

CITY OF JACKSON, KENTUCKY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

	<u>PAGE</u>	
INDEPENDENT AUDITOR'S REPORT	2-4	
 BASIC FINANCIAL STATEMENTS:		
 Government-wide Financial Statements -		
Statement of Net Position.....	5	
Statement of Activities	6	
 Fund Financial Statements -		
Balance Sheet - Governmental Funds.....	7	
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	8	
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	9	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10	
Statement of Net Position - Proprietary Funds.....	11	
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	12	
Statement of Cash Flows - Proprietary Funds.....	13	
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	14	
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Special Revenue Fund	15	
Notes to Financial Statements.....	16-28	
 REQUIRED SUPPLEMENTARY INFORMATION:		
Schedule of City’s Proportionate Share of the Net Pension Liability	29	
Schedule of Pension Contributions.....	30	
Notes to Required Supplementary Information.....	31	
 SUPPLEMENTAL INFORMATION:		
 Combining Statements - Non-Major Funds -		
Combining Balance Sheet - Non-Major Governmental Funds.....	32	
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Non-Major Governmental Funds.....	33	
 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		34-35
Schedule of Findings and Responses	36	



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson, Kentucky (the "City") as of and for the year ended June 30, 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 the aggregate remaining fund information of the City of Jackson, Kentucky as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of City's Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions on pages 29-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency in management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
March 21, 2017

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 67,071	\$ 35,278	\$ 102,349
Accounts receivable	32,081	255,100	287,181
Taxes receivable	6,144	-	6,144
Due from (to) other funds	515,406	(515,406)	-
Restricted assets -			
Cash and cash equivalents	223,821	42,794	266,615
Investments-debt reserve - KADD	136,252	-	136,252
Nondepreciable capital assets	515,000	536,862	1,051,862
Depreciable capital assets	8,521,762	27,371,846	35,893,608
Accumulated depreciation	(5,523,644)	(11,917,244)	(17,440,888)
Total assets	4,493,893	15,809,230	20,303,123
DEFERRED OUTFLOW OF RESOURCES			
Deferred savings from debt refunding	79,800	-	79,800
Deferred pension related	418,964	194,130	613,094
Total deferred outflow of resources	498,764	194,130	692,894
LIABILITIES			
Accounts payable	71,977	76,286	148,263
Other accrued liabilities	72,086	45,537	117,623
Current portion of long-term debt	459,937	304,741	764,678
Accrued interest payable	-	69,615	69,615
Customer deposits	-	202,875	202,875
Net pension liability	1,706,960	804,709	2,511,669
Long-term debt, net of current portion	3,090,018	5,400,826	8,490,844
Total liabilities	5,400,978	6,904,589	12,305,567
NET POSITION			
Net investment in capital assets	42,963	10,285,897	10,328,860
Restricted	358,963	42,794	401,757
Unrestricted	(810,247)	(1,229,920)	(2,040,167)
Total net position	\$ (408,321)	\$ 9,098,771	\$ 8,690,450

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 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-Type Activities	Total
Governmental Activities							
General government	\$ 996,392	\$ -	\$ 13,901	\$ -	\$ (982,491)	\$ -	\$ (982,491)
Police	796,315	18,570	43,320	-	(734,425)	-	(734,425)
Fire	219,491	-	-	-	(219,491)	-	(219,491)
Streets	280,395	-	94,413	-	(185,982)	-	(185,982)
Sanitation	370,496	418,183	-	-	47,687	-	47,687
Tourism	11,000	-	-	-	(11,000)	-	(11,000)
Parks	637,740	145,141	-	-	(492,599)	-	(492,599)
Social service	7,200	-	-	-	(7,200)	-	(7,200)
Infrastructure depreciation	18,601	-	-	-	(18,601)	-	(18,601)
Debt service	378,561	-	-	-	(378,561)	-	(378,561)
Total governmental activities	3,716,191	581,894	151,634	-	(2,982,663)	-	(2,982,663)
Business-Type Activities							
Water	1,837,514	1,312,307	-	6,165	-	(519,042)	(519,042)
Sewer	707,335	639,473	-	-	-	(67,862)	(67,862)
Total business-type activities	2,544,849	1,951,780	-	6,165	-	(586,904)	(586,904)
Total primary government	\$ 6,261,040	\$ 2,533,674	\$ 151,634	\$ 6,165	\$ (2,982,663)	\$ (586,904)	\$ (3,569,567)
General Revenues:							
Property and other local taxes					\$ 426,754	\$ -	\$ 426,754
Occupational license fees					1,492,843	-	1,492,843
Insurance premiums					370,344	-	370,344
Tourism tax					296,998	-	296,998
Coal/mineral severance & LGEA					72,896	-	72,896
Interest income					432	390	822
Other income					358,284	-	358,284
Total general revenues					3,018,551	390	3,018,941
Change in net position					35,888	(586,514)	(550,626)
Net position, June 30, 2015					(444,209)	9,685,285	9,241,076
Net position, June 30, 2016					\$ (408,321)	\$ 9,098,771	\$ 8,690,450

