of Booneville, Kentucky's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Lexington, KY
December 1, 2016

**CITY OF BOONEVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

INTRODUCTION

The Management's Discussion and Analysis (this section) provides financial highlights and interpretation of the financial reports by explaining changes in the financial data. The MDA is intended to disclose any known significant events or decisions that affect the financial condition of the City. In addition, the MDA provides supplementary information that aids in understanding the City as a whole.

The capital asset component of the standard is intended to provide financial information about the City's roads, bridges, storm sewers, sanitary sewers and other capital assets and related debt.

Included as a part of this MDA are several sections that provide important information about the operations and economic environment of the City of Booneville. The sections are summarized as follows:

- A. Overview of the Financial Statements
- B. Government-wide Financial Analysis
- C. Major Projects for the Year and for the Future
- D. Economic Outlook
- E. Profile of Government
- F. Contact Information

A. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**CITY OF BOONEVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include paving and infrastructure, safety, street lights, recreation and water and sewer services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds. The proprietary funds are our water and sewer activities. All other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 through 20 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 35 of this report.

B. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,549,463 as of June 30, 2016 as compared to \$13,691,778 as of June 30, 2015.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The City's total net position decreased \$228,204 in fiscal year 2016.

**CITY OF BOONEVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Summary of Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current Assets	\$83,150	\$50,645	\$278,623	\$227,184	\$361,773	\$277,829
Noncurrent Assets	13,825	21,989	15,590,308	15,947,760	15,604,133	15,969,749
Total Assets	96,975	72,634	15,868,931	16,174,944	15,965,906	16,247,578
Current Liabilities	37,212	25,302	524,808	560,602	562,020	585,904
Noncurrent Liabilities	82,123	107,988	1,772,300	1,861,908	1,854,423	1,986,896
Total Liabilities	119,335	133,290	2,297,108	2,422,510	2,416,443	2,555,800
Net position:						
Invested in capital assets	(92,929)	(110,970)	13,051,967	13,374,386	12,959,038	13,263,416
Restricted	0	0	209,513	232,336	209,513	232,336
Unrestricted	70,569	50,314	310,343	145,712	380,912	196,026
Total Net Position	(\$22,360)	(\$60,656)	\$13,571,823	\$13,752,434	\$13,549,463	\$13,691,778

Assets decreased from 2015 to 2016, mainly due to depreciation of capital assets. Liabilities decreased due to the City making principal payments and not issuing any additional debt.

Governmental Activities: Governmental activities increased the City's net position \$32,448. The main sources of operating revenues are property taxes.

Total property tax revenue (real, tangible, delinquent ad valorem, motor vehicle ad valorem, franchise, and omitted) for fiscal year 2016 amounted to \$36,829. The property tax rate was 30 cents per \$100 assessed value on all real and tangible property in the City limits.

The City also collects bank deposit franchise tax which is levied on all bank deposits. The rate for this tax for the year of 2016 was .00025. The amount collected for this tax in 2015 was \$7,167.

The City of Booneville license and unloading fees are \$20 per year per business. The amount collected in 2016 for these fees was \$1,470.

**CITY OF BOONEVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2016 and 2015.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$0	\$0	\$1,065,077	\$1,017,365	\$1,065,077	\$1,017,365
Operating grants & contributions	248,006	31,510	0	7,921	248,006	39,431
Capital grants & contributions	0	0	211,132	161,503	211,132	161,503
General Revenues:						
Taxes	48,787	47,357	0	0	48,787	47,357
Other	11,981	2,837	3,360	3,937	15,341	6,774
Total Revenues	308,783	81,704	1,279,569	1,190,726	1,588,352	1,272,430
Expenses:						
General government	30,409	59,949	0	0	30,409	59,949
Paving & infrastructure	0	0	0	0	0	0
Safety	44,108	77,640	0	0	44,108	77,640
Street lights	0	1,032	0	0	0	1,032
Recreation	226,854	0	0	0	226,854	0
Interest	0	0	0	0	0	30,832
Water & sewer	0	0	1,515,185	1,638,897	1,515,185	1,638,897
Total Expenses	301,371	138,621	1,515,185	1,638,897	1,816,556	1,777,518
Increase(decrease) in net position before transfers	7,412	(56,917)	(235,616)	(448,171)	(228,204)	(505,088)
Transfers	25,036	35,987	(25,036)	(27,883)	0	8,104
Increase(decrease) in net position)	32,448	(20,930)	(260,652)	(476,054)	(228,204)	(496,964)
Beginning Net position	(54,808)	(39,726)	13,832,475	14,228,488	13,777,667	14,188,762
Ending Net position	(\$22,360)	(\$60,656)	\$13,571,823	\$13,752,434	\$13,549,463	\$13,691,778

Business Activities: Operating revenues increased \$47,712 to \$1,065,077, an increase of 5%.

Operating expenses decreased \$123,712 to \$1,515,185, a decrease of 8%.

C. MAJOR PROJECTS FOR THE YEAR AND FOR THE FUTURE

Capital Assets & Infrastructure

As part of GASB 34 compliance, the City is required to report capital assets, including infrastructure, in its statement of net position and report depreciation expense in the statement of activities. Several capital projects were continued during FY 2016. At the end of fiscal year 2016, the city had almost \$16 million invested in a broad range of capital assets, including police and fire equipment, buildings, roads, bridges, water and sewer lines and construction projects.

**CITY OF BOONEVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

**Table 3
Capital Assets**

	Governmental Activities		Business-type Activities		Total
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Land	\$0	\$0	\$131,147	\$131,147	\$131,147
Buildings	0	0	38,776	38,776	38,776
Machinery & Equipment	69,947	69,947	496,045	496,045	565,992
Plant & Lines	0	0	21,091,331	21,091,331	21,091,331
Roads	0	0	576,520	576,520	576,520
Golf Course	241,596	241,596	0	0	241,596
Fire & Police	212,369	212,369	0	0	212,369
Construction in Progress	0	0	326,137	10,078	326,137
Less: Accumulated Depreciation	(510,087)	(501,923)	(7,518,900)	(6,980,057)	(7,490,144)
Capital Assets, net	\$13,825	\$21,989	\$15,141,057	\$15,363,841	\$15,154,882

Water/Sewage System Upgrades

The city has several projects under construction. The total costs on the projects are \$326,137 which are being contributed from various sources. The total expended on the projects during FY 2016 was \$316,060.

