

CITY OF JAMESTOWN
Jamestown, Kentucky



FINANCIAL STATEMENTS
June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the City Council
City of Jamestown
Jamestown, 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 Jamestown, Kentucky as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 Jamestown, Kentucky, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Implementation of New GASB Accounting Standards

As discussed in Notes 9 and 12 to the financial statements, effective July 1, 2017, the City adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 3-10 and 38-48 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 Jamestown, Kentucky's basic financial statements. The budgetary information – nonmajor governmental funds, combining nonmajor governmental fund financial statements, and combining statement of operating revenues and expenses – proprietary fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary information – nonmajor governmental funds, combining nonmajor governmental fund financial statements, and combining statement of operating revenues and expenses – proprietary funds 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, budgetary information – nonmajor governmental funds, the combining nonmajor governmental fund financial statements, and combining statement of operating revenues and expenses – proprietary funds 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 February 12, 2019, on our consideration of the City of Jamestown, 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 solely 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 the effectiveness of the City of Jamestown, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jamestown, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
February 12, 2019

City of Jamestown, Kentucky

Management's Discussion and Analysis

Our discussion and analysis of the City of Jamestown's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read in conjunction with the auditors' report on page 1 and the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position increased in the governmental activities and decreased in the business-type activities. The net position of the governmental activities increased by \$12,260, or 1.0 percent to \$1,206,877, and the net position of the business-type activities decreased by \$848,135 or 5.2 percent to \$15,401,764.
- In the City's governmental activities, revenues decreased by \$79,177, or 6.1 percent to \$1,209,658, and expenses increased by \$129,007, or 12.1 percent to \$1,197,398. In the business-type activities, revenues increased by \$265,581, or 9.3 percent to \$3,108,930, while expenses increased by \$90,202, or 2.3 percent to \$3,957,065.

OVERVIEW OF THIS ANNUAL REPORT

This annual report consists of the management's discussion and analysis report, the independent auditors' report, the basic financial statements of the City and the independent auditors' report on compliance. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The City's financial statements now present two kinds of statements, each with a different snapshot of the City's finances. The focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the net position of the City and the changes in them. One can think of the City's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities—Most of the City's basic services are reported here, including general government administration, police, fire, dispatch, streets, sanitation and parks. Property taxes, licenses and permits, and grants finance most of these activities.

Business-type activities—The City collects fees from customers to cover the costs of the services, which includes water and sewer.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's funds. The fund financial statements provide more information about the City's funds and not the City as a whole.

The City has two kinds of funds:

Governmental Fund—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—Services for which the City charges customers a fee are generally reported in proprietary funds.

NET POSITION

Our analysis begins with a summary of the City’s Statement of Net Position, which is presented on Table A-1 followed by an explanation of the results. Changes in net position are presented in Table A-2, which is also followed by an explanation of the results.

| | Governmental | | Business-type | | Total Primary | |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Activities | | Activities | | Government | |
| | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2017</u> |
| Current and Other Assets | \$ 882,800 | \$ 763,450 | \$ 2,846,265 | \$ 2,772,946 | \$ 3,729,065 | \$ 3,536,396 |
| Capital Assets | 1,420,151 | 1,471,360 | 23,317,811 | 24,401,979 | 24,737,962 | 25,873,339 |
| Deferred Outflows | <u>352,787</u> | <u>155,922</u> | <u>762,551</u> | <u>504,064</u> | <u>1,115,338</u> | <u>659,986</u> |
| Total Assets | <u>2,655,738</u> | <u>2,390,732</u> | <u>26,926,627</u> | <u>27,678,989</u> | <u>29,582,365</u> | <u>30,069,721</u> |
| Current Liabilities | 36,171 | 20,983 | 340,366 | 356,309 | 376,537 | 377,292 |
| Deferred Inflows | 177,577 | 193,731 | 179,580 | 37,507 | 357,157 | 231,238 |
| Long-Term Debt Outstanding | - | 14,820 | 8,261,641 | 8,588,663 | 8,261,641 | 8,603,483 |
| Net pension liability | 888,745 | 739,472 | 2,060,054 | 1,910,711 | 2,948,799 | 2,650,183 |
| Net OPEB liability | <u>346,368</u> | <u>227,109</u> | <u>683,222</u> | <u>535,900</u> | <u>1,029,590</u> | <u>763,009</u> |
| Total Liabilities | <u>1,448,861</u> | <u>1,196,115</u> | <u>11,524,863</u> | <u>11,429,090</u> | <u>12,973,724</u> | <u>12,625,205</u> |
| Net Position: | | | | | | |
| Invested in Capital Assets, net of debt | 1,420,151 | 1,456,540 | 15,056,170 | 15,813,316 | 16,476,321 | 17,269,856 |
| Restricted | 83,787 | 57,989 | 504,441 | 451,628 | 588,228 | 509,617 |
| Unrestricted | <u>(297,061)</u> | <u>(319,912)</u> | <u>(158,847)</u> | <u>(15,045)</u> | <u>(455,908)</u> | <u>(334,957)</u> |
| Total Net Position | <u>\$ 1,206,877</u> | <u>\$ 1,194,617</u> | <u>\$ 15,401,764</u> | <u>\$ 16,249,899</u> | <u>\$ 16,608,641</u> | <u>\$ 17,444,516</u> |

The net position of the City’s governmental activities increased by 1.0 percent, from \$1,194,617 in 2017 to \$1,206,877 in 2018. The net position of the business-type activities decreased by 5.2 percent, from \$16,249,899 in 2017 to \$15,401,764 in 2018. The net position from one activity generally cannot be used to make up for any deficits in the other activities. The 2017 deferred outflows, net other post-employment benefit (OPEB) liability and unrestricted net position were restated for an estimate of the City’s proportionate share of the net other post-employment benefit liability related to the County Employees’ retirement system

NET POSITION, continued

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|-----------------------------------|--------------------------------|-------------------|---------------------------------|-----------------------|---------------------------------|---------------------|
| | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2017</u> |
| Revenues | | | | | | |
| <u>Program Revenues</u> | | | | | | |
| Charges for Service | \$ 70,220 | \$ 68,852 | \$ 3,069,503 | \$ 2,739,899 | \$ 3,139,723 | \$ 2,808,751 |
| Operating Grants & Contributions | 64,960 | 70,266 | - | - | 64,960 | 70,266 |
| Capital Grants & Contributions | 25,250 | 20,250 | \$ 34,044 | \$ 98,402 | 59,294 | 118,652 |
| <u>General Revenue</u> | | | | | | |
| Taxes | 228,117 | 199,511 | - | - | 228,117 | 199,511 |
| License fees | 764,216 | 715,437 | - | - | 764,216 | 715,437 |
| Other Grants & Contributions | - | - | - | - | - | - |
| Investment Earnings | - | - | 5,383 | 5,048 | 5,383 | 5,048 |
| Donations | - | - | - | - | - | - |
| Gain on disposal of fixed assets | 1,250 | 166,981 | - | - | 1,250 | 166,981 |
| Miscellaneous | 55,645 | 47,538 | - | - | 55,645 | 47,538 |
| Total Revenue | <u>1,209,658</u> | <u>1,288,835</u> | <u>3,108,930</u> | <u>2,843,349</u> | <u>4,318,588</u> | <u>4,132,184</u> |
| Program Expenses | | | | | | |
| General Government | 324,658 | 288,713 | - | - | 324,658 | 288,713 |
| Public Safety - Police | 408,616 | 315,825 | - | - | 408,616 | 315,825 |
| Public Safety - Fire | 119,999 | 132,612 | - | - | 119,999 | 132,612 |
| Parks and Recreation | 14,797 | 15,300 | - | - | 14,797 | 15,300 |
| Sanitation | 85,012 | 80,308 | - | - | 85,012 | 80,308 |
| Public Works | 228,951 | 218,291 | - | - | 228,951 | 218,291 |
| Cemetery | 15,365 | 16,825 | - | - | 15,365 | 16,825 |
| Community Development | - | - | - | - | - | - |
| Interest on Long-term Debt | - | 517 | - | - | - | 517 |
| Sewer and Water | - | - | 3,957,065 | 3,866,863 | 3,957,065 | 3,866,863 |
| Total Program Expenses | <u>1,197,398</u> | <u>1,068,391</u> | <u>3,957,065</u> | <u>3,866,863</u> | <u>5,154,463</u> | <u>4,935,254</u> |
| Net Change In Net Position | <u>\$ 12,260</u> | <u>\$ 220,444</u> | <u>\$ (848,135)</u> | <u>\$ (1,023,514)</u> | <u>\$ (835,875)</u> | <u>\$ (803,070)</u> |

The City's total revenue increased by 4.5 percent and the total cost of all programs increased by 4.4 percent. On the following page is a more in-depth description of the revenues and expenses of the governmental activities.

Looking at the business-type activities, revenues for the City increased to \$3,108,930 in 2018, or 9.3 percent, while total expenses increased to \$3,957,065, or 2.3 percent. The decrease in revenues and increase in expenses resulted in a decrease in net position by \$848,135. Capital grants and contributions decreased by \$64,358 see the discussion on page 7 on the capital assets. The City's major source of revenue in the business-type activities is charges for service, which increased by \$329,604. This revenue source makes up 98.7 percent of total business type activities revenues.

GOVERNMENTAL ACTIVITIES

Next, the City analyzes the governmental activities and the changes in those activities, which is presented in Table A-3.