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

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

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 67,071	\$ -	\$ -	\$ 67,071
Fee receivable	32,081	-	-	32,081
Taxes receivable	6,144	-	-	6,144
Restricted-cash	-	208,834	14,987	223,821
Restricted-investments-debt service	136,252	-	-	136,252
Due from other funds	515,406	-	-	515,406
Total assets	\$ 756,954	\$ 208,834	\$ 14,987	\$ 980,775
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 70,867	\$ 1,110	\$ -	\$ 71,977
Accrued expenses	72,086	-	-	72,086
Total liabilities	142,953	1,110	-	144,063
Fund Balances:				
Restricted	136,252	207,724	14,987	358,963
Unassigned	477,749	-	-	477,749
Total fund balances	614,001	207,724	14,987	836,712
Total liabilities and fund balances	\$ 756,954	\$ 208,834	\$ 14,987	\$ 980,775

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

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

Total fund balance - total governmental funds		\$ 836,712
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of \$9,036,762 net of accumulated depreciation of \$5,523,644 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		3,513,118
Savings from debt refunding are not available to pay current period expenditures and therefore are not reported in the governmental funds		79,800
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred differences in pension experience	14,264	
Deferred changes in pension assumptions	173,077	
Deferred pension investment earnings	15,386	
Deferred changes in proportionate share of liability	109,143	
Deferred pension contributions	107,094	418,964
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Debt	(3,549,955)	
Net pension liability	(1,706,960)	(5,256,915)
Net position - governmental activities		\$ (408,321)

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

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

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 363,014	\$ -	\$ -	\$ 363,014
Delinquent property taxes	6,433	-	-	6,433
Franchise taxes	57,307	-	-	57,307
Occupational license fees	1,492,843	-	-	1,492,843
Arrest fees, fines and forfeitures	-	-	18,570	18,570
Garbage collections	418,183	-	-	418,183
Tourism tax	296,998	-	-	296,998
Insurance premiums	370,344	-	-	370,344
Parks and recreation	-	-	145,141	145,141
Grant income	13,901	50,000	43,320	107,221
Coal/mineral severance & LGEA	72,896	-	-	72,896
Municipal road aid	-	44,413	-	44,413
Interest income	414	18	-	432
Other income	358,284	-	-	358,284
Total revenues	<u>3,450,617</u>	<u>94,431</u>	<u>207,031</u>	<u>3,752,079</u>
Expenditures				
General government	901,571	-	-	901,571
Police	624,011	-	66,610	690,621
Fire	182,668	-	-	182,668
Streets	225,552	13,063	-	238,615
Sanitation	323,201	-	-	323,201
Tourism	-	11,000	-	11,000
Parks	365,903	-	160,194	526,097
Social service	7,200	-	-	7,200
Capital outlay	6,000	-	-	6,000
Debt service	985,663	180,103	-	1,165,766
Total expenditures	<u>3,621,769</u>	<u>204,166</u>	<u>226,804</u>	<u>4,052,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,152)</u>	<u>(109,735)</u>	<u>(19,773)</u>	<u>(300,660)</u>
Other financing sources (uses):				
Transfer to other funds	(45,022)	-	-	(45,022)
Transfer from other funds	-	45,022	-	45,022
Proceeds from debt	350,000	-	-	350,000
Total other financing sources (uses)	<u>304,978</u>	<u>45,022</u>	<u>-</u>	<u>350,000</u>
Net change in fund balances	133,826	(64,713)	(19,773)	49,340
Fund balance, beginning of year	<u>480,175</u>	<u>272,437</u>	<u>34,760</u>	<u>787,372</u>
Fund balance, end of year	<u>\$ 614,001</u>	<u>\$ 207,724</u>	<u>\$ 14,987</u>	<u>\$ 836,712</u>