Law Enforcement

Another huge priority of the City of Booneville is to see that we have Law Enforcement Officers in our community. The City of Booneville has partnered with the Owsley County School Board to see that there is a School Resource Officer working in the school system. This project was started with a grant from the US Department of Justice in the amount of \$52,143 and is to be continued after the 5th year of the program with an \$8,000 contribution from the Owsley Co. School District and the City of Booneville contributing the remainder of the funding.

Road Maintenance

Yearly the city identifies areas of streets that need patching. The amount of funding that is received through the Municipal Road Aid Assistance is limited so it makes the job of determining what areas get the work even more difficult. The City of Booneville did not expend any funds on road maintenance during FY 2016. The city will evaluate the road conditions in FY 2017 and determine what areas need attention.

Park Facilities

The City of Booneville and the Owsley County Fiscal Court previously entered into a Mutual Cooperation Agreement to do upgrades to the Community Park. The County has renovated the City/County park to include a walking trail, additional shelters, as well as a skate board park.

**CITY OF BOONEVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

What's Ahead for 2017

The City of Booneville engineers will continue working closely with the Kentucky Highway Department on plans for Hwy 30 & Hwy 11 water line relocations due to road construction.

The City received \$200,000.00 in grant monies for the Safe Routes to School project, the City will be working with the KY highway department on finalizing the plans for construction. The City will continue to seek funding for the 2nd phase of the Downtown Revitalization Project.

The City works with engineers to develop projects and is placing an emphasis on the Water Treatment Plant Facilities. We would like to continue making upgrades at the Treatment Plant and keep it up to date as the reporting and monitoring requirements are getting tougher to meet we would like to make sure that our system is ready to meet these requirements.

DEBT ADMINISTRATION

At the end of the fiscal year, the City's total long-term debt outstanding was \$1.9 million. The amount was comprised of \$1.8 million in revenue bonds, which are secured by both governmental and business-type revenue sources and \$106,754 in a note payable for funds borrowed and loaned to the Owsley County Golf Association. The debt was decreased by \$104,687 due to payments made during the fiscal year.

D. ECONOMIC CONDITION AND OUTLOOK

The City of Booneville is located in the eastern mountain region of Kentucky. Owsley County is rich in the majesty of the Daniel Boone National Forest and encompasses much of the great beauty that is Kentucky. Although primarily a rural area, Owsley County has undertaken a major effort to expand infrastructure and create industrial development sites.

The area's industrial and economic development efforts are led by the Booneville/Owsley Industrial Authority. It works closely with government and other organizations to recruit manufacturing jobs to Owsley County.

Booneville has one industrial park located off Kentucky Highway 11 just outside the Booneville City Limits. The park features a 6-inch water line and is located 100 feet from a sewage lift station. There are other sites available in Owsley County suitable for industrial use, and progress is being made on developing them.

The authority had previously constructed 2 speculative buildings in order to attract a potential employer to the area. One of the buildings is a 25,920 square foot building that is basically a shell building that would have to be finished according to the needs of the client. The other building, a 10,000 square foot building is partially finished with an open office area that could be partitioned off according to the clients needs.

**CITY OF BOONEVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The Industrial Board has also paved the roads throughout the industrial park and installed fire hydrants and a water storage tank to maintain adequate flow and pressure for fire protection. This project was funded primarily by an EDA grant.

The cost of living in Owsley County, KY, is lower than the national average. According to the American Chamber of Commerce Researchers Association Cost of Living Index, costs for housing, grocery items, utilities, health care and miscellaneous goods and services in Owsley County are estimated to be about 90% of the national average.

The Booneville/Owsley County labor market area includes Owsley County and the adjoining Kentucky counties of Breathitt, Clay, Jackson, Lee and Perry. Workers may be drawn from other nearby counties as well.

E. PROFILE OF GOVERNMENT

The City of Booneville, Kentucky was incorporated in 1847. The city is the county seat of Owsley County, which is in south eastern Kentucky. The city currently serves a population of 111.

The City of Booneville is operated under the Commission Plan of government, pursuant to KRS 83A.140(2) and 83A.030(2). The City has an elected officer, who is called the Mayor and four elected commissioners. The Mayor and commissioners together comprise the city commission.

In the commission form of government, all of the executive, administrative and legislative authority of the city is vested in and exercised by the city commission as a body. There is no separation of powers like in the mayor-council form. The executive and legislative branches of government are combined in the city commission, except to the limited extent explained below.

In the commission form of government, the city commission is required by KRS 83A.140(6) to separate all the administrative and service functions of the city into departments by ordinance. The Mayor of the City of Booneville is CEO of the City and there is a City Administrator.

Under KRS 83A.160(6), the individual city commissioners are actually given the authority to exercise certain executive and administrative powers on a day-to-day basis; however, the ultimate authority rests with the city commission acting as a body. In other words, the city commission acting as a body has the power to override any decision made or action taken by an individual commissioner.

The City of Booneville formed the Booneville Water & Sewage District in 1968 and it provides water and wastewater treatment services to the city and surrounding area. The Booneville Water & Sewage District is a proprietary fund of the City of Booneville and the Water & Sewage District audit is incorporated into the City's.

The City of Booneville Police Department provides limited security to the Incorporated Area as well as properties of the Booneville Water & Sewage District.

**CITY OF BOONEVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The City's fiscal year begins July 1 and ends June 30, according to state statute. An annual budget based on the fiscal year is prepared by fund. The annual budget serves as the foundation for financial planning and control. The City is required to have a final budget in place before June 30.

F. CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, creditors, and investors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, the following people will be happy to help you.