Table A-3
Condensed Governmental Activities - Revenues & Expenditures

| | <u>FY 2018</u> | <u>FY 2017</u> | <u>Variance</u> |
|---|-------------------|---------------------|-------------------|
| Taxes | \$ 228,117 | \$ 199,511 | \$ 28,606 |
| Licenses and permits | 764,216 | 715,437 | 48,779 |
| Intergovernmental | 58,793 | 64,116 | (5,323) |
| Charges for Services | 70,220 | 68,851 | 1,369 |
| Other Revenues | <u>87,062</u> | <u>73,938</u> | <u>13,124</u> |
| Total Revenues | <u>1,208,408</u> | <u>1,121,853</u> | <u>86,555</u> |
| General Administration | \$ 284,588 | \$ 256,334 | \$ 28,254 |
| Public Safety | 441,328 | 433,444 | 7,884 |
| Public Works | 205,142 | 205,281 | (139) |
| Sanitation | 85,012 | 80,308 | 4,704 |
| Other | 23,606 | 25,570 | (1,964) |
| Capital Outlay | 51,000 | 240,481 | (189,481) |
| Debt Service | <u>14,820</u> | <u>11,312</u> | <u>3,508</u> |
| Total Expenditures | <u>1,105,496</u> | <u>1,252,730</u> | <u>(147,234)</u> |
| Excess (Deficiency) of Revenues over Expenditures before transfers | <u>\$ 102,912</u> | <u>\$ (130,877)</u> | <u>\$ 233,789</u> |

Revenues for the City's governmental activities increased by \$86,555, while total expenditures decreased by 11.8 percent. Governmental activities excess of revenues over expenditures before transfers increased by \$233,789. The City's major source of revenue in the governmental activities is licenses and permits, which makes up 63.2 percent of total revenues. This revenue source increased by \$48,779 in 2018.

BUDGET HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. These amendments were made shortly after the beginning of the year to reflect events that may occur. The budget contains proposed expenditures and expected revenues. A comparison of the final amended budget to actual amounts is presented in the table below (Tables A-4 & A-5).

Table A-4

Condensed Governmental Activities - Revenues

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------|---------------------|---------------------|--------------------|
| Taxes | \$ 223,000 | \$ 228,117 | \$ 5,117 |
| Licenses and permits | 762,210 | 764,216 | 2,006 |
| Intergovernmental | 21,650 | 23,619 | 1,969 |
| Charges for Services | 68,000 | 70,220 | 2,220 |
| Municipal Aid Fund | 35,255 | 35,290 | 35 |
| Other Revenues | <u>126,500</u> | <u>86,946</u> | <u>(39,554)</u> |
| Total Revenues | <u>\$ 1,236,615</u> | <u>\$ 1,208,408</u> | <u>\$ (28,207)</u> |

Table A-5

Condensed Governmental Activities - Expenditures

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------|---------------------|---------------------|---------------------|
| General Government | \$ 294,600 | \$ 284,588 | \$ (10,012) |
| Public Safety | 444,500 | 441,328 | (3,172) |
| Sanitation | 85,000 | 85,012 | 12 |
| Public Works | 195,275 | 195,650 | 375 |
| Recreation | 9,500 | 8,241 | (1,259) |
| Cemetery | 18,604 | 15,365 | (3,239) |
| Municipal Aid Fund | 89,055 | 9,492 | (79,563) |
| Debt Service | 14,000 | 14,820 | 820 |
| Capital Outlay | <u>104,000</u> | <u>51,000</u> | <u>(53,000)</u> |
| Total Expenditures | <u>\$ 1,254,534</u> | <u>\$ 1,105,496</u> | <u>\$ (149,038)</u> |

The City budgeted for a total of \$1,236,615 in revenues for 2018, but ended up having revenues of \$1,208,408, which put the City 2.3 percent over the revenue budget. A total of \$1,254,534 was budgeted for expenses, but expenditures totaled \$1,105,496 at the end of 2018. The City was under budget on the expenses by \$149,036 or 11.9 percent as detailed above.

CAPITAL ASSETS

The City has a total of \$47,220,883 invested in a broad range of capital assets, including police and fire equipment and vehicles, buildings, land, infrastructure assets, and water and sewer lines. This amount represents an increase of \$148,065 from last year's total investment of \$47,072,818. The major capital additions included a maintenance truck for \$30,000, a new utility lift station for \$35,950 and a new fire rescue truck for \$10,000.

Table A-6
Capital Assets at Year End Without Depreciation

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------|--------------------------------|---------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2017</u> |
| Land & Improvements | \$ 386,999 | \$ 386,999 | \$ - | \$ - | \$ 386,999 | \$ 386,999 |
| Buildings & Improvements | 1,026,435 | 1,026,435 | - | - | 1,026,435 | 1,026,435 |
| Vehicles & Equipment | 1,027,827 | 997,353 | - | - | 1,027,827 | 997,353 |
| Infrastructure Assets | 340,171 | 340,171 | - | - | 340,171 | 340,171 |
| Water & Sewer System | - | - | 44,439,451 | 44,321,860 | 44,439,451 | 44,321,860 |
| Total Capital Assets | <u>\$ 2,781,432</u> | <u>\$ 2,750,958</u> | <u>\$ 44,439,451</u> | <u>\$ 44,321,860</u> | <u>\$ 47,220,883</u> | <u>\$ 47,072,818</u> |

DEBT

This year the City has \$8,261,641 in long-term debt, a \$341,842 decrease from last year's total of \$8,603,483.

Table A-7
Debt Outstanding at Year End

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|------------------------|--------------------------------|------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2017</u> |
| Note Payable | \$ - | \$ 14,820 | \$ 3,700,141 | \$ 3,878,663 | \$ 3,700,141 | \$ 3,893,483 |
| Revenue Bond Payable | - | - | 4,561,500 | 4,710,000 | 4,561,500 | 4,710,000 |
| Total Debt Outstanding | <u>\$ -</u> | <u>\$ 14,820</u> | <u>\$ 8,261,641</u> | <u>\$ 8,588,663</u> | <u>\$ 8,261,641</u> | <u>\$ 8,603,483</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials consider many factors when setting the fiscal year 2019 budget. Some of the factors are the local economy, expected grant money, and anticipated tax revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Tyler McGowan, City Clerk, at P.O. Box 587, Jamestown, KY 42629.

CITY OF JAMESTOWN, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2018

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ 587,916 | \$ 1,647,728 | \$ 2,235,644 |
| Certificates of deposit | - | 362,000 | 362,000 |
| Receivables, net | 201,994 | 310,818 | 512,812 |
| Internal balances | 9,103 | (9,103) | - |
| Other current assets | - | 30,381 | 30,381 |
| Total current assets | <u>799,013</u> | <u>2,341,824</u> | <u>3,140,837</u> |
| Noncurrent assets | | | |
| Restricted cash | 83,787 | 504,441 | 588,228 |
| Capital assets | | | - |
| Land | 232,170 | 208,100 | 440,270 |
| Plant and sewer system, net | - | 23,093,097 | 23,093,097 |
| Depreciable buildings, property, and equipment, net | 902,837 | 16,614 | 919,451 |
| Infrastructure, net | 285,144 | - | 285,144 |
| Total noncurrent assets | <u>1,503,938</u> | <u>23,822,252</u> | <u>25,326,190</u> |
| Total assets | <u>2,302,951</u> | <u>26,164,076</u> | <u>28,467,027</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pension | 224,248 | 567,824 | 792,072 |
| Deferred outflows - OPEB | 128,539 | 194,727 | 323,266 |
| Total deferred outflows of resources | <u>352,787</u> | <u>762,551</u> | <u>1,115,338</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,655,738</u> | <u>\$ 26,926,627</u> | <u>\$ 29,582,365</u> |
| LIABILITIES AND NET POSITION | | | |
| Current liabilities | | | |
| Accounts payable | \$ 36,171 | \$ 67,685 | \$ 103,856 |
| Accrued payroll taxes | - | 26,785 | 26,785 |
| Accrued interest | - | 62,233 | 62,233 |
| Customer deposits | - | 183,663 | 183,663 |
| Current portion of long-term obligations | - | 334,718 | 334,718 |
| Total current liabilities | <u>36,171</u> | <u>675,084</u> | <u>711,255</u> |
| Noncurrent liabilities | | | |
| Noncurrent portion of long-term obligations | - | 7,926,923 | 7,926,923 |
| Net pension liability | 888,745 | 2,060,054 | 2,948,799 |
| Net OPEB liability | 346,368 | 683,222 | 1,029,590 |
| Total noncurrent liabilities | <u>1,235,113</u> | <u>10,670,199</u> | <u>11,905,312</u> |
| Total liabilities | <u>1,271,284</u> | <u>11,345,283</u> | <u>12,616,567</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - pension | 156,362 | 143,808 | 300,170 |
| Deferred inflows - OPEB | 21,215 | 35,772 | 56,987 |
| Total deferred inflows of resources | <u>177,577</u> | <u>179,580</u> | <u>357,157</u> |
| Net position | | | |
| Net investment in capital assets | 1,420,151 | 15,056,170 | 16,476,321 |
| Restricted for: | | | |
| Debt service | - | 122,523 | 122,523 |
| Depreciation | - | 223,271 | 223,271 |
| Other purposes | 83,787 | 158,647 | 242,434 |
| Unrestricted | (297,061) | (158,847) | (455,908) |
| Total net position | <u>1,206,877</u> | <u>15,401,764</u> | <u>16,608,641</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 2,655,738</u> | <u>\$ 26,926,627</u> | <u>\$ 29,582,365</u> |

The accompanying notes are an integral
part of the financial statements.