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

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

Net change in fund balances - total governmental funds	\$	49,340
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(279,519)
Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:		
Capitalized savings from debt refunding amortization expense.		(8,400)
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.		
CERS contributions		(52,352)
Pension expense		(118,786)
		(171,138)
Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statement, but are increases in liabilities in the Statement of Net Position.		795,605
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the Statement of Net Position.		(350,000)
		(350,000)
Change in net position of governmental activities	\$	35,888

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

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

	Business-Type Activities		Total
	Water Fund	Sewer Fund	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,239	\$ 24,039	\$ 35,278
Accounts receivable - utilities	171,294	83,806	255,100
Total current assets	<u>182,533</u>	<u>107,845</u>	<u>290,378</u>
Restricted Assets:			
Cash and cash equivalents	39,792	3,002	42,794
Total restricted assets	<u>39,792</u>	<u>3,002</u>	<u>42,794</u>
Capital Assets:			
Property, plant and equipment	18,896,111	9,012,597	27,908,708
Less: Accumulated depreciation	(7,578,752)	(4,338,492)	(11,917,244)
Total capital assets - net	<u>11,317,359</u>	<u>4,674,105</u>	<u>15,991,464</u>
Total assets	<u>11,539,684</u>	<u>4,784,952</u>	<u>16,324,636</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension contributions	133,389	60,741	194,130
Total deferred outflows of resources	<u>133,389</u>	<u>60,741</u>	<u>194,130</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	\$ 59,346	\$ 16,940	\$ 76,286
Due to other funds	472,702	42,704	515,406
Accrued liabilities	34,269	11,268	45,537
Accrued interest payable	64,462	5,153	69,615
Current portion of debt	142,660	162,081	304,741
Total current liabilities (payable from current assets)	<u>773,439</u>	<u>238,146</u>	<u>1,011,585</u>
Current liabilities (payable from restricted assets):			
Customer deposits	202,875	-	202,875
Total current liabilities (payable from restricted assets)	<u>202,875</u>	<u>-</u>	<u>202,875</u>
Net pension liability	537,673	267,036	804,709
Long-term debt, net of current portion	3,744,099	1,656,727	5,400,826
Total liabilities	<u>5,258,086</u>	<u>2,161,909</u>	<u>7,419,995</u>
NET POSITION			
Net investment in capital assets	7,430,600	2,855,297	10,285,897
Restricted	39,792	3,002	42,794
Unrestricted	(1,055,405)	(174,515)	(1,229,920)
Total net position	<u>\$ 6,414,987</u>	<u>\$ 2,683,784</u>	<u>\$ 9,098,771</u>

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities		Total
	Water Fund	Sewer Fund	
OPERATING REVENUES			
Water sales	\$ 1,310,754	\$ -	\$ 1,310,754
Sewer service	-	630,560	630,560
Miscellaneous	1,553	8,913	10,466
Total operating revenues	<u>1,312,307</u>	<u>639,473</u>	<u>1,951,780</u>
OPERATING EXPENSES			
Personnel	469,369	220,237	689,606
Depreciation	535,356	198,843	734,199
Utilities	170,397	92,036	262,433
Supplies	225,626	39,715	265,341
Insurance	129,801	99,485	229,286
Contract labor	28,828	17,603	46,431
Sludge hauling	-	998	998
Miscellaneous	25,819	3,940	29,759
Total operating expenses	<u>1,585,196</u>	<u>672,857</u>	<u>2,258,053</u>
OPERATING LOSS	<u>(272,889)</u>	<u>(33,384)</u>	<u>(306,273)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	300	90	390
Grant income	-	-	-
Interest expense	(252,318)	(34,478)	(286,796)
Total non-operating revenues (expenses)	<u>(252,018)</u>	<u>(34,388)</u>	<u>(286,406)</u>
LOSS BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(524,907)</u>	<u>(67,772)</u>	<u>(592,679)</u>
CAPITAL CONTRIBUTIONS (TAPS)	<u>6,165</u>	<u>-</u>	<u>6,165</u>
DECREASE IN NET POSITION	<u>(518,742)</u>	<u>(67,772)</u>	<u>(586,514)</u>
NET POSITION, JUNE 30, 2015	<u>6,933,729</u>	<u>2,751,556</u>	<u>9,685,285</u>
NET POSITION, JUNE 30, 2016	<u>\$ 6,414,987</u>	<u>\$ 2,683,784</u>	<u>\$ 9,098,771</u>