Charles E. Long, Mayor
PO Box 35
Booneville, KY 41314
(606) 593-5721
cityboon@prtcnet.org

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

	GOVERNMENTAL ACTIVITIES	BUSINESS ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 74,256	\$ 33,644	\$ 107,900
Accounts Receivable			
Accounts, net	-	139,852	139,852
Grants	-	105,127	105,127
Due from other funds	8,894	-	8,894
Total Current Assets	83,150	278,623	361,773
Noncurrent Assets			
Restricted Cash and Cash Equivalents	-	149,251	149,251
Restricted Investments - CD's	-	300,000	300,000
Capital Assets:			
Land	-	131,148	131,148
Property, Plant & Equipment (net)	13,825	14,683,772	14,697,597
Construction in Progress	-	326,137	326,137
Total Noncurrent Assets	13,825	15,590,308	15,604,133
TOTAL ASSETS	\$ 96,975	\$ 15,868,931	\$ 15,965,906
LIABILITIES:			
Current Liabilities			
Accounts Payable	\$ -	\$ 70,268	\$ 70,268
Accrued Sales Tax	-	6,615	6,615
Accrued Payroll Liabilities	1,661	5,611	7,272
Accrued Interest on Long-term Debt	2,026	-	2,026
Due to other funds	8,894	-	8,894
Total Current Liabilities	12,581	82,494	95,075
Current Liabilities from Restricted Assets			
Meter Deposits	-	106,069	106,069
Accrued Interest on Bonds	-	19,455	19,455
Line of Credit	-	232,097	232,097
Current Portion of Note/Bonds Payable	24,631	84,693	109,324
Total Current Liabilities from Restricted Assets	24,631	442,314	466,945
Long-term Liabilities			
Note Payable	82,123	-	82,123
Revenue Bonds	-	1,772,300	1,772,300
Total Long-term Liabilities	82,123	1,772,300	1,854,423
TOTAL LIABILITIES	119,335	2,297,108	2,416,443
NET POSITION			
Invested in Capital Assets, Net of Related Debt	(92,929)	13,051,967	12,959,038
Restricted for Capital Projects	-	24,376	24,376
Restricted for Meter Deposits	-	106,069	106,069
Restricted for Debt Service	-	79,068	79,068
Unrestricted	70,569	310,343	380,912
TOTAL NET POSITION	(22,360)	13,571,823	13,549,463
TOTAL LIABILITIES AND NET POSITION	\$ 96,975	\$ 15,868,931	\$ 15,965,906

See Auditor's Report and Accompanying Notes

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

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
General Government	\$ 30,409	\$ -	\$ 8,382	\$ -	\$ (22,027)	\$ -	\$ (22,027)
Safety	44,108	-	2,669	-	(41,439)	-	(41,439)
Street Lights	-	-	15,941	-	15,941	-	15,941
Projects	226,854	-	221,014	-	(5,840)	-	(5,840)
Total Governmental Activities	<u>301,371</u>	<u>-</u>	<u>248,006</u>	<u>-</u>	<u>(53,365)</u>	<u>-</u>	<u>(53,365)</u>
Business-type Activities:							
Water & Sewer Service	1,515,185	1,065,077	-	211,132	-	(238,976)	(238,976)
Total Primary Government	<u>\$ 1,816,556</u>	<u>\$ 1,065,077</u>	<u>\$ 248,006</u>	<u>\$ 211,132</u>	<u>\$ (53,365)</u>	<u>\$ (238,976)</u>	<u>\$ (292,341)</u>

General Revenues:

Taxes:

Property	\$ 40,387	\$ -	\$ 40,387
Bank Deposit	7,167	-	7,167
Franchise	1,242	-	1,242
Licenses & Permits	11,910	-	11,910
Investment Income	41	3,360	3,401
Miscellaneous	30	-	30
Transfers	25,036	(25,036)	-
Total General Revenues & Transfers	<u>\$ 85,813</u>	<u>\$ (21,676)</u>	<u>\$ 64,137</u>

Change in Net Position	32,448	(260,652)	(228,204)
Net Position, Beginning of the year	(54,808)	13,752,434	13,697,626
Prior Period Adjustment	-	80,041	80,041
Net Position, Beginning of the year, restated	<u>(54,808)</u>	<u>13,832,475</u>	<u>13,777,667</u>
Net Position, End of the year	<u>\$ (22,360)</u>	<u>\$ 13,571,823</u>	<u>\$ 13,549,463</u>

See Auditor's Report and Accompanying Notes

CITY OF BOONEVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL FUND	TOWN MILL CDBG FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Cash Equivalents	\$ 23,065	\$ 287	\$ 50,904	\$ 74,256
Due from other funds	-	-	8,894	8,894
TOTAL ASSETS	23,065	287	59,798	83,150
LIABILITIES:				
Payroll Liabilities	1,661	-	-	1,661
Due to other funds	8,894	-	-	8,894
TOTAL LIABILITIES	10,555	-	-	10,555
FUND BALANCES:				
Reserved	-	287	59,798	60,085
Unreserved	12,510	-	-	12,510
TOTAL FUND BALANCES	12,510	287	59,798	72,595
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,065	\$ 287	\$ 59,798	\$ 83,150

See Auditor's Report and Accompanying Notes

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

Total Governmental Fund Balances	\$ 72,595
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	13,825
Certain liabilities (such as notes payable, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows:	
Accrued Interest	(2,026)
Note Payable	<u>(106,754)</u>
Net Position of Governmental Activities	<u>\$ (22,360)</u>

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

	GENERAL FUND	TOWN MILL CDBG FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 48,796	\$ -	\$ -	\$ 48,796
Intergovernmental	2,669	221,014	15,941	239,624
Contributions	8,103	279	-	8,382
Interest	9	-	34	43
City Licenses / Fees	11,910	-	-	11,910
Miscellaneous	30	-	-	30
TOTAL REVENUES	71,517	221,293	15,975	308,785
EXPENDITURES:				
Current:				
General Government	22,245	-	-	22,245
Safety	44,110	-	-	44,110
Project Expense	24,179	226,854	-	251,033
TOTAL EXPENDITURES	90,534	226,854	-	317,388
Excess (Deficit) of Revenues over Expenditures	(19,017)	(5,561)	15,975	(8,603)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	55,036	-	-	55,036
Operating transfers out	(30,000)	-	-	(30,000)
TOTAL OTHER FINANCING SOURCES (USES):	25,036	-	-	25,036
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	6,019	(5,561)	15,975	16,433
Fund Balance, beginning	6,491	5,848	43,823	56,162
Fund Balance, ending	\$ 12,510	\$ 287	\$ 59,798	\$ 72,595

See Auditor's Report and Accompanying Notes

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

Net Change in Fund Balances - Total Governmental Funds	\$	16,433
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		<u>(8,164)</u>
<p>Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position</p>		<u>24,179</u>
Change in Net Position of Governmental Activities	\$	<u><u>32,448</u></u>