CITY OF JAMESTOWN, KENTUCKY
STATEMENT OF ACTIVITIES
for the year ended June 30, 2018

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position Primary Government | | |
|---|---------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 324,658 | \$ - | \$ 6,225 | \$ 25,250 | \$ (293,183) | \$ - | \$ (293,183) |
| Public safety - police | 408,616 | - | 12,945 | - | (395,671) | - | (395,671) |
| Public safety - fire | 119,999 | - | 10,500 | - | (109,499) | - | (109,499) |
| Public works | 228,951 | - | 35,290 | - | (193,661) | - | (193,661) |
| Parks and recreation | 14,797 | - | - | - | (14,797) | - | (14,797) |
| Sanitation | 85,012 | 70,220 | - | - | (14,792) | - | (14,792) |
| Cemetery | 15,365 | - | - | - | (15,365) | - | (15,365) |
| Total governmental activities | <u>1,197,398</u> | <u>70,220</u> | <u>64,960</u> | <u>25,250</u> | <u>(1,036,968)</u> | <u>-</u> | <u>(1,036,968)</u> |
| Business-type activities | | | | | | | |
| Water & Sewer | <u>3,957,065</u> | <u>3,069,503</u> | <u>-</u> | <u>34,044</u> | <u>-</u> | <u>(853,518)</u> | <u>(853,518)</u> |
| Total primary government | <u>\$ 5,154,463</u> | <u>\$ 3,139,723</u> | <u>\$ 64,960</u> | <u>\$ 59,294</u> | <u>\$ (1,036,968)</u> | <u>\$ (853,518)</u> | <u>\$ (1,890,486)</u> |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes, levied for general purposes | | | | | 228,117 | - | 228,117 |
| License fees | | | | | | | |
| Franchise | | | | | 92,644 | - | 92,644 |
| Payroll | | | | | 317,897 | - | 317,897 |
| Insurance premiums | | | | | 298,747 | - | 298,747 |
| Other fees | | | | | 54,928 | - | 54,928 |
| Investment earnings | | | | | - | 5,383 | 5,383 |
| Gain on disposal of capital assets | | | | | 1,250 | - | 1,250 |
| Miscellaneous | | | | | 55,645 | - | 55,645 |
| Total general revenues | | | | | <u>1,049,228</u> | <u>5,383</u> | <u>1,054,611</u> |
| Change in net position | | | | | 12,260 | (848,135) | (835,875) |
| Net position - beginning - as restated | | | | | <u>1,194,617</u> | <u>16,249,899</u> | <u>17,444,516</u> |
| Net position - ending | | | | | <u>\$ 1,206,877</u> | <u>\$ 15,401,764</u> | <u>\$ 16,608,641</u> |

The accompanying notes are an integral
part of the financial statements.

CITY OF JAMESTOWN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

| | General | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash | \$ 590,046 | \$ 81,657 | \$ 671,703 |
| Receivables, net | 197,763 | 4,231 | 201,994 |
| Due from other funds | 9,103 | - | 9,103 |
| Total assets | \$ 796,912 | \$ 85,888 | \$ 882,800 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 34,070 | 2,101 | \$ 36,171 |
| Total liabilities | 34,070 | 2,101 | 36,171 |
| Fund balances | | | |
| Restricted | - | 83,787 | 83,787 |
| Assigned to | | | - |
| Capital projects | 14,633 | - | 14,633 |
| Cemetery | 2,808 | - | 2,808 |
| Public safety | 54,356 | - | 54,356 |
| Unassigned | 691,045 | - | 691,045 |
| Total fund balances | 762,842 | 83,787 | 846,629 |
| Total liabilities and fund balances | \$ 796,912 | \$ 85,888 | \$ 882,800 |

Amounts reported for *governmental activities* in the statement of net position are different because:

| | |
|--|--------------|
| Fund balances reported above | \$ 846,629 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 1,420,151 |
| Net deferred inflows/outflows related to the long-term net pension/OPEB liability are not reported in the funds. | 175,210 |
| Long-term liabilities, including bonds payable and net pension and OPEB liability are not due and payable in the current period and therefore are not reported in the funds. | (1,235,113) |
| Net position of governmental activities | \$ 1,206,877 |

The accompanying notes are an integral part of the financial statements.

CITY OF JAMESTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2018

| | General | Other Governmental Funds | Total Governmental Funds |
|---|------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$ 228,117 | - | \$ 228,117 |
| Licenses and permits | 764,216 | - | 764,216 |
| Intergovernmental | 23,619 | 35,174 | 58,793 |
| Charges for services | 70,220 | - | 70,220 |
| Other revenues | 86,946 | 116 | 87,062 |
| Total revenues | 1,173,118 | 35,290 | 1,208,408 |
| EXPENDITURES | | | |
| Current | | | |
| General administration | 284,588 | - | 284,588 |
| Public safety-police | 365,279 | - | 365,279 |
| Public safety-fire | 76,049 | - | 76,049 |
| Sanitation | 85,012 | - | 85,012 |
| Public works | 195,650 | 9,492 | 205,142 |
| Parks and recreation | 8,241 | - | 8,241 |
| Cemetery | 15,365 | - | 15,365 |
| Capital outlay | 51,000 | - | 51,000 |
| Debt service | - | 14,820 | 14,820 |
| Total expenditures | 1,081,184 | 24,312 | 1,105,496 |
| Excess (deficiency) of revenues over expenditures | 91,934 | 10,978 | 102,912 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in (out) | (14,820) | 14,820 | - |
| Proceeds from sale of asset | 1,250 | - | 1,250 |
| Total other financing sources (uses) | (13,570) | 14,820 | 1,250 |
| Net change in fund balances | 78,364 | 25,798 | 104,162 |
| Fund balances-beginning | 684,478 | 57,989 | 742,467 |
| Fund balances-ending | \$ 762,842 | \$ 83,787 | \$ 846,629 |
| Reconciliation to government-wide change in net position: | | | |
| Net change in fund balances | | | \$ 104,162 |
| Add: Capital outlay | | | 51,000 |
| Add: Debt service | | | 14,820 |
| Less: Depreciation on governmental activities | | | (102,210) |
| Less: Proceeds from sale of assets | | | (1,250) |
| Add: Gain on disposal of assets | | | 1,250 |
| Less: Increase in net pension liability | | | (23,993) |
| Less: Increase in net OPEB liability | | | (31,519) |
| Change in net position Governmental Activities | | | \$ 12,260 |

The accompanying notes are an integral
part of the financial statements.

CITY OF JAMESTOWN, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

| | <u>Business-type Activities Water & Sewer</u> |
|---|---|
| ASSETS | |
| Current assets | |
| Cash | \$ 1,647,728 |
| Certificates of deposit | 362,000 |
| Receivables, net | 310,818 |
| Other current assets | <u>30,381</u> |
| Total current assets | <u>2,350,927</u> |
| Noncurrent assets | |
| Restricted cash and cash equivalents | 504,441 |
| Capital assets | |
| Land, easements and buildings | 208,100 |
| Vehicle and equipment | 189,481 |
| Plant and sewer equipment | 44,041,870 |
| Less: accumulated depreciation | <u>(21,121,640)</u> |
| Total noncurrent assets | <u>23,822,252</u> |
| Total assets | <u>26,173,179</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows - pension | 567,824 |
| Deferred outflows - OPEB | <u>194,727</u> |
| Total deferred outflows of resources | <u>762,551</u> |
| Total assets and deferred outflows of resources | <u>\$ 26,935,730</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 67,685 |
| Accrued payroll payable | 26,785 |
| Due to other funds | 9,103 |
| Accrued interest payable | 62,233 |
| Customer deposits | 183,663 |
| Current portion of long-term obligations | <u>334,718</u> |
| Total current liabilities | <u>684,187</u> |
| Noncurrent liabilities | |
| Noncurrent portion of long-term obligations | 7,926,923 |
| Net pension liability | 2,060,054 |
| Net OPEB liability | <u>683,222</u> |
| Total noncurrent liabilities | <u>10,670,199</u> |
| Total liabilities | <u>11,354,386</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows - pension | 143,808 |
| Deferred inflows - OPEB | <u>35,772</u> |
| Total deferred inflows of resources | <u>179,580</u> |
| NET POSITION | |
| Net investment in capital assets | 15,056,170 |
| Restricted for: | |
| Debt service | 122,523 |
| Depreciation | 223,271 |
| Other purposes | 158,647 |
| Unrestricted | <u>(158,847)</u> |
| Total net position | <u>15,401,764</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 26,935,730</u> |

The accompanying notes are an integral
part of the financial statements.

**CITY OF JAMESTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2018**

| | Business-type Activities Water & Sewer |
|--|---|
| Operating revenues | |
| Charges for services | \$ 3,047,892 |
| Other income | <u>21,611</u> |
| Total operating revenues | <u>3,069,503</u> |
| Operating expenses | |
| Office | 417,285 |
| Water production | 916,649 |
| Water distribution | 476,590 |
| Sewer treatment | 709,970 |
| Depreciation and amortization | <u>1,201,760</u> |
| Total operating expenses | <u>3,722,254</u> |
| Operating (loss) | <u>(652,751)</u> |
| Non-operating revenues (expenses) | |
| Interest and investment revenue | 5,383 |
| Interest expense | <u>(234,811)</u> |
| Total non-operating (expense) | <u>(229,428)</u> |
| (Loss) before capital contributions | (882,179) |
| Capital contributions | |
| Water and sewer tap fees | <u>34,044</u> |
| Change in net position | (848,135) |
| Total net position - beginning - as restated | <u>16,249,899</u> |
| TOTAL NET POSITION - ENDING | <u>\$ 15,401,764</u> |

The accompanying notes are an integral
part of the financial statements.