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

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

	Business-Type Activities		Total
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,302,927	\$ 640,482	\$ 1,943,409
Cash payments to suppliers for goods and services	(588,547)	(282,325)	(870,872)
Cash payments to employees	(397,916)	(189,138)	(587,054)
Other operating revenues	1,553	8,913	10,466
Net cash provided by operating activities	<u>318,017</u>	<u>177,932</u>	<u>495,949</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Change in customer deposits	<u>16,425</u>	<u>-</u>	<u>16,425</u>
Net cash provided by non-capital financing activities	<u>16,425</u>	<u>-</u>	<u>16,425</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(165,323)	(131,317)	(296,640)
Interest paid on long-term debt	(253,836)	(36,475)	(290,311)
Capital contributions	<u>6,165</u>	<u>-</u>	<u>6,165</u>
Net cash used for capital and related financing activities	<u>(412,994)</u>	<u>(167,792)</u>	<u>(580,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>300</u>	<u>90</u>	<u>390</u>
Net cash provided by investing activities	<u>300</u>	<u>90</u>	<u>390</u>
Net increase (decrease) in cash and cash equivalents	(78,252)	10,230	(68,022)
Cash and cash equivalents, June 30, 2015	<u>129,283</u>	<u>16,811</u>	<u>146,094</u>
Cash and cash equivalents, June 30, 2016	<u>\$ 51,031</u>	<u>\$ 27,041</u>	<u>\$ 78,072</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (272,889)	\$ (33,384)	\$ (306,273)
Adjustments:			
Depreciation	535,356	198,843	734,199
Net pension adjustment	54,330	25,347	79,677
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(7,827)	9,922	2,095
Increase (decrease) in accounts payable	(8,076)	(28,548)	(36,624)
Increase (decrease) in other accrued liabilities	<u>17,123</u>	<u>5,752</u>	<u>22,875</u>
Net cash provided by operating activities	<u>\$ 318,017</u>	<u>\$ 177,932</u>	<u>\$ 495,949</u>

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property taxes	\$ 292,200	\$ 71,863	\$ 364,063	\$ 363,014	\$ (1,049)
Delinquent taxes	16,000	907	16,907	6,433	(10,474)
Franchise taxes	74,000	(16,578)	57,422	57,307	(115)
Occupational license fee	1,600,500	(94,158)	1,506,342	1,492,843	(13,499)
Garbage collections	347,000	84,177	431,177	418,183	(12,994)
Tourism tax	280,200	16,798	296,998	296,998	-
Insurance premium tax	310,000	60,344	370,344	370,344	-
Grant income	67,500	(52,500)	15,000	13,901	(1,099)
Coal severance	100,500	(27,119)	73,381	72,896	(485)
Interest income	-	-	-	414	414
Other income	353,000	176,632	529,632	358,284	(171,348)
Total revenues	3,440,900	220,366	3,661,266	3,450,617	(210,649)
Expenditures					
General government	1,171,419	14,982	1,186,401	907,571	278,830
Police	530,000	120,285	650,285	624,011	26,274
Fire	521,481	(331,133)	190,348	182,668	7,680
Park	255,000	107,704	362,704	365,903	(3,199)
Streets	242,000	(13,283)	228,717	225,552	3,165
Sanitation	342,000	(51,250)	290,750	323,201	(32,451)
Social service	17,000	(9,800)	7,200	7,200	-
Capital outlay	1,000	(1,000)	-	-	-
Debt service	726,000	188,251	914,251	985,663	(71,412)
Total expenditures	3,805,900	24,756	3,830,656	3,621,769	208,887
Excess (deficiency) of revenues over (under) expenditures	(365,000)	195,610	(169,390)	(171,152)	(1,762)
Other financing sources (uses):					
Transfers out	(1,000)	1,000	-	(45,022)	(45,022)
Proceeds from debt	350,000	-	350,000	350,000	-
Total other financing sources (uses)	349,000	1,000	350,000	304,978	(45,022)
Net change in fund balances	(16,000)	196,610	180,610	133,826	(46,784)
Fund balance, beginning of year	-	-	-	480,175	480,175
Fund balance, end of year	<u>\$ (16,000)</u>	<u>\$ 196,610</u>	<u>\$ 180,610</u>	<u>\$ 614,001</u>	<u>\$ 433,391</u>