CITY OF BOONEVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 30,000	\$ 30,000	\$ 48,796	\$ 18,796
Intergovernmental	5,136	5,136	2,669	(2,467)
Contributions	43,000	43,000	8,103	(34,897)
Interest	150	150	9	(141)
City Licenses / Fees	2,200	2,200	11,910	9,710
Project Income	499,000	499,000	-	(499,000)
Miscellaneous	35,705	35,705	30	(35,675)
TOTAL REVENUES	<u>615,191</u>	<u>615,191</u>	<u>71,517</u>	<u>(543,674)</u>
EXPENDITURES:				
Current:				
General Government	39,502	39,502	22,245	17,257
Safety	74,120	74,120	44,110	30,010
Project Expenses	534,900	534,900	24,179	510,721
TOTAL EXPENDITURES	<u>648,522</u>	<u>648,522</u>	<u>90,534</u>	<u>557,988</u>
Excess (Deficit) of Revenues over Expenditures	<u>(33,331)</u>	<u>(33,331)</u>	<u>(19,017)</u>	<u>14,314</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	55,036	55,036
Operating transfers out	-	-	(30,000)	(30,000)
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>-</u>	<u>25,036</u>	<u>25,036</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(33,331)	(33,331)	6,019	39,350
Fund balance, beginning	<u>6,687</u>	<u>6,687</u>	<u>6,491</u>	<u>(196)</u>
Fund balance, ending	<u>\$ (26,644)</u>	<u>\$ (26,644)</u>	<u>\$ 12,510</u>	<u>\$ 39,154</u>

CITY OF BOONEVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	<u>ENTERPRISE FUND</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ 33,644
Customer Receivables (net of allowance of \$20,889)	139,852
Grant Receivables	<u>105,127</u>
Total Current Assets	278,623
Noncurrent Assets	
Restricted Cash and Cash Equivalents	149,251
Restricted Investments - CD's	300,000
Capital Assets:	
Land	131,148
Property, Plant & Equipment (net)	14,683,772
Construction in Progress	<u>326,137</u>
Total Noncurrent Assets	<u>15,590,308</u>
TOTAL ASSETS	\$ <u><u>15,868,931</u></u>
LIABILITIES:	
Current Liabilities	
Accounts Payable	\$ 70,268
Accrued Sales Tax	6,615
Payroll Liabilities	<u>5,611</u>
Total Current Liabilities	82,494
Current Liabilities Payable from Restricted Assets	
Meter Deposits	106,069
Accrued Interest on Revenue Bonds	19,455
Line of Credit	232,097
Current Portion of Revenue Bonds	<u>84,693</u>
Total Current Liabilities from Restricted Assets	442,314
Long-Term Liabilities	
Revenue Bonds	<u>1,772,300</u>
TOTAL LIABILITIES	<u>2,297,108</u>
NET POSITION:	
Invested in Capital Assets (net of related debt)	13,051,967
Restricted for Capital Projects	24,376
Restricted for Meter Deposits	106,069
Restricted for Bond Debt Service	79,068
Unrestricted	<u>310,343</u>
TOTAL NET POSITION	<u>13,571,823</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>15,868,931</u></u>

See Auditor's Report and Accompanying Notes

CITY OF BOONEVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	ENTERPRISE FUND
OPERATING REVENUES	
Water & Sewer Bills	\$ 967,090
Water & Sewer Connections	10,400
Service Charges	79,707
Miscellaneous	7,880
Total Operating Revenues	1,065,077
OPERATING EXPENSES	
Personnel and Board Expense	267,088
Operating Expense	456,707
Supplies	56,095
Contract Services	92,779
Depreciation	538,843
Amortization	837
Bad Debts	26,966
Total Operating Expenses	1,439,315
OPERATING INCOME (LOSS)	(374,238)
NON-OPERATING REVENUES (EXPENSES)	
Interest Revenue	3,360
Interest Expense	(75,870)
Net Non-Operating Revenues (Expenses)	(72,510)
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(446,748)
Capital Contributions and Grants	211,132
Operating Transfers Out	(25,036)
CHANGE IN NET POSITION	(260,652)
TOTAL NET POSITION, BEGINNING	13,752,434
PRIOR PERIOD ADJUSTMENT	80,041
TOTAL NET POSITION, BEGINNING - RESTATED	13,832,475
TOTAL NET POSITION, ENDING	\$ 13,571,823

See Auditor's Report and Accompanying Notes

CITY OF BOONEVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>ENTERPRISE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 1,127,056
Payments to Suppliers	(566,047)
Payments to Employees	(267,088)
Other Receipts	<u>7,880</u>
Net Cash Provided by Operating Activities	301,801
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Customer Deposits Received	13,970
Transfers Paid	<u>(25,036)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	(11,066)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments	(81,711)
Payments on line of credit	(21,482)
Interest Payments	(75,870)
Acquisition and Construction of Capital Assets	(366,498)
Contributed Capital	<u>106,005</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(439,556)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>3,360</u>
Net Cash Provided (Used) by Investing Activities	<u>3,360</u>
Net Increase in Cash and Cash Equivalents	(145,461)
Cash and cash equivalents beginning	<u>628,356</u>
Cash and cash equivalents ending	<u><u>\$ 482,895</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (374,238)
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:	
Depreciation	538,843
Amortization	837
Bad Debts	26,966
Changes in Assets and Liabilities:	
Accounts Receivable, Customers	16,675
Grants Receivable	105,127
Accounts Payable	49,628
Accrued Sales Tax Payable	(8,853)
Accrued Payroll Liabilities	<u>(53,184)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 301,801</u></u>

See Auditor's Report and Accompanying Notes

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The City of Booneville, Kentucky (the "City") was incorporated under the provisions of the State of Kentucky. The City operates under a Commissioners-Clerk form of government and provides the following services as authorized by its charter: public safety (fire and police protection), streets, culture-recreation, public improvements, planning and zoning, general administrative services, and water and sewer operations.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following represent the more significant accounting and reporting practices used in the preparation of these financial statements.