CITY OF JAMESTOWN, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2018

| | <u>Business-type Activities Water & Sewer</u> |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 3,026,061 |
| Payments to suppliers | (662,863) |
| Payments for employee services and benefits | <u>(1,684,804)</u> |
| Net cash provided by operating activities | <u>678,394</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital contributions | 34,044 |
| Purchase of capital assets | (117,591) |
| Principal paid on capital debt | (327,022) |
| Interest paid on capital debt | <u>(235,956)</u> |
| Net cash (used in) capital and related financing activities | <u>(646,525)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Receipts on interfund loans | <u>1,190</u> |
| Net cash provided by noncapital financing activities | <u>1,190</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends | <u>5,383</u> |
| Net cash provided by investing activities | <u>5,383</u> |
| Net increase in cash | 38,442 |
| Cash - beginning of the year | <u>2,113,727</u> |
| CASH - END OF THE YEAR | <u>\$ 2,152,169</u> |
| Reconciliation of operating (loss) to net cash provided by operating activities: | |
| Operating (loss) | \$ (652,751) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,201,760 |
| Net pension liability | 148,456 |
| Net OPEB liability | 31,793 |
| Change in assets and liabilities: | |
| Receivables, net | (39,950) |
| Other current assets | 3,883 |
| Accounts payables | (9,406) |
| Accrued payroll payable | (1,899) |
| Customer deposits | <u>(3,492)</u> |
| Net cash provided by operating activities | <u>\$ 678,394</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jamestown, Kentucky (the city) operates under the Mayor-Council form of government and provides the following services as authorized by its charter: public safety, public works, recreation, and community development. The accounting policies of the City of Jamestown conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting Entity

The financial statements of the City of Jamestown, Kentucky include the funds, account groups and entities over which the Mayor and Council exercise significant oversight responsibility. Oversight responsibility, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, was determined on the basis of the City's ability to significantly influence operation, select the governing body, and participate in fiscal management and the scope of public service. The Jamestown Cemetery Board, and the Jamestown Parks and Recreation Board are component units that are subject to the City's oversight responsibility. The Cemetery Board and Parks and Recreation Board have been included in the accompanying financial statements.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the City as a whole. The statements distinguish between governmental and business-type activities of the City. These financial statements include the financial activities of the City except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The government-wide statement of activities reflects costs of government by function for governmental activities and business-type activities. Program revenues include charges paid by recipient for the goods or services offered by the program and grants or contributions that are restricted to the program. Revenues which are not classified as program revenues are presented as general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts comprised of its assets, liabilities, fund balance or net position, revenues and expenditures or expenses.

Governmental funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon the determination of financial position and budgetary control over revenues and expenditures. Proprietary fund types are used to account for operations that are financed and operated in a manner similar to business enterprises - where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements

The following funds are used by the City of Jamestown:

Governmental Funds

General Fund – The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund.

Special Revenue Funds – The Municipal Road Aid Fund accounts for the money received from the Commonwealth of Kentucky under the gasoline tax distribution program.

Debt Service Fund – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term leases and debt principal, interest and related costs.

Proprietary Funds

Proprietary funds are used to account for the ongoing organizations and activities of the City, which are similar to those found in private business enterprises. The measurement focus is upon the determination of net income, financial position, and changes in cash flows.

Enterprise funds are established to account for the acquisition, operations and maintenance of the City's facilities and services which are entirely or predominantly self-supported by user charges or where the City has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounts are maintained on the accrual basis of accounting. The City's enterprise operations include the following:

Water & Sewer Fund – A proprietary fund used to account for the water and sewer utility services provided to the residents of the City of Jamestown, the operations of which are financed by user charges.

Basis of Accounting

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for individual funds.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Permits, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available in all funds.

Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained for a specific purpose by the City, using its highest level of decision making authority. The City Council is the highest level of decision making authority for the City of Jamestown. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City has designated the Mayor to carry the intent of the City Council.

Unassigned – all other spendable amounts.

It is the policy of the City to spend restricted funds first when both restricted and unrestricted funds are available. Once restricted funds are spent, the City will use committed funds first, assigned funds second and unassigned funds last.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts in the financial statements are as adopted by ordinance of the City and have been revised for amendments authorized during the year.

Pensions

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 fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

Other Accounting Policies

Accounts receivable are stated less an allowance for doubtful accounts.

Cash - The City considers all cash, both restricted and unrestricted, as cash for purposes of the Statement of Cash Flows.

Unearned revenues represent grant revenues received but unearned. Revenues are recognized when eligible expenditures are incurred.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

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

Management's Review of Subsequent Events

The City has evaluated and considered the need to recognize or disclose subsequent events through February 12, 2019, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2018, have not been evaluated by the City.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2. CASH AND INVESTMENTS

Under Kentucky Revised Statute 66.480 the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City of Jamestown's deposits and investments at June 30, 2018 were entirely covered by federal depository insurance or by collateral held by the custodial banks in the City's name. Bank deposits at June 30, 2018 totaled \$3,244,019, of which \$557,345 was covered by FDIC, and \$2,686,674 was covered by pledged collateral. The book balance of the City's deposits totaled \$3,185,872.

Statement of Cash Flows

The proprietary fund type Statement of Cash Flows includes the following as cash:

| | |
|---------------------|---------------------|
| Cash – unrestricted | \$ 1,647,728 |
| Cash – restricted | <u>504,441</u> |
| | <u>\$ 2,152,169</u> |

3. RECEIVABLES

Receivables at year end of the City's major individual and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

| | General Fund | Nonmajor Funds | Governmental Funds Total |
|-----------------------------------|-------------------|-------------------|-----------------------------|
| Governmental Funds: | | | |
| Taxes | \$ 94,807 | \$ - | \$ 94,807 |
| Licenses, permits, billings | 105,871 | - | 105,871 |
| Charges for service | 6,269 | - | 6,269 |
| Intergovernmental | - | 4,231 | 4,231 |
| Other | <u>9,518</u> | <u>-</u> | <u>9,518</u> |
| Gross Receivables | 216,465 | 4,231 | 220,696 |
| Less: allowance for uncollectible | <u>(18,702)</u> | <u>-</u> | <u>(18,702)</u> |
| Net Receivables | <u>\$ 197,763</u> | <u>\$ 4,231</u> | <u>\$ 201,994</u> |
| Total | | | |
| Business-type Activities: | | | |
| Customer | \$ 320,564 | | |
| Less: allowance for uncollectible | <u>(9,746)</u> | | |
| Net Receivables | <u>\$ 310,818</u> | | |

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

4. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year is as follows:

| | Balance July 1, 2017 | Additions | Deductions | Balance June 30, 2018 |
|--------------------------------------|---------------------------------|-----------------------|-------------------|----------------------------------|
| Governmental Activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 232,170 | \$ - | \$ - | \$ 232,170 |
| Capital assets that are depreciated: | | | | |
| Land improvements | 154,829 | - | - | 154,829 |
| Buildings and improvements | 1,026,435 | - | - | 1,026,435 |
| Vehicles and equipment | 997,353 | 51,000 | (20,526) | 1,027,827 |
| Total | <u>2,178,617</u> | <u>51,000</u> | <u>(20,526)</u> | <u>2,209,091</u> |
| Total non-infrastructure assets | 2,410,787 | 51,000 | (20,526) | 2,441,261 |
| Infrastructure assets | 340,171 | - | - | 340,171 |
| Total capital assets | <u>2,750,958</u> | <u>51,000</u> | <u>(20,526)</u> | <u>2,781,432</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | 66,226 | 7,246 | - | 73,472 |
| Buildings and improvements | 399,790 | 24,226 | - | 424,016 |
| Vehicles and equipment | 767,058 | 62,233 | (20,526) | 808,765 |
| Infrastructure | 46,523 | 8,505 | - | 55,028 |
| Total | <u>1,279,597</u> | <u>102,210</u> | <u>(20,526)</u> | <u>1,361,281</u> |
| Capital assets, net | <u>\$ 1,471,361</u> | <u>\$ (51,210)</u> | <u>\$ -</u> | <u>\$ 1,420,151</u> |
| Business-type Activities: | | | | |
| Land and easements | \$ 208,100 | \$ - | \$ - | \$ 208,100 |
| Water and sewer system | 43,924,280 | 117,591 | - | 44,041,870 |
| Construction in progress | - | - | - | - |
| Vehicles and equipment | 189,481 | - | - | 189,481 |
| Total | <u>44,321,861</u> | <u>117,591</u> | <u>-</u> | <u>44,439,451</u> |
| Less accumulated depreciation: | <u>19,919,881</u> | <u>1,201,760</u> | <u>-</u> | <u>21,121,640</u> |
| Capital assets, net | <u>\$ 24,401,980</u> | <u>\$ (1,084,169)</u> | <u>\$ -</u> | <u>\$ 23,317,811</u> |

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the Governmental functions as follows:

| | |
|----------------------------|-------------------|
| General government | \$ 35,435 |
| Police | 16,269 |
| Fire | 43,950 |
| Parks and recreation | <u>6,556</u> |
| Total depreciation expense | <u>\$ 102,210</u> |

Capital assets acquired are recorded at cost or estimated cost. Depreciation of capital assets is provided over the estimated useful lives of the respective assets using the straight-line basis. The estimated useful lives are as follows:

| | |
|----------------------------|-------------|
| Infrastructure | 20-40 years |
| Utility systems | 25-40 years |
| Buildings and improvements | 25-40 years |
| Land improvements | 10-20 years |
| Machinery and equipment | 5-10 years |
| Vehicles | 3-5 years |

5. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT

Revenue Bonds

The City issued \$462,000 of City of Jamestown Water and Sewer Revenue Bonds dated March 23, 1996, at the rate of 4.5% to provide funds for expansion of the water and sewer system. The balance at June 30, 2018, totaled \$285,000.

The City issued \$269,000 of City of Jamestown Water and Sewer Revenue Bonds dated March 25, 1999, bearing interest at the rate of 4.75% to provide funds for extensions of the water and sewer system. The balance at June 30, 2018, totaled \$196,500.