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

CITY OF JACKSON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Tourism tax	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance premium tax	-	-	-	-	-
Grant income	-	-	-	50,000	50,000
Coal severance	-	-	-	-	-
Municipal road aid	16,000	-	16,000	44,413	28,413
Interest income	-	-	-	18	18
Other income	-	-	-	-	-
Total revenues	16,000	-	16,000	94,431	78,431
Expenditures					
Fire	-	-	-	-	-
Streets	16,000	-	16,000	13,063	2,937
Tourism	-	-	-	11,000	(11,000)
Parks	-	-	-	-	-
Social service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	180,103	(180,103)
Total expenditures	16,000	-	16,000	204,166	(188,166)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(109,735)	(109,735)
Other financing sources (uses):					
Transfers in	-	-	-	45,022	45,022
Total other financing sources (uses)	-	-	-	45,022	45,022
Net change in fund balances	-	-	-	(64,713)	(64,713)
Fund balance, beginning of year	-	-	-	272,437	272,437
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,724</u>	<u>\$ 207,724</u>

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Reporting Entity

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

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

b. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. The City considers all governmental and proprietary funds to be major funds, due to their belief that all of these funds present financial information which is important to the financial statement users. Thus, individual governmental funds and individual proprietary funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial

statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

The City reports the following major Proprietary Funds:

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Budgeting

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

e. Investments

Investments are carried at cost. The investment policy allows the City to invest in those instruments authorized by KRS 66.480. The market values of investments in direct obligations of the United States at June 30, 2016, were not materially different than the carrying amounts.

f. Capital Assets and Depreciation

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

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

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

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

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

g. Fund Balances

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

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance-amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- Assigned fund balance-amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Commissioners or by an official or body to which the City delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

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

h. Statement of Cash Flows

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

i. Bond Issuance Costs

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

j. Deferred Outflows/Inflows of Resources

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

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

k. Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

l. Estimates

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

m. Interfund Transactions

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

n. Interfund Receivables (Payables)

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

o. New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"). GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and reduces the GAAP hierarchy to two categories of authoritative GAAP. The adoption of this standard did not have a material effect on the City's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"). GASB 75 replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits ("OPEB"). In addition, GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. GASB 75 will be effective for the City beginning with its year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 82, *Pension Issues* ("GASB 82"). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements that arose during the implementation of GASB Statement No. 68. GASB 82 will be effective for the City beginning with its year ending June 30, 2017.

(2) CASH AND INVESTMENTS

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

At June 30, 2016, the carrying amount of the City's deposits (including amounts in restricted asset accounts) was \$505,216 and the bank balances totaled \$508,563. The difference between the carrying amounts and the bank balances was due to items in transit. Of the bank balances, \$508,563 was covered by the Bank Insurance Fund as of June 30, 2016.

Restricted Cash - The Jackson Municipal Waterworks System is required to maintain restricted bank accounts in accordance with ordinances established in connection with the sale of the

Waterworks Revenue Bond issues of 1979, 1980, 1983, 1999, and 2005. Specified amounts of current operating receipts are to be deposited to the restricted bank accounts monthly. Disbursements from the accounts are restricted as specified to the retirement of outstanding bonds, semiannual interest payments, and utility plant additions or replacements.

(3) PROPERTY TAXES

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

The 2016 assessed value for real and tangible property was \$113,090,229. The tax rate adopted was \$.2596 and \$.2539 per \$100 valuation for real and tangible property, respectively.

(4) CAPITAL ASSETS

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

	June 30, 2015	Increases	Decreases	June 30, 2016
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 515,000	\$ -	\$ -	\$ 515,000
Capital Assets, Depreciated:				
City Hall	1,178,137	-	-	1,178,137
Administrative office & equipment	26,760	-	-	26,760
Infrastructure	366,021	-	-	366,021
Street equipment	265,021	6,000	9,900	261,121
Fire equipment & vehicles	1,277,871	-	26,865	1,251,006
Fire department buildings	776,431	-	-	776,431
Parks and recreation	3,904,516	-	-	3,904,516
Sanitation equipment	406,084	-	-	406,084
Police equipment & vehicles	359,503	-	7,817	351,686
Totals	9,075,344	6,000	44,582	9,036,762
Less: Accumulated Depreciation	(5,282,707)	(285,519)	(44,582)	(5,523,644)
Governmental Activities				
Capital Assets, Net	<u>\$ 3,792,637</u>	<u>\$ (279,519)</u>	<u>\$ -</u>	<u>\$ 3,513,118</u>
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 536,862	\$ -	\$ -	\$ 536,862
Capital Assets, Depreciated:				
Distribution plant and equipment	25,581,793	-	128	25,581,665
Machinery and equipment	1,790,181	-	-	1,790,181
Totals	27,908,836	-	128	27,908,708
Less: Accumulated Depreciation	(11,183,173)	(734,199)	(128)	(11,917,244)
Business-type Activities				
Capital Assets, Net	<u>\$ 16,725,663</u>	<u>\$ (734,199)</u>	<u>\$ -</u>	<u>\$ 15,991,464</u>