A - REPORTING ENTITY

The City, for financial purposes, includes all of the funds, organizations, agencies, boards and commissions relevant to the operations of the City of Booneville, for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements presented herein do not include entities which have been formed under applicable state laws or separate and distinct units of government apart from the City of Booneville.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Booneville Water and Sewer District - The City Commissioners appoint the Water and Sewer District board and approve the budget. The Water and Sewer District board cannot issue bonded debt without commission approval. The operations of the Booneville Water and Sewer District are reported in the Water and Sewer Fund, an enterprise fund.

B - BASIS OF PRESENTATION

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting

The accounts of the City are organized in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, into fund types as follows:

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types:

Enterprise Funds - Enterprise Funds accounts for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - (CONTINUED)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. It also supersedes Governmental Accounting Standards Board (GASB) Statement No. 20, thereby eliminating the election provided in paragraph 7 of that Statement.

C – MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements - On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recognized as a liability rather than as other financing resources. Amounts paid to reduce long-term debt of the City are reported as reductions of the related liability, rather than as expenditures.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each major function/program of the City's governmental activities. Direct expenses are those that are specifically associated with a program. Program revenues include (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - (CONTINUED)

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Proprietary Fund Financial Statements - The proprietary fund utilizes an economic resources measurement focus and the accrual basis of accounting as described above for the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing water and sewer services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D - BUDGETARY PROCESS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund, as well as for all enterprise funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The City Commission approves, by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Commission. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expended to a functional basis (General Government, Municipal Aid, etc).
3. Unused appropriations, for all of the above annually budgeted funds, lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - (CONTINUED)

E - PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings & Improvements	40 years
Plants & Lines	20-40 years
Infrastructure	20 -35 years
Machinery & Equipment	5-10 years
Transport Equipment	5-10 years
Furniture and Fixtures	7-10 years

F - EQUITY CLASSIFICATIONS

Government-wide Statements - Equity is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of all other net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

Proprietary fund equity is classified the same as in the government-wide statements. Expenditures incurred for purposes for which both restricted and unrestricted net position are available are first applied to the restricted net position.

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The City records reserves to indicate that a portion of the fund equity which is legally segregated for a specific future use. The following details the description and required amount of all reserves used by the City:

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

Water and Sewer Fund	Balance at June 30, 2016
Reserved for Meter Deposits	\$106,069
Reserved for Operation and Maintenance	88,315
Reserved 1979 Bond Debt Service	9,258
Reserved 1987 Bond Debt Service	26,808
Reserved 1991 Bond Debt Service	6,768
Reserved 1998 Series A Bond Debt Service	19,392
Reserved 1998 Series B Bond Debt Service	19,368
Reserved 1999 Bond Debt Service	38,725
Reserved 2002 KIA Loan Debt Service	100,000
Reserved 2005 Bond Debt Service	23,889
Reserved for Depreciation	106,300
Total	<u>\$544,892</u>

G - CASH EQUIVALENTS

Cash equivalents are considered by the City to be all highly liquid investments with a maturity of three months or less when purchased.

H - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the governmental financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I - LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of bonds and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

J - INTERFUND TRANSFERS

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

K – ACCOUNTS RECEIVABLE

Receivables are for amounts billed to water and sewer customers. Receivables are reported net of an allowance for uncollectible accounts. Based on collection histories, the City has made an allowance for uncollectible accounts of \$122,402, and netted with accounts receivable at June 30, 2016.

L- REVENUE RECOGNITION – PROPERTY TAXES

Property taxes for FY 2016 were levied on the assessed property located in the City of Booneville as of the preceding January 1. The assessments are determined by the Owsley County Property Valuation Administrator in accordance with Kentucky Revised Statutes. Taxes were levied on October 15, 2015 and were due January 15, 2016. Taxes unpaid after January 15, 2016 were delinquent and were subject to a 2% penalty if paid by February 15 and a 10% penalty if paid after this date.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Based on collection histories, the City has provided at June 30, 2016, an allowance for uncollectible property taxes of 100% of delinquent accounts.

M – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 72, Fair Value Measurement and Application. The objective of this statement is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Statement become effective for the City's fiscal year beginning July 1, 2015. This standard revises the definition of "acquisition value" that the City uses for capitalizing capital contributions. However, the basis for the City's valuation (developer costs of constructing infrastructure) meets the criteria in GASBS No. 72 and does not significantly affect the City's financial reporting.

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – (CONTINUED)

M – NEW ACCOUNTING PRONOUCEMENTS

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will revise employer accounting and reporting for other postemployment benefits (OPEB) and implement requirements similar to the provisions of GASBS No. 68 and No. 73 for pension benefits. GASBS No. 75 will be effective for the City beginning July 1, 2018, and will require the City to report its proportionate share of the net OPEB liability, deferred outflows and inflows of resources, and OPEB expense related to the CERS cost-sharing defined benefit OPEB plan. In addition, the City's note disclosures for the KTRS cost-sharing defined benefit OPEB plan will be expanded to include a description of the state's proportionate shares of these balances related to the City. The City has not determined the financial impact of the implementation of GASBS No. 75.

NOTE 2- BANK DEPOSITS

At year end, the carrying amount of the City's cash and cash equivalents was \$557,151 and the bank balance was \$559,817. Cash and cash equivalents at June 30, 2016 consisted of the following:

	Bank Balance	Book Balance
Checking	\$259,817	\$257,151
Certificates of Deposit	300,000	300,000
Total	\$559,817	\$557,151

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits will not be returned to it. The City does not have a policy for custodial credit risk. At year end, \$250,000 of the City's deposits were covered by Federal depository insurance, \$309,817 were covered by collateral held by the pledging banks' trust departments in the City's name.