Effective April 27, 2004, the City of Jamestown issued \$1,377,000 of Water and Sewer Revenue Bonds bearing a variable interest rate (ranging from 2.28% to 4.41%) for the purpose of retiring portions of the 1981, 1988, and 1991 Issues. All bonds maturing after April 27, 2004, were replaced with the current 2004 Issue. This action constitutes a defeasance of the bonds maturing on or after April 27, 2004 from the 1981, 1988, and 1991 Issues. The balance at June 30, 2018, totaled \$533,000.

The City issued \$3,932,000 of City of Jamestown Waterworks and Sewer Revenue Bonds dated June 25, 2009, bearing interest at the rate of 4.5% to provide funds for the expansion of the water system. The balance at June 30, 2018, totaled \$3,547,000.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

5. BUSINESS - TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)

Revenue Bonds (continued)

The debt service requirements for all revenue bonds are summarized as follows:

| Fiscal year | Principal | Interest | Total |
|-------------|---------------------|---------------------|---------------------|
| 2019 | \$ 155,000 | \$ 203,530 | \$ 358,530 |
| 2020 | 161,500 | 196,768 | 358,268 |
| 2021 | 169,000 | 189,624 | 358,624 |
| 2022 | 130,000 | 183,106 | 313,106 |
| 2023 | 132,500 | 177,329 | 309,829 |
| 2024-2028 | 742,000 | 792,147 | 1,534,147 |
| 2029-2033 | 669,000 | 634,922 | 1,303,922 |
| 2034-2038 | 683,500 | 482,289 | 1,165,789 |
| 2039-2043 | 766,000 | 320,715 | 1,086,715 |
| 2044-2048 | <u>953,000</u> | <u>132,480</u> | <u>1,085,480</u> |
| | <u>\$ 4,561,500</u> | <u>\$ 3,312,910</u> | <u>\$ 7,874,410</u> |

Note Payable

The City obtained a construction loan in connection with the water system expansion project in 2009. This loan is through the Kentucky Infrastructure Authority. The original amount of the loan was \$3,038,700 and bears interest at a rate of 0.4% and requires semi-annual payments of \$53,795 which includes principal and interest. Service fees are charged in addition to the semi-annual payment. The following is a schedule of future maturities:

| Fiscal year | Principal | Interest | Fees | Total |
|-------------|---------------------|------------------|------------------|---------------------|
| 2019 | \$ 99,029 | \$ 8,561 | \$ 4,281 | \$ 111,871 |
| 2020 | 99,425 | 8,165 | 4,082 | 111,672 |
| 2021 | 99,824 | 7,766 | 3,873 | 111,463 |
| 2022 | 100,213 | 7,373 | 3,683 | 111,269 |
| 2023 | 100,624 | 6,966 | 3,483 | 111,073 |
| 2024-2028 | 509,198 | 28,652 | 14,375 | 552,225 |
| 2029-2033 | 519,381 | 18,476 | 9,237 | 547,094 |
| 2034-2038 | 529,958 | 7,993 | 3,996 | 541,947 |
| 2039 | <u>107,372</u> | <u>415</u> | <u>202</u> | <u>107,989</u> |
| | <u>\$ 2,165,024</u> | <u>\$ 94,367</u> | <u>\$ 47,212</u> | <u>\$ 2,306,603</u> |

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

5. BUSINESS - TYPE ACTIVITIES - LONG-TERM DEBT (CONTINUED)

Note Payable (continued)

The City improved and expanded its sewer wastewater treatment facility in 2015. The total cost for the facility was \$3,153,000. Funding for this project was made up of the following grants and loans: CDBG grant of \$653,000 and a Kentucky Infrastructure Authority loan of \$2,500,000, with 30% of the loan forgiven upon distribution leaving a total payable amount of \$1,733,353. The loan requires semi-annual payments of \$47,919 which includes principal and interest. The loan bears interest at a rate of 1%. The following is a schedule of future maturities:

| Fiscal year | Principal | Interest | Fees | Total |
|-------------|---------------------|-------------------|------------------|---------------------|
| 2019 | \$ 80,689 | \$ 15,150 | \$ 3,030 | \$ 98,869 |
| 2020 | 81,498 | 14,341 | 2,868 | 98,707 |
| 2021 | 82,315 | 13,524 | 2,705 | 98,544 |
| 2022 | 83,140 | 12,699 | 2,540 | 98,379 |
| 2023 | 83,974 | 11,865 | 2,373 | 98,212 |
| 2024-2028 | 432,665 | 46,529 | 9,306 | 488,500 |
| 2029-2033 | 454,792 | 24,403 | 4,881 | 484,076 |
| 2034-2036 | <u>236,044</u> | <u>3,552</u> | <u>710</u> | <u>240,306</u> |
| | <u>\$ 1,535,117</u> | <u>\$ 142,063</u> | <u>\$ 28,413</u> | <u>\$ 1,705,593</u> |

The total business-type activities long-term debt is summarized as follows:

| | |
|---|---------------------|
| Current portion of KIA water expansion loan | \$ 99,029 |
| Current portion of KIA sewer expansion loan | 80,689 |
| Current portion of revenue bonds | <u>155,000</u> |
| Total current portion | <u>334,718</u> |
| Long-term portion of KIA water expansion loan | 2,065,995 |
| Long-term portion of KIA sewer expansion loan | 1,454,428 |
| Long-term portion of revenue bonds | <u>4,406,500</u> |
| Total long-term portion | <u>7,926,923</u> |
| Total debt | <u>\$ 8,261,641</u> |

A summary of changes in business-type activities long-term debt is as follows:

| | Balance July 1, 2017 | Additions | Payments | Balance June 30, 2018 |
|-------------------------|-------------------------|-------------|-------------------|--------------------------|
| Bonds and notes payable | <u>\$ 8,588,663</u> | <u>\$ -</u> | <u>\$ 327,022</u> | <u>\$ 8,261,641</u> |

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

6. BOND ORDINANCE REQUIREMENTS

The revenue bond ordinances require that the following reserves be created and maintained.

Sinking Fund Reserve – This reserve is required to receive a monthly transfer of 1/120th of the average annual principal and interest requirements until the average annual debt service of the 1996, 1998, 2004 and 2009 bonds is achieved. The balance of this reserve at June 30, 2018, totaled \$122,523.

Depreciation reserve – The balance of this reserve at June 30, 2018, totaled \$223,271.

\$462,000 Bond Issue: The City is required to deposit \$230 per month into a “Funded Reserve Depreciation Account” until the account reaches \$27,600. The deposits are to resume any time the account falls below \$27,600.

\$269,000 Bond Issue: The City is required to deposit \$135 per month into a “Funded Depreciation Reserve Account”. The monthly deposits are for the life of the loan.

\$3,932,000 Bond Issue: The City is required to deposit \$1,820 per month into a “Funded Reserve Depreciation Account” until the account reaches \$218,400. The deposits are to resume any time the account falls below the \$218,400.

Emergency Reserve – This reserve is required to receive a monthly transfer of \$100 to be disbursed solely for repairing or replacing catastrophic damage. The balance of this reserve at June 30, 2018, totaled \$158,647.

7. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT

Notes Payable

The City established a line of credit through the Bank of Jamestown on July 18, 2006. The available line is \$362,000, and matures on December 4, 2023. The annual interest on the line of credit is 2.75%. During fiscal year 2018, the City made no draws on the line of credit and as of June 30, 2018, the line of credit had a balance of \$0.

The City borrowed \$100,000 from the South Kentucky Rural Electric Cooperative Company for improvements to City Hall. The note is dated October 2, 2008. Principal and interest is payable monthly in the amount of \$943 starting on November 1, 2008. The note bears interest at a rate of 2.5% and is collateralized by a certificate of deposit. The note was paid off as of June 30, 2018.

A summary of changes in general long-term debt is as follows:

| | Balance July 1, 2017 | Additions | Payments | Balance June 30, 2018 |
|---------------|-------------------------|-------------|------------------|--------------------------|
| Notes payable | <u>\$ 14,820</u> | <u>\$ -</u> | <u>\$ 14,820</u> | <u>\$ -</u> |

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. RETIREMENT PLAN

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

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

Contributions – For the year ended June 30, 2018, plan members were required to contribute 5% of wages for non-hazardous job classifications and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2018, participating employers contributed 19.18% of each employee's wages for non-hazardous job classifications and 31.55% of each employee's wages for hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 9. Plan members contributed 14.48% to the pension trust for non-hazardous job classifications and 22.20% to the pension trust for hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. Each member's account is credited with a 4% employer pay credit for non-hazardous members, and a 7.5% pay credit for hazardous members. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2018, the City contributed \$134,515 or 100% of the required contribution for non-hazardous job classifications, and \$28,471, for the year ended June 30, 2018, or 100% of the required contribution for hazardous job classifications.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. RETIREMENT PLAN (CONTINUED)

Benefits – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

| | | |
|--------|----------------------|---|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Unreduced retirement | 27 years service or 65 years old |
| | Reduced retirement | At least 5 years service and 55 years old or 25 years service and any age |
| Tier 2 | Participation date | September 1, 2008 - December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ |
| | Reduced retirement | At least 10 years service and 60 years old |
| Tier 3 | Participation date | After December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal to 87+ |
| | Reduced retirement | Not available |

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability as follows:

| Total Net | | |
|--------------------------|----------------------|-------------------|
| Pension Liability | Non-hazardous | Hazardous |
| \$ <u>2,948,799</u> | \$ <u>2,303,165</u> | \$ <u>645,634</u> |

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2017 was as follows:

| Non-hazardous | Hazardous |
|----------------------|------------------|
| .03935% | .02886% |