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

Governmental activities:	
General government	\$ 28,790
Police	55,113
Fire	23,444
Street	24,304
Sanitation	23,624
Park	111,643
Infrastructure	18,601
	<u>\$ 285,519</u>

Business-type activities:

Water	\$ 535,356
Sewer	198,843
	<u>\$ 734,199</u>

(5) **LONG-TERM DEBT**

Business-Type Activities

Long-term debt of Proprietary Funds at June 30, 2016 consists of the following:

Bonds Payable:

\$750,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 1980, payable in annual installments ranging from \$18,000 to \$42,000 through 2020, with interest paid semi-annually at 5.00%	158,000
\$60,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 1983, payable in annual installments ranging from \$2,000 to \$3,000 through 2022, with interest paid semi-annually at 5.00%	18,000
\$2,217,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 2006, payable in annual installments ranging from \$60,000 to \$120,000 through 2044, with interest paid semi-annually at 4.5%	1,897,500
\$550,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 2006B, payable in annual installments ranging from \$10,000 to \$30,000 through 2044, with interest paid semi-annually at 4.5%	471,000
\$140,000 City of Jackson Waterworks and Sewer System Revenue Bonds, Issue of 1999, payable in annual installments ranging from \$1,500 to \$7,100 through 2039, with interest paid semi-annually at 4.50%	109,600
	<u>2,654,100</u>

Capital Lease Obligation:

\$450,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments of \$3,514 through November, 2022, with interest at 3.82%	226,423
\$890,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through February, 2040, with interest at rates ranging from 1.1% to 4.7%	781,670
\$465,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments through February, 2038, with interest at 3.125%	396,667

\$550,000 capital lease obligation with the Kentucky League of Cities, payable in monthly installments of \$3,324 through November, 2028, with interest at 3.0%	<u>387,500</u>
	<u>1,792,260</u>
<u>Installment Notes Payable:</u>	
\$1,500,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual installments in the amount of \$39,789 through 2030 with interest paid semi-annually at 1.0%	529,030
\$700,000 subordinated ARRA assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual installments with interest paid semi-annually at 1.0%	587,039
\$681,983 subordinated assistance agreement to the Kentucky Infrastructure Authority ("KIA"), payable in annual installments ranging from \$20,398 to \$20,958 through 2018 with interest paid semi-annually at 1.8%	<u>143,138</u>
	<u>1,259,207</u>
Total long-term debt - proprietary funds	5,705,567
Less - current portion	<u>(304,741)</u>
	<u>\$ 5,400,826</u>

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 304,741	\$ 204,060	\$ 508,801
2018	312,452	194,898	507,350
2019	292,877	184,188	477,065
2020	273,997	176,807	450,804
2021	240,190	168,673	408,863
2022-2026	1,221,993	706,500	1,928,493
2027-2031	1,133,841	575,062	1,708,903
2032-2036	850,693	403,330	1,254,023
2037-2041	787,783	224,236	1,012,019
2042-2043	287,000	45,737	332,737
	<u>\$ 5,705,567</u>	<u>\$2,883,491</u>	<u>\$ 8,589,058</u>

Kentucky Infrastructure Authority – On March 1, 2013 the City obtained a loan from Kentucky Infrastructure Authority for an Infrastructure Revolving Loan in the amount of \$700,000 for sewer system rehabilitation. The City drew down \$700,000 of which \$70,000 has been forgiven for a balance outstanding of \$587,039 at June 30, 2016. The interest rate is fixed at 1.0%. The loan currently has no maturity date and it will be replaced with permanent financing at the completion of the sewer system rehabilitation project.