NOTE 3 - PROPERTY PLANT AND EQUIPMENT

Depreciation expense for 2016 totaled \$8,164 for governmental activities and \$538,843 for business-type activities, respectively. Depreciation for governmental activities was allocated as follows on the Statement of Activities:

General Government	\$2,030
Safety	6,134
Total	\$8,164

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 - PROPERTY PLANT AND EQUIPMENT – (CONTINUED)

The following is a summary of changes in capital assets during the fiscal year:

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Governmental Activities:					
Equipment-Golf Course	\$241,596	\$0	\$0	\$0	\$241,596
Equipment-Fire Dept	178,207	0	0	0	178,207
Vehicles	34,162	0	0	0	34,162
Furniture & Fixtures	69,947	0	0	0	69,947
Total Historical Cost	523,912	0	0	0	523,912
Accumulated Depreciation					
Equipment-Golf Course	(239,566)	(2,030)	0	0	(241,596)
Equipment-Fire Dept	(178,207)	0	0	0	(178,207)
Vehicles	(28,028)	(6,134)	0	0	(34,162)
Furniture & Fixtures	(56,122)	0	0	0	(56,122)
Total Accumulated Depreciation	(501,923)	(8,164)	0	0	(510,087)
Net Capital Assets	\$21,989	(\$8,164)	\$0	\$0	\$13,825
Business Activities:					
Non-depreciable:					
Land	\$131,147	\$0	\$0	\$0	\$131,147
Construction in Progress	10,077	316,060	0	0	326,137
Sub-total Non-depreciable	141,224	316,060	0	0	457,284
Depreciable:					
Buildings	38,776	0	0	0	38,776
Machinery & Equipment	496,045	0	0	0	496,045
Plant & Lines	21,091,331	0	0	0	21,091,331
Roads	576,520	0	0	0	576,520
Sub-total Depreciable	22,202,672	0	0	0	22,202,672
Total Historical Cost	22,343,896	316,060	0	0	22,659,956
Accumulated Depreciation:					
Buildings	(14,748)	(969)	0	0	(15,717)
Machinery & Equipment	(448,058)	(12,036)	0	0	(460,094)
Plant & Lines	(6,245,235)	(503,197)	0	0	(6,748,432)
Roads	(272,016)	(22,641)	0	0	(294,657)
Total Accumulated Depreciation	(6,980,057)	(538,843)	0	0	(7,518,900)
Net Capital Assets	\$15,363,839	(\$222,783)	\$0	\$0	\$15,141,057

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 - LONG-TERM DEBT

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

<u>Business-type Activities:</u>	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
1979 Issue	\$28,000	\$0	\$7,000	\$21,000	\$7,000
1987 Issue	210,000	0	13,000	197,000	14,000
1991 Issue	65,200	0	2,700	62,500	2,900
1998 Issue Series A	117,600	0	3,000	114,600	3,200
1998 Issue Series B	251,500	0	6,500	245,000	6,500
1999 Issue	408,000	0	10,500	397,500	11,000
KIA Loan	263,387	0	28,111	235,276	28,393
2005 Issue	461,400	0	8,000	453,400	8,700
2006 Issue	159,000	0	2,500	156,500	3,000
	1,964,087	0	81,311	1,882,776	84,693
<u>Governmental Activities:</u>					
Note Payable	130,129	0	23,376	106,754	24,631
	<u>\$2,094,217</u>	<u>\$0</u>	<u>\$104,687</u>	<u>\$1,989,530</u>	<u>\$109,324</u>

All of the City of Booneville Water and Sewer revenue bond issues are backed by full faith and credit of the City. The City has pledged income derived from the acquired or constructed assets to pay the debt service on the revenue bonds. Interest expense paid during the fiscal year ended June 30, 2016 was \$75,870.

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 - LONG-TERM DEBT – (CONTINUED)

The original amount of each issue, the issue date, interest rates, and outstanding balances are summarized below:

Issue Date	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2016
<u>Business-type Activities:</u>				
1979 Issue	\$ 133,000	5.00%	4/1/2009	\$ 21,000
1987 Issue	400,000	5.00%	4/1/2027	197,000
1991 Issue	101,000	5.00%	4/1/2031	62,500
1998 Issue Series A	150,000	4.50%	4/1/2038	114,600
1998 Issue Series B	321,000	4.50%	4/1/2038	245,000
1999 Issue	520,000	4.50%	4/1/2038	397,500
KIA Loan	564,824	1.00%	6/1/2024	235,276
2005 Issue	523,000	4.25%	4/1/2045	453,400
2006 Issue	177,000	4.25%	4/1/2046	156,500
	<u>2,889,824</u>			<u>1,882,776</u>
Less Bond Discount				<u>(25,382)</u>
Net Outstanding Bonds				1,857,394
<u>Governmental Activities:</u>				
Note Payable	230,000	5.50%	9/10/2018	106,754
	<u>\$3,119,824</u>			<u>\$1,964,148</u>

The annual requirements to amortize the debt obligations, as of June 30, 2016, are as follows:

Year	Principal	Interest	Total
2017	109,324	81,276	190,600
2018	113,925	76,966	190,891
2019	116,980	72,446	189,426
2020	113,816	67,760	181,576
2021	88,649	64,908	153,557
2022-2026	426,736	-	426,736
2027-2031	321,700	-	321,700
2032-2036	339,800	-	339,800
2037-2041	248,200	-	248,200
2041-2045	110,400	-	110,400
	<u>\$1,989,530</u>	<u>\$363,356</u>	<u>\$2,352,886</u>

The City maintains a \$300,000 line of Credit at a rate of 3.25% with Farmers State Bank to provide interim financing for projects initiated before federal funds are available. Available credit at June 30, 2016 was \$68,373.

The following is a summary of the line of credit transactions of the City for the year ended June 30, 2016:

Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amount due within one year
\$253,579	\$0	\$21,482	\$232,097	\$232,097

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2016 consists of the following:

	Construction in Progress			
	Beginning	Additions	Completed	Ending
HWY 30	\$80,401	\$218,679	\$0	\$299,080
Safe Sidewalks	0	27,057	0	27,057
	<u>\$80,401</u>	<u>\$245,736</u>	<u>\$0</u>	<u>\$326,137</u>

Costs recorded in Construction in Progress include accumulated costs relating to several projects, which are various stages of completion. The projects are being financed by grants. As of June 30, 2016, there was \$222,943 remaining in contractual commitments.

NOTE 6- INSURANCE COVERAGE

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated and include worker's compensation insurance.

NOTE 7 - LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUNDS

Pursuant to KRS 42.450, the City of Booneville must expend the Local Government Economic Assistance Funds to satisfy the 30% for coal haul road systems and the 70% priority categories requirements. The City did not have any expenditure during 2016.