The proportionate share at June 30, 2017 decreased .00392% for non-hazardous and decreased .00144% for hazardous to the proportionate share as of June 30, 2016.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2018, the City recognized pension expense of \$335,120. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ 26,539 | \$ 58,463 |
| Changes of assumptions | 34,129 | - |
| Net difference between projected and actual earnings on Plan investments | 553,784 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 14,634 | 241,707 |
| City contributions subsequent to the measurement date | <u>162,986</u> | <u>-</u> |
| Total | <u>\$ 792,072</u> | <u>\$ 300,170</u> |

The \$162,986 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

| | |
|------|-------------|
| 2019 | \$ 106,017 |
| 2020 | \$ 181,062 |
| 2021 | \$ 78,456 |
| 2022 | \$ (36,619) |

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

Non-hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.05%, average, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |

Hazardous

| | |
|---------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.05%, average, including inflation |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation |

Mortality rates were based on the 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. RETIREMENT PLAN (CONTINUED)

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

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

| Asset Class | Target Allocation | Long-term Nominal Real Rate of Return |
|--------------------|--------------------------|--|
| U.S. Equity | 26.5% | 11.27% |
| Non-U.S. Equity | 26.5% | 2.83% |
| Fixed Income | 12.0% | 7.69% |
| Real Return | 8.0% | 4.00% |
| Real Estate | 5.0% | 5.95% |
| Absolute Return | 10.0% | 3.96% |
| Private Equity | 10.0% | 10.95% |
| Cash Equivalent | 2.0% | 3.65% |
| | 100% | |

Discount Rate – The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

8. RETIREMENT PLAN (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

| | Non-hazardous | | | Hazardous | | |
|-----------------------|----------------------|--|----------------------|--|--|--|
| | Discount rate | City's proportionate share of net pension liability | Discount rate | City's proportionate share of net pension liability | | |
| 1% decrease | 5.25% | \$ 2,904,782 | 5.25% | \$ 811,768 | | |
| Current discount rate | 6.25% | \$ 2,303,165 | 6.25% | \$ 645,634 | | |
| 1% increase | 7.25% | \$ 1,799,907 | 7.25% | \$ 508,432 | | |

Payable to the Pension Plan – At June 30, 2018, the City reported a payable of \$15,599 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018. The payable includes both the pension and insurance contribution allocation.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 8, the City of Jamestown participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2018, the employer's contribution was 4.70% to the insurance trust for non-hazardous job classifications and 9.35% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2018, the City contributed \$43,662, or 100% of the required contribution for non-hazardous job classifications, and \$10,637, or 100% of the required contribution for hazardous job classifications.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

| | | |
|--------|--|--|
| Tier 1 | Participation date Insurance eligibility Benefit | Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement |
| Tier 1 | Participation date Insurance eligibility Benefit | Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually |
| Tier 2 | Participation date Insurance eligibility Benefit | After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually |
| Tier 3 | Participation date Insurance eligibility Benefit | After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually |

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the City reported a liability for its proportionate share of the net OPEB liability as follows:

| Total Net OPEB Liability | Non-hazardous | Hazardous |
|-------------------------------------|----------------------|-------------------|
| \$ <u>1,029,590</u> | \$ <u>791,029</u> | \$ <u>238,561</u> |

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2017 was as follows:

| Non-hazardous | Hazardous |
|----------------------|------------------|
| .03935% | .02886% |

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

For the year ended June 30, 2018, the City recognized OPEB expense of \$126,459. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual results | \$ - | \$ 2,753 |
| Changes of assumptions | 260,118 | - |
| Net difference between projected and actual earnings on Plan investments | - | 52,352 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 1,882 |
| City contributions subsequent to the measurement date | <u>63,147</u> | <u>-</u> |
| Total | <u>\$ 323,265</u> | <u>\$ 56,987</u> |

The \$63,147 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Contributions also include an allocation for the implicit subsidy of \$8,848, which are required to be recognized as deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

| Year ending June 30, | | |
|-----------------------------|----|--------|
| 2019 | \$ | 43,434 |
| 2020 | \$ | 43,434 |
| 2021 | \$ | 43,434 |
| 2022 | \$ | 32,080 |
| 2023 | \$ | 31,835 |
| 2024 | \$ | 8,914 |

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

Non-hazardous and Hazardous

| | | |
|---------------------------|--|--|
| Inflation | 2.30% | |
| Salary increases | 3.05%, average, including inflation | |
| Investment rate of return | 6.25%, net of Plan investment expense, including inflation | |
| Healthcare trend | | |
| Pre – 65: | Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. | |
| Post – 65: | Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. | |

Mortality rates were based on the 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.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted updated actuarial assumptions, which were used in performing the actuarial valuation as of June 30, 2017.

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

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

| Asset Class | Target Allocation | Long-term Nominal Real Rate of Return |
|--------------------|--------------------------|--|
| U.S Equity | 26.5% | 9.56% |
| Non-U.S. Equity | 26.5% | 2.84% |
| Fixed Income | 12.0% | 6.53% |
| Real Return | 8.0% | 3.68% |
| Real Estate | 5.0% | 8.99% |
| Absolute Return | 10.0% | 3.89% |
| Private Equity | 10.0% | 9.74% |
| Cash Equivalent | <u>2.0%</u> | 2.69% |
| Total | 100% | |

Discount Rate – The discount rate used to measure the total OPEB liability was 5.84% and 5.96% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Non-hazardous | | | Hazardous | | |
|-----------------------|---|----|-----------|---|----|---------|
| | City's proportionate share of net OPEB liability | | | City's proportionate share of net OPEB liability | | |
| | Discount rate | | | Discount rate | | |
| 1% decrease | 4.84% | \$ | 1,006,541 | 4.96% | \$ | 319,704 |
| Current discount rate | 5.84% | \$ | 791,029 | 5.96% | \$ | 238,561 |
| 1% increase | 6.84% | \$ | 611,690 | 6.96% | \$ | 172,172 |

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | Non-hazardous | | Hazardous | |
|--------------------|---|-----------|---|---------|
| | City's proportionate share of net OPEB liability | | City's proportionate share of net OPEB liability | |
| 1% decrease | \$ | 606,760 | \$ | 168,874 |
| Current trend rate | \$ | 791,029 | \$ | 238,561 |
| 1% increase | \$ | 1,030,568 | \$ | 324,809 |

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

10. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2018 were levied in October 2017, on the assessed property located in the City of Jamestown as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

| Description | Date Per K.R.S. 134.020 |
|--------------------------------|-------------------------|
| 1. Due date for payment | Upon receipt |
| 2. Discount of 2% | December 31 |
| 3. Face value payment period | January 1 |
| 4. 10% penalty delinquent date | January 31 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerk of Russell County and are due and collected in the birth month of the licensee.

CITY OF JAMESTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

11. RISK MANAGEMENT

The City of Jamestown is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the city also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. RESTATEMENT OF NET POSITION

Implementation of new accounting standard GASB Statement No. 75

During 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses financial reporting for state and local government employers whose employees are provided with other postemployment benefits (OPEB) through defined benefit plans that are covered under Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The guidance contained in Statement 75 changed how governments calculate and report the costs and obligations associated with OPEB. Under the new standards GASB requires that cost-sharing governments report a net OPEB liability, OPEB expense, and OPEB related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB requires Statement 75 to be applied retroactively, which has resulted in a restatement of beginning net position as follows:

| | 2018 |
|---|----------------------|
| Governmental activities | |
| Net position, at beginning of year | \$ 1,402,143 |
| Beginning net OPEB liability | <u>(207,526)</u> |
| Net position, at beginning of year, as restated | <u>\$ 1,194,617</u> |
| Business-type activities | |
| Net position, at beginning of year | \$ 16,742,373 |
| Beginning net OPEB liability | <u>(492,474)</u> |
| Net position, at beginning of year, as restated | <u>\$ 16,249,899</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JAMESTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2018

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------------|---------------------------|---------------------------|---------------------|--------------------|
| MUNICIPAL TAXATION | | | | |
| General property taxes | \$ 190,000 | \$ 200,000 | 203,231 | \$ 3,231 |
| P.I.L.O.T. | 3,000 | 3,000 | 2,934 | (66) |
| Motor vehicle taxes | <u>20,000</u> | <u>20,000</u> | <u>21,952</u> | <u>1,952</u> |
| Total municipal taxation | <u>213,000</u> | <u>223,000</u> | <u>228,117</u> | <u>5,117</u> |
| LICENSES, PERMITS AND BILLINGS | | | | |
| Occupational license fees | 315,000 | 317,000 | 317,897 | 897 |
| Insurance license | 285,000 | 290,000 | 298,747 | 8,747 |
| Net profits license fees | 12,000 | 12,000 | 11,809 | (191) |
| Franchise fees | 80,000 | 90,000 | 92,644 | 2,644 |
| Alcohol license fees | <u>30,010</u> | <u>53,210</u> | <u>43,119</u> | <u>(10,091)</u> |
| Total licenses, permits and billings | <u>722,010</u> | <u>762,210</u> | <u>764,216</u> | <u>2,006</u> |
| INTERGOVERNMENTAL | | | | |
| State fire aid | 10,500 | 10,500 | 10,500 | - |
| KLEFPF | 15,000 | 11,000 | 12,945 | 1,945 |
| LGEAF | <u>100</u> | <u>150</u> | <u>174</u> | <u>24</u> |
| Total intergovernmental | <u>25,600</u> | <u>21,650</u> | <u>23,619</u> | <u>1,969</u> |
| CHARGES FOR SERVICE | | | | |
| Sanitation fees | <u>68,000</u> | <u>68,000</u> | <u>70,220</u> | <u>2,220</u> |
| OTHER REVENUE | | | | |
| Donations | 10,500 | 15,000 | 25,250 | 10,250 |
| Fire department | 4,000 | 500 | 670 | 170 |
| Interest | - | 500 | 555 | 55 |
| Arrest fees | 1,500 | 1,500 | 1,611 | 111 |
| Law enforcement citation fees | 7,000 | 5,000 | 6,225 | 1,225 |
| Miscellaneous | <u>30,000</u> | <u>104,000</u> | <u>52,635</u> | <u>(51,365)</u> |
| Total other | <u>53,000</u> | <u>126,500</u> | <u>86,946</u> | <u>(39,554)</u> |
| TOTAL REVENUE | <u>\$ 1,081,610</u> | <u>\$ 1,201,360</u> | <u>\$ 1,173,118</u> | <u>\$ (28,242)</u> |