The revenue bonds require monthly deposits to the reserve account of approximately \$1,025 to attain a balance of \$123,000 as of June 30, 2016. The balance of this reserve at June 30, 2016 was \$36,230. The 2013 KIA loan requires annual deposits to the reserve account of \$1,750 starting December 1, 2015 to attain a balance of \$17,500. The 2010 KIA loan requires annual deposits to the reserve account of \$3,750 starting December 1, 2011 to attain a balance of \$37,500. The City had \$232 of KIA reserve funds at June 30, 2016.

The following is a summary of changes in long-term debt (including current portions) of the City for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<u>Governmental Activities</u>				
General obligation bonds – \$915,000 originally issued with interest rate of 2.0% with annual payments through June, 2019, secured by park assets and tourism tax	\$ 400,000	\$ -	\$ 95,000	\$ 305,000
Capital lease obligation with Kentucky League of Cities, \$3,385,000 with monthly payments through January, 2027, secured by general obligations	3,187,915	-	251,250	2,936,665
6.00% Capital lease obligation with a bank, \$443,372 with monthly payments of \$14,882 through May, 2019, secured by a 2009 fire truck	207,206	-	48,135	159,071
Interest-free note payable to Breathitt County Health Department, \$42,000 due in annual installments of \$3,000 through July, 2026, parking lot	33,000	-	3,000	30,000
6.00% Note payable to a local bank, \$30,000 with quarterly payments of \$1,750 through August, 2016, secured by a Dodge Charger	4,839	-	4,839	-
6.49% Capital lease obligation with a bank, \$43,422 with monthly payments of \$882 through March, 2017, secured by an excavator	17,004	-	9,764	7,240
2.42% Capital lease obligation with a bank, \$165,364 with monthly payments of \$3,064 through august, 2019, secured by a freightliner	145,596	-	33,617	111,979
5.0% Tax anticipation notes payable with a bank, payment due June 30, 2016	-	350,000	350,000	-
	<u>\$ 3,995,560</u>	<u>\$ 350,000</u>	<u>\$ 795,605</u>	<u>\$ 3,549,955</u>
<u>Business-type Activities</u>				
Notes payable	\$ 1,375,968	\$ -	\$ 116,761	\$ 1,259,207
Capital lease obligation	1,886,439	-	94,179	1,792,260
Bonds payable	2,739,800	-	85,700	2,654,100
Total Business-type Activities	<u>\$ 6,002,207</u>	<u>\$ -</u>	<u>\$ 296,640</u>	<u>\$ 5,705,567</u>

Governmental Activities

The annual requirements to amortize the City's indebtedness as of June 30, 2016 (including interest payments) are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 459,937	\$ 103,179	\$ 563,116
2018	464,591	91,071	555,662
2019	462,618	78,757	541,375
2020	303,562	68,341	371,903
2021	292,165	60,292	352,457
2022-2026	1,511,660	154,246	1,665,906
2027	55,422	2,059	57,481
	<u>\$ 3,549,955</u>	<u>\$ 557,945</u>	<u>\$ 4,017,900</u>

(6) LEGAL CONTINGENCIES

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

(7) RISK MANAGEMENT

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

(8) RETIREMENT

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the City participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2016, employers were required to contribute 17.06% (12.42% - pension, 4.64% insurance) of the member's salary. During the year ending June 30, 2016, the City contributed \$156,717 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

CERS - Medical Insurance Plan

In addition to the CERS pension benefits described above, recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves

and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years - 0%, 4-9 years - 25%, 10-14 years - 50%, 15-19 years - 75% and 20 or more years - 100%.

As of June 30, 2015, the date of the latest actuarial valuation, the plan had 82,969 active plan participants.

Contribution requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above.

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2015 was as follows:

Total medical benefit obligation	<u>000's omitted</u>
Net position available for benefits at actuarial value	\$ 2,907,827
Unfunded medical benefit obligation	<u>(1,997,456)</u>
	<u>\$ 910,371</u>

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

At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2015. At June 30 2015, the City's proportion was 0.058417%.