NOTE 8 - OPERATING LEASES

The City has one operating lease which existed at the fiscal year end. Rent expense for 2016 totaled \$10,200. The terms and conditions of the lease are as follows:

<u>Purpose</u>	<u>Date</u>	<u>Term</u>	<u>Monthly Amount</u>	<u>Extension</u>
Office Space	Oct. 15, 2009	5 Years	\$ 850	5 Years

Future minimum rents under the lease are as follows:

2017	\$10,200
2018	10,200
2019	3,400
Total	<u>\$23,800</u>

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 - INTERFUND ACTIVITY

Interfund receivables and payables during the year ending June 30, 2016 were as follows.

Fund	Receivable	Payable
General Fund	\$ 12,893	\$ -
Capital Equipment Fund	-	-
Special Revenue Funds	-	-
Local Grant Funds	-	-
State Grant Funds	-	-
Federal Grant Funds	-	12,893
Total	<u>\$ 12,893</u>	<u>\$ 12,893</u>

In addition, certain funds have been transferred among the governmental funds to allocate resources for required grant matches and to subsidize operations. Transfers during FY 2016 include the following:

Fund	Transfers Out	Transfers In
General Fund	\$ 25,000	\$ 13,806
Police Fund	5,000	41,230
Water and Sewer Funds	1,261,081	1,236,045
Total	<u>\$ 1,291,081</u>	<u>\$ 1,291,081</u>

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$80,401 in the enterprise activities is to adjust construction in progress balances for amounts expensed in a prior year.

NOTE 11– SUBSEQUENT EVENTS

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through December 1, 2016, the date the financial statements were available to be issued.

**CITY OF BOONEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 - CITY COMMISSIONERS

The City Commissioners of the City of Booneville, Kentucky, are also the five regular members of the Board of Commissioners of the Booneville Water and Sewer District (the District). Their terms as members of the Board of Commissioners of the District shall be their regular terms of office as elected to the City Commission for the City of Booneville, Kentucky. Commissioners are as follows:

	<u>Term Expires</u>
Charles E. Long, Chairman, Mayor	December 31, 2018
Larry Joe Campbell	December 31, 2016
Kyle Bobrowski	December 31, 2016
Phillip Chadwell	December 31, 2016
Paul Harvey	December 31, 2016

The Board of Commissioners appointed the following:

David Hall, Water Plant Superintendent.
Don Hughes, Financial Officer, and Treasurer of the Board of Commissioners.
Tamara Shouse, City Clerk.

SUPPLEMENTAL SCHEDULES

CITY OF BOONEVILLE, KENTUCKY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	MUNICIPAL ROAD AID FUND	LGEA FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and Cash Equivalents	\$ 27,110	\$ 23,794	\$ 50,904
Due from other funds	-	8,894	8,894
TOTAL ASSETS	27,110	32,688	59,798
LIABILITIES:			
Payroll liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
FUND BALANCES:			
Reserved	24,112	35,686	59,798
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,112	\$ 35,686	\$ 59,798

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

	MUNICIPAL ROAD AID FUND	LGEA FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Intergovernmental	\$ -	\$ 15,941	\$ 15,941
Fees	-	-	-
Interest Income	20	14	34
TOTAL REVENUES	20	15,955	15,975
EXPENDITURES:			
Safety	-	-	-
TOTAL EXPENDITURES	-	-	-
Excess (Deficit) of Revenues over Expenditures	20	15,955	15,975
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	20	15,955	15,975
Fund balance, beginning	24,092	19,731	43,823
Fund balance, ending	\$ 24,112	\$ 35,686	\$ 59,798

CITY OF BOONEVILLE, KENTUCKY
 COMBINING SCHEDULE OF PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2016

	REVENUE FUND	OPERATION AND MAINTENANCE FUND	DEPRECIATION FUND	CONSTRUCTION FUND	BOND FUND	TOTAL PROPRIETARY FUNDS
ASSETS						
Cash	\$ 10,997	\$ 22,647	\$ 26,352	\$ 24,376	\$ 98,523	\$ 182,895
Certificate of Deposit	-	300,000	-	-	-	300,000
A/R - Water & Sewer Bills	139,852	-	-	-	-	139,852
A/R - Grants	-	105,127	-	-	-	105,127
Land	60,648	70,500	-	-	-	131,148
Buildings	18,500	20,276	-	-	-	38,776
Machinery & Equipment	109,245	268,898	117,903	-	-	496,046
Plant & Lines	21,025,976	-	65,354	-	-	21,091,330
Roads	557,750	18,770	-	-	-	576,520
Construction in Progress	-	-	-	326,137	-	326,137
Less Accumulated						
Depreciation	(7,518,900)	-	-	-	-	(7,518,900)
Total Assets	<u>\$ 14,404,068</u>	<u>\$ 806,218</u>	<u>\$ 209,609</u>	<u>\$ 350,513</u>	<u>\$ 98,523</u>	<u>\$ 15,868,931</u>
LIABILITIES						
Accounts Payable	\$ -	\$ 70,268	\$ -	\$ -	\$ -	\$ 70,268
Accrued Interest	-	-	-	-	19,455	19,455
Accrued Sales Tax	-	6,615	-	-	-	6,615
Payroll Liabilities	-	5,611	-	-	-	5,611
Meter Deposits	106,069	-	-	-	-	106,069
Line of Credit	-	232,097	-	-	-	232,097
Revenue Bonds	-	-	-	-	1,856,993	1,856,993
Total Liabilities	<u>106,069</u>	<u>314,591</u>	<u>-</u>	<u>-</u>	<u>1,876,448</u>	<u>2,297,108</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	14,253,219	146,347	183,257	326,137	(1,856,993)	13,051,967
Reserved for Capital Projects	-	-	-	24,376	-	24,376
Reserved for Meter Deposits	106,069	-	-	-	-	106,069
Reserved for Bond Debt Service	-	-	-	-	79,068	79,068
Unrestricted	(61,289)	345,280	26,352	-	-	310,343
Total Fund Equity	<u>14,297,999</u>	<u>491,627</u>	<u>209,609</u>	<u>350,513</u>	<u>(1,777,925)</u>	<u>13,571,823</u>
Total Liabilities & Fund Equity	<u>\$ 14,404,068</u>	<u>\$ 806,218</u>	<u>\$ 209,609</u>	<u>\$ 350,513</u>	<u>\$ 98,523</u>	<u>\$ 15,868,931</u>

CITY OF BOONEVILLE, KENTUCKY
 COMBINING SCHEDULE OF PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE PERIOD ENDED JUNE 30, 2016