CITY OF JAMESTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2018

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|---------------------------|---------------------------|----------------|-----------------|
| GENERAL ADMINISTRATION | | | | |
| Elected officials compensation | \$ 21,200 | \$ 21,200 | \$ 20,998 | \$ (202) |
| Fringe benefits and payroll tax | 39,000 | 43,000 | 41,418 | (1,582) |
| Printing and advertising | 5,500 | 5,500 | 2,997 | (2,503) |
| Professional fees | 35,000 | 45,000 | 45,361 | 361 |
| Uniforms | - | - | 133 | 133 |
| Maintenance and repairs | 6,000 | 7,500 | 6,906 | (594) |
| Travel | 1,000 | 500 | 154 | (346) |
| Utilities | 95,000 | 100,000 | 99,936 | (64) |
| Telephone | 1,400 | 2,700 | 2,756 | 56 |
| Insurance and bonds | 12,000 | 12,000 | 10,556 | (1,444) |
| Technical supplies | 800 | 500 | 308 | (192) |
| Postage | 3,500 | 3,500 | 3,500 | - |
| Office supplies | 2,000 | 3,000 | 2,599 | (401) |
| Miscellaneous supplies | 500 | 2,500 | 2,055 | (445) |
| Dues and subscriptions | 1,000 | 1,200 | 1,188 | (12) |
| Education and certification | 750 | - | - | - |
| Community development | 61,187 | 38,500 | 38,723 | 223 |
| Festivals and holidays | 5,000 | 8,000 | 5,000 | (3,000) |
| Total administration | <u>290,837</u> | <u>294,600</u> | <u>284,588</u> | <u>(10,012)</u> |
| PUBLIC SAFETY - POLICE | | | | |
| Police salaries | 180,000 | 185,000 | 191,314 | 6,314 |
| Fringe benefits and payroll taxes | 100,000 | 86,000 | 87,669 | 1,669 |
| Dispatch | 25,000 | 25,000 | 25,000 | - |
| Printing and advertising | 100 | 100 | - | (100) |
| Professional fees | 300 | 1,000 | 642 | (358) |
| Uniforms | 2,250 | 8,000 | 8,043 | 43 |
| Maintenance and repairs | 3,000 | 9,500 | 4,528 | (4,972) |
| Travel | 2,000 | 2,000 | 1,828 | (172) |
| Ammunition | 1,500 | - | - | - |
| Telephone | 2,400 | 2,400 | 2,168 | (232) |
| Small equipment purchases | 1,000 | 11,000 | 3,977 | (7,023) |
| Insurance and bonds | 25,000 | 26,000 | 25,874 | (126) |
| Technical supplies | 2,000 | 4,500 | 3,938 | (562) |
| Postage | - | 100 | 7 | (93) |
| Office Supplies | - | 200 | 146 | (54) |
| Motor fuel | 6,000 | 9,000 | 9,540 | 540 |
| Investigative expense | 400 | 400 | - | (400) |
| Miscellaneous materials and supplies | 500 | 500 | 305 | (195) |
| Dues and subscriptions | 500 | 500 | 300 | (200) |
| Total police department | <u>351,950</u> | <u>371,200</u> | <u>365,279</u> | <u>(5,921)</u> |

CITY OF JAMESTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY BUDGETARY COMPARISON
GENERAL FUND
for the year ended June 30, 2018

| | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------------------------|---------------------------|---------------------------|------------------|------------------|
| PUBLIC SAFETY - FIRE | | | | |
| Firefighter allowances | \$ 10,000 | \$ 12,000 | \$ 11,300 | \$ (700) |
| Professional fees | 500 | 1,000 | 824 | (176) |
| Uniforms | 1,000 | 1,000 | 653 | (347) |
| Maintenance and repairs | 2,000 | 10,000 | 9,620 | (380) |
| Vehicle maintenance | 1,000 | 7,000 | 6,115 | (885) |
| Vehicle repair | 3,000 | 3,000 | 9,451 | 6,451 |
| Telephone | 2,000 | 2,000 | 2,016 | 16 |
| Small equipment purchase | 500 | 500 | 435 | (65) |
| Insurance | 10,000 | 11,000 | 11,021 | 21 |
| Technical supplies | 800 | 4,000 | 3,494 | (506) |
| Heating supplies | 3,000 | 4,500 | 3,825 | (675) |
| Motor fuel and lubricants | 3,000 | 5,000 | 5,596 | 596 |
| Miscellaneous material and supplies | 500 | 1,000 | 771 | (229) |
| Equipment repair | 1,200 | 500 | 256 | (244) |
| Dues and subscriptions | - | 100 | 92 | (8) |
| Education and certification | 200 | 200 | 80 | (120) |
| State fire aid expenses | 10,500 | 10,500 | 10,500 | - |
| Total fire department | <u>49,200</u> | <u>73,300</u> | <u>76,049</u> | <u>2,749</u> |
| SANITATION | | | | |
| Outside services | <u>80,000</u> | <u>85,000</u> | <u>85,012</u> | <u>12</u> |
| PUBLIC WORKS | | | | |
| Salaries | 110,000 | 105,000 | 107,851 | 2,851 |
| Fringe benefits | 55,000 | 55,000 | 54,965 | (35) |
| Uniforms | 600 | 600 | 600 | - |
| Maintenance and repairs | 5,000 | 10,000 | 9,245 | (755) |
| Insurance | 18,000 | 18,000 | 16,939 | (1,061) |
| Technical supplies | 500 | 700 | 685 | (15) |
| Motor fuel | 5,000 | 5,000 | 4,900 | (100) |
| Telephone | 375 | 375 | 370 | (5) |
| Miscellaneous | - | 100 | 15 | (85) |
| Small equipment purchase | 1,200 | 500 | 80 | (420) |
| Total public works | <u>195,675</u> | <u>195,275</u> | <u>195,650</u> | <u>375</u> |
| PARKS AND RECREATION | | | | |
| | <u>9,500</u> | <u>9,500</u> | <u>8,241</u> | <u>(1,259)</u> |
| CEMETERY | | | | |
| | <u>15,000</u> | <u>18,604</u> | <u>15,365</u> | <u>(3,239)</u> |
| CAPITAL OUTLAY | | | | |
| | <u>96,000</u> | <u>104,000</u> | <u>51,000</u> | <u>(53,000)</u> |
| TOTAL EXPENDITURES | | | | |
| | <u>1,088,162</u> | <u>1,151,479</u> | <u>1,081,184</u> | <u>(70,295)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer in (out) | - | - | (14,820) | - |
| Sale of property | - | - | 1,250 | (1,250) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(13,570)</u> | <u>(13,570)</u> |
| Net change in fund balances | <u>\$ (6,552)</u> | <u>\$ 49,881</u> | <u>\$ 78,364</u> | <u>\$ 28,483</u> |

**CITY OF JAMESTOWN, KENTUCKY
REQUIRED SUPPLEMENTAL SCHEDULE OF
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NONHAZARDOUS
Last Five Fiscal Years**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.03935% | 0.04326% | 0.04233% | 0.04726% | 0.04726% |
| City's proportionate share of the net pension liability (asset) | \$ 2,303,165 | \$ 2,130,255 | \$ 1,820,100 | \$ 1,533,428 | \$ 1,730,395 |
| City's covered employee payroll | \$ 753,545 | \$ 1,027,887 | \$ 995,271 | \$ 1,084,182 | \$ 1,084,182 |
| City's share of the net pension liability (asset) as a percentage of its covered employee payroll | 305.64% | 207.25% | 182.87% | 141.44% | 159.60% |
| Plan fiduciary net position as a percentage of the total pension liability | 53.32% | 55.50% | 59.97% | 66.80% | 61.22% |

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF JAMESTOWN, KENTUCKY
 REQUIRED SUPPLEMENTAL SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HAZARDOUS
 Last Five Fiscal Years**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------|------------|------------|------------|------------|
| City's proportion of the net pension liability | 0.02886% | 0.03030% | 0.04565% | 0.04703% | 0.04703% |
| City's proportionate share of the net pension liability (asset) | \$ 645,634 | \$ 519,928 | \$ 700,843 | \$ 564,789 | \$ 628,642 |
| City's covered employee payroll | \$ 158,413 | \$ 161,120 | \$ 233,526 | \$ 238,195 | \$ 238,195 |
| City's share of the net pension liability (asset) as a percentage of its covered employee payroll | 407.56% | 322.70% | 300.11% | 237.11% | 263.92% |
| Plan fiduciary net position as a percentage of the total pension liability | 49.78% | 53.95% | 57.52% | 63.46% | 57.74% |

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The measurement date of the net pension liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

CITY OF JAMESTOWN, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF CONTRIBUTIONS - NONHAZARDOUS
Last Six Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 134,515 | \$ 133,963 | \$ 127,664 | \$ 126,897 | \$ 148,967 | \$ 129,559 |
| Contributions relative to contractually required employer contribution | <u>134,515</u> | <u>133,963</u> | <u>127,664</u> | <u>126,897</u> | <u>148,967</u> | <u>129,559</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 928,974 | \$ 959,081 | \$ 1,027,887 | \$ 995,271 | \$ 1,084,182 | \$ 1,024,619 |
| Employer contributions as a percentage of covered-employee payroll | 14.48% | 13.97% | 12.42% | 12.75% | 13.74% | 12.64% |