For the year ended June 30, 2016, the City recognized pension expense of \$250,814. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected actual experience	\$ 20,873	\$ -
Changes of assumptions	253,274	-
Net difference between projected and actual earnings on investments	22,515	-
Changes in proportion and differences between City contributions and proportionate share of contributions	159,715	-
City contributions subsequent to the measurement date	<u>156,717</u>	<u>-</u>
	<u>\$ 613,094</u>	<u>\$ -</u>

The \$156,717 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	
2017	\$ 165,259
2018	165,259
2019	80,562
2020	<u>45,297</u>
	<u>\$ 456,377</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2015. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The following represents the changes in assumptions from the prior valuation to 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 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These

ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.50%
Cash Equivalent	2.0%	-0.25%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 3,206,438	\$ 2,511,669	\$ 1,916,633

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

Payables to the pension plan: At June 30, 2016, there was \$20,677 in payables to CERS.

(9) INTERFUND TRANSACTIONS

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 472,702
General Fund	Sewer Fund	42,704

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JACKSON
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016**

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
City's proportion of the net pension liability	0.058417%	0.052225%
City's proportionate share of the net pension liability	\$ 2,511,669	\$ 1,694,000
City's covered-employee payroll	\$ 1,331,290	\$ 1,198,115
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.664%	141.389%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

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

**CITY OF JACKSON
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 156,717	\$ 169,739	\$ 164,621
Contributions in relation to the contractually required contribution	<u>156,717</u>	<u>169,739</u>	<u>164,621</u>
Contribution deficiency (excess)	-	-	-
City's covered-employee payroll	\$ 1,261,812	\$ 1,331,290	\$ 1,198,115
City's contributions as a percentage of its covered-employee payroll	12.42%	12.75%	13.74%

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

**CITY OF JACKSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

(1) CHANGES OF ASSUMPTIONS

CERS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for CERS.

SUPPLEMENTARY INFORMATION

CITY OF JACKSON, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Park	Police Grants	Total Governmental Funds
Assets			
Cash	\$ 10,987	\$ 4,000	\$ 14,987
Total assets	\$ 10,987	\$ 4,000	\$ 14,987
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund Balances:			
Restricted	10,987	4,000	14,987
Total fund balances	10,987	4,000	14,987
Total liabilities and fund balances	\$ 10,987	\$ 4,000	\$ 14,987

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

	Park	Police Grants	Total Governmental Funds
Revenues			
Arrest fees, fines and forfeitures	\$ -	\$ 18,570	\$ 18,570
Parks and recreation	145,141	-	145,141
Grant income	-	43,320	43,320
Interest income	-	-	-
Other income	-	-	-
Total revenues	<u>145,141</u>	<u>61,890</u>	<u>207,031</u>
Expenditures			
Police	-	66,610	66,610
Parks	160,194	-	160,194
Capital outlay	-	-	-
Debt service	-	-	-
Total expenditures	<u>160,194</u>	<u>66,610</u>	<u>226,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,053)</u>	<u>(4,720)</u>	<u>(19,773)</u>
Other financing sources (uses):			
Transfer from other funds	-	-	-
Proceeds from debt	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(15,053)	(4,720)	(19,773)
Fund balance, beginning of year	<u>26,040</u>	<u>8,720</u>	<u>34,760</u>
Fund balance, end of year	<u>\$ 10,987</u>	<u>\$ 4,000</u>	<u>\$ 14,987</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelley Galloway Smith Doolby, PSC

Ashland, Kentucky
March 21, 2017

**CITY OF JACKSON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

2016-1 Payables and Receivables

Statement of Condition: The City maintains their financial records on a cash basis; therefore, we had several audit adjustments related to unrecorded accounts payable, accrued liabilities, and accounts receivable at June 30, 2016.

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

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

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

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

Management Response and Corrective Action Plan: The City currently maintains their records on the cash basis of accounting, but will continue to evaluate whether utilizing the receivable and payable functions within their software would be more beneficial.



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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jackson (the “City”) for the year ended June 30, 2016 and have issued our report thereon dated March 21, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City adopted Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in 2016. The adoption of this standard did not have a material effect on the City’s financial statements. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was:

Management’s estimate of depreciation is based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the estimate of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Estimates used by the actuary in developing the District's obligations for retirement plans as required by GASB Statement No. 68, *Accounting and Financial Reporting/or Pensions*. See Note 8 to the financial statements for a summary of the significant assumptions utilized. We evaluated the key factors and assumptions used to develop the estimate of pension expense and related pension obligations in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 21, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of City's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Mayor, City Council, and management of the City of Jackson and is not intended to be and should not be used by anyone other than these specified parties.

Kelley Dalloway Smith Dooling PSC

Ashland, Kentucky
March 21, 2017

CITY OF JACKSON
PASSED AUDIT ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2016

There were no passed audit adjustments.