	REVENUE FUND	OPERATION AND MAINTENANCE FUND	DEPRECIATION FUND	CONSTRUCTION FUNDS	BOND FUNDS	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES						
Water & Sewer Bills	\$ 784,295	\$ 182,795	\$ -	\$ -	\$ -	\$ 967,090
Water & Sewer Connections	9,200	1,200	-	-	-	10,400
Service Charges	71,646	8,061	-	-	-	79,707
Miscellaneous	1,252	6,628	-	-	-	7,880
Total Operating Revenues	<u>866,393</u>	<u>198,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,065,077</u>
OPERATING EXPENSES						
Personnel and Board Expense	-	267,088	-	-	-	267,088
Operating Expense	4,518	434,571	10,348	5,046	2,224	456,707
Supplies	-	56,095	-	-	-	56,095
Contract Services	-	92,779	-	-	-	92,779
Depreciation	538,843	-	-	-	-	538,843
Amortization	-	837	-	-	-	837
Bad Debts	26,966	-	-	-	-	26,966
Total Operating Expenses	<u>570,327</u>	<u>851,370</u>	<u>10,348</u>	<u>5,046</u>	<u>2,224</u>	<u>1,439,315</u>
OPERATING INCOME (LOSS)	<u>296,066</u>	<u>(652,686)</u>	<u>(10,348)</u>	<u>(5,046)</u>	<u>(2,224)</u>	<u>(374,238)</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest Revenue	-	3,311	10	-	39	3,360
Interest Expense	-	(3,853)	-	-	(72,017)	(75,870)
Net Non-Operating Revenues (Expenses)	<u>-</u>	<u>(542)</u>	<u>10</u>	<u>-</u>	<u>(71,978)</u>	<u>(72,510)</u>
CAPITAL CONTRIBUTIONS						
Capital Contributions and Grants	-	211,132	-	-	-	211,132
Income (Loss) Before Transfers	296,066	(442,096)	(10,338)	(5,046)	(74,202)	(235,616)
TRANSFERS						
Operating Transfers In	11,466	1,033,645	19,500	2,331	169,103	1,236,045
Operating Transfers (Out)	(970,488)	(263,736)	(1,500)	(2,615)	(22,742)	(1,261,081)
	<u>(959,022)</u>	<u>769,909</u>	<u>18,000</u>	<u>(284)</u>	<u>146,361</u>	<u>(25,036)</u>
CHANGE IN NET ASSETS	(662,956)	327,813	7,662	(5,330)	72,159	(260,652)
TOTAL NET ASSETS, BEGINNING	<u>14,846,124</u>	<u>544,107</u>	<u>201,344</u>	<u>20,778</u>	<u>(1,859,919)</u>	<u>13,752,434</u>
PRIOR PERIOD ADJUSTMENT	114,831	(380,293)	603	335,065	9,835	80,041
TOTAL NET ASSETS, BEGINNING - RESTATED	14,960,955	163,814	201,947	355,843	(1,850,084)	13,832,475
TOTAL NET ASSETS, ENDING	<u>\$ 14,297,999</u>	<u>\$ 491,627</u>	<u>\$ 209,609</u>	<u>\$ 350,513</u>	<u>\$ (1,777,925)</u>	<u>\$ 13,571,823</u>

SUMMERS, MCCRARY & SPARKS, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

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1961-1992

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Commissioners
City of Booneville, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information, of City of Booneville, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Booneville, Kentucky's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiency, see item 2016-05.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Booneville, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-01, 2016-02, 2016-03 and 2016-04.

City of Booneville, Kentucky's Response to Findings

City of Booneville, Kentucky's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Booneville's responses were 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.

Summers, McCrary & Sparks, PSC

Lexington, KY
December 1, 2016

**CITY OF BOONEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

FINDINGS – FINANCIAL REPORTING

2016-05: Adjusting journal entries

Condition: Numerous journal entries were necessary to adjust the trial balance to proper balances and or classification.

Criteria: Trial balance should be reconciled to supporting documentation and transactions posted to the correct accounts.

Cause: Management turnover during the year and lack of familiarity with government accounting.

Recommendation: We recommend management reconcile trial balance to supporting documentation and review transactions before posting to verify proper classification within each fund.

Response: Management will endeavor to reduce the number of journal entries through training and review of current internal controls.

FINDINGS - COMPLIANCE

2016-01: Invoices

Condition: Client paid numerous invoices after 30 days.

Criteria: Per State Law, Cities are required to pay invoices within 30 days.

Cause: Management failed to note on invoices reasons for late payment.

Recommendation: We recommend management pay invoices within 30 days as required, but if unusual circumstances exist for payment after 30 days, reasons are noted on face of invoice.

Response: Management will endeavor to note on invoices reasons for late payment.

2016-02: Bonding

- Condition: A check signer of the city is not bonded.
- Criteria: Per State Law, all persons with check signing authority must be bonded.
- Cause: When check signing authority was granted, bonding was not put in place to cover the new signer.
- Recommendation: We recommend management have all check signers reasonably bonded.
- Response: Management will ensure that all check signers are bonded.

2016-03: UFIR

- Condition: The Uniform Financial Information Report was not submitted timely to the Department of Local Government.
- Criteria: Per State Law, Cities are required to submit the UFIR by May 1 for the preceding fiscal year.
- Cause: Financial information was not made available in order to complete the UFIR prior to May 1.
- Recommendation: Management should ensure the audited financial statements are available in order to complete the UFIR in a timely manner
- Response: Management will implement recommendation as a policy and procedure.

2016-04: Audit

- Condition: The prior year audited financial statements were not published.
- Criteria: Per State Law, Cities are required to publish their audited financial statements once they are available.
- Cause: Management failed to publish the prior year audited financial statements.
- Recommendation: We recommend management publish the audited financial statements in the local newspaper as soon as they become available.
- Response: Management will implement recommendation as a policy and procedure.

**CITY OF BOONEVILLE, KENTUCKY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015**

FINDINGS – FINANCIAL REPORTING

None

FINDINGS - COMPLIANCE

2015-01: Invoices

Condition: Client paid numerous invoices after 30 days.

Recommendation: We recommend management pay invoices within 30 days as required, but if unusual circumstances exist for payment after 30 days, reasons are noted on face of invoice.

Current Year Finding: Yes, the finding was repeated in the current year.