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF JAMESTOWN, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF CONTRIBUTIONS - HAZARDOUS
Last Six Fiscal Years**

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required employer contribution | \$ 28,471 | \$ 34,391 | \$ 32,643 | \$ 48,410 | \$ 51,855 | \$ 47,083 |
| Contributions relative to contractually required employer contribution | <u>28,471</u> | <u>34,391</u> | <u>32,643</u> | <u>48,410</u> | <u>51,855</u> | <u>47,083</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 123,957 | \$ 158,413 | \$ 161,120 | \$ 233,526 | \$ 238,195 | \$ 234,424 |
| Employer contributions as a percentage of covered-employee payroll | 22.97% | 21.71% | 20.26% | 20.73% | 21.77% | 20.08% |

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF JAMESTOWN, KENTUCKY
 REQUIRED SUPPLEMENTAL SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - NONHAZARDOUS
 Last Two Fiscal Years**

| | 2018 | 2017 |
|--|-------------|--------------|
| City's proportion of the net OPEB liability | 0.03935% | 0.04326% |
| City's proportionate share of the net OPEB liability (asset) | \$ 791,029 | \$ 620,460 |
| City's covered employee payroll | \$ 753,545 | \$ 1,027,887 |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 104.97% | 60.36% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 52.39% | unavailable |

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF JAMESTOWN, KENTUCKY
 REQUIRED SUPPLEMENTAL SCHEDULE OF
 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HAZARDOUS
 Last Two Fiscal Years**

| | 2018 | 2017 |
|--|-------------|-------------|
| City's proportion of the net OPEB liability | 0.02886% | 0.03030% |
| City's proportionate share of the net OPEB liability (asset) | \$ 238,561 | \$ 142,549 |
| City's covered employee payroll | \$ 158,413 | \$ 161,120 |
| City's share of the net OPEB liability (asset) as a percentage of its covered employee payroll | 150.59% | 88.47% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 58.99% | unavailable |

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The measurement date of the net OPEB liability is one year preceding the fiscal year of the City.

The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

**CITY OF JAMESTOWN, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF OPEB CONTRIBUTIONS - NONHAZARDOUS
Last Six Fiscal Years**

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required employer contribution | \$ 43,662 | \$ 45,423 | \$ 47,694 | \$ 48,967 | \$ 55,835 | \$ 71,145 |
| Contributions relative to contractually required employer contribution | <u>43,662</u> | <u>45,423</u> | <u>47,694</u> | <u>48,967</u> | <u>55,835</u> | <u>71,145</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 928,974 | \$ 959,081 | \$ 1,027,887 | \$ 995,271 | \$ 1,084,182 | \$ 1,024,619 |
| Employer contributions as a percentage of covered-employee payroll | 4.70% | 4.74% | 4.64% | 4.92% | 5.15% | 6.94% |

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net OPEB Liability.

The above schedule will present 10 years of historical data, once available.

**CITY OF JAMESTOWN, KENTUCKY
REQUIRED SUPPLEMENTAL
SCHEDULE OF OPEB CONTRIBUTIONS - HAZARDOUS
Last Six Fiscal Years**

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required employer contribution | \$ 10,637 | \$ 14,812 | \$ 20,446 | \$ 31,713 | \$ 33,181 | \$ 40,992 |
| Contributions relative to contractually required employer contribution | <u>10,637</u> | <u>14,812</u> | <u>20,446</u> | <u>31,713</u> | <u>33,181</u> | <u>40,992</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered employee payroll | \$ 123,957 | \$ 158,413 | \$ 161,120 | \$ 233,526 | \$ 238,195 | \$ 234,424 |
| Employer contributions as a percentage of covered-employee payroll | 8.58% | 9.35% | 12.69% | 13.58% | 13.93% | 17.49% |

Notes:

There were no changes in benefit terms. However, the following changes in assumptions were modified as of the June 30, 2017 valuation:

The assumed investment rate of return was decreased from 7.5% to 6.25%.

The assumed rate of inflation was reduced from 3.5% to 2.3%.

Payroll growth assumption was reduced from 4% to 2%.

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

The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net OPEB Liability.

The above schedule will present 10 years of historical data, once available.

SUPPLEMENTARY INFORMATION

**CITY OF JAMESTOWN, KENTUCKY
BUDGETARY COMPARISON
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2018**

| MUNICIPAL ROAD AID FUND | <u>Enacted Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------|---------------------------|---------------------------|------------------|--------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 35,000 | \$ 35,140 | \$ 35,174 | \$ 34 |
| Interest | <u>100</u> | <u>115</u> | <u>116</u> | <u>1</u> |
| TOTAL REVENUES | <u>\$ 35,100</u> | <u>\$ 35,255</u> | <u>\$ 35,290</u> | <u>\$ 35</u> |
| EXPENDITURES | | | | |
| Maintenance | \$ 88,900 | \$ 89,055 | \$ 9,492 | \$ (79,563) |
| Capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>\$ 88,900</u> | <u>\$ 89,055</u> | <u>\$ 9,492</u> | <u>\$ (79,563)</u> |
| DEBT SERVICE FUND | | | | |
| REVENUES | | | | |
| Transfers in | <u>\$ 11,313</u> | <u>\$ 14,000</u> | <u>\$ 14,820</u> | <u>\$ 820</u> |
| TOTAL REVENUES | <u>\$ 11,313</u> | <u>\$ 14,000</u> | <u>\$ 14,820</u> | <u>\$ 820</u> |
| EXPENDITURES | | | | |
| Debt service | <u>\$ 11,313</u> | <u>\$ 14,000</u> | <u>\$ 14,820</u> | <u>\$ 820</u> |
| TOTAL EXPENDITURES | <u>\$ 11,313</u> | <u>\$ 14,000</u> | <u>\$ 14,820</u> | <u>\$ 820</u> |

**CITY OF JAMESTOWN, KENTUCKY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018**

| | <u>Municipal Road Aid Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|-------------------------------------|--|----------------------------------|------------------|
| ASSETS | | | |
| Cash | \$ 81,657 | \$ - | \$ 81,657 |
| Accounts receivable | <u>4,231</u> | <u>-</u> | <u>4,231</u> |
| Total assets | <u>\$ 85,888</u> | <u>\$ -</u> | <u>\$ 85,888</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | <u>\$ 2,101</u> | <u>\$ -</u> | <u>\$ 2,101</u> |
| Total liabilities | 2,101 | - | 2,101 |
| Fund balance | <u>83,787</u> | <u>-</u> | <u>83,787</u> |
| Total liabilities and fund balance | <u>\$ 85,888</u> | <u>\$ -</u> | <u>\$ 85,888</u> |

**CITY OF JAMESTOWN, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 for the year ended June 30, 2018**

| | Municipal Road Aid Fund | Debt Service Fund | Total |
|---|--|----------------------------------|------------------|
| REVENUES | | | |
| Intergovernmental | \$ 35,174 | \$ - | \$ 35,174 |
| Interest | 116 | - | 116 |
| Total revenues | 35,290 | - | 35,290 |
| EXPENDITURES | | | |
| Maintenance | 9,492 | - | 9,492 |
| Capital outlay | - | - | - |
| Debt service | - | 14,820 | 14,820 |
| Total expenditures | 9,492 | 14,820 | 24,312 |
| Excess revenues over (under) expenditures before other sources (uses) | 25,798 | (14,820) | 10,978 |
| OTHER FINANCING SOURCES | | | |
| Transfers from other funds | - | 14,820 | 14,820 |
| Excess revenues and other sources over (under) expenditures | 25,798 | - | 25,798 |
| Fund balances, July 1, 2017 | 57,989 | - | 57,989 |
| FUND BALANCES - JUNE 30, 2018 | \$ 83,787 | \$ - | \$ 83,787 |

CITY OF JAMESTOWN, KENTUCKY
COMBINING STATEMENT OF OPERATING REVENUES AND EXPENSES
PROPRIETARY FUND
for the year ended June 30, 2018

| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 2,227,545 | \$ 820,347 | \$ 3,047,892 |
| Penalties | 12,496 | 8,331 | 20,827 |
| Other revenue | <u>784</u> | <u>-</u> | <u>784</u> |
| Total operating revenues | <u>2,240,825</u> | <u>828,678</u> | <u>3,069,503</u> |
| OPERATING EXPENSES | | | |
| Salaries and wages | 543,608 | 272,967 | 816,575 |
| Payroll taxes | 474,370 | 215,509 | 689,879 |
| Insurance | 26,897 | 26,897 | 53,794 |
| Utilities | 283,772 | 160,125 | 443,897 |
| Telephone | 5,343 | 3,997 | 9,340 |
| Professional services | 33,752 | 52,944 | 86,696 |
| Materials and supplies | 79,899 | 5,832 | 85,731 |
| Chemicals | 115,177 | 60,253 | 175,430 |
| Sludge expense | - | 24,750 | 24,750 |
| Analytical | 18,073 | 13,175 | 31,248 |
| Fuel and lube | 6,975 | 3,255 | 10,230 |
| Advertising | 495 | 496 | 990 |
| Uniforms | 1,800 | 800 | 2,600 |
| Maintenance and repairs | 54,636 | 8,623 | 63,259 |
| Travel and lodging | 220 | 396 | 616 |
| Postage | 8,638 | 5,759 | 14,397 |
| Loan service fee | 7,668 | - | 7,668 |
| Dues and subscriptions | 877 | 868 | 1,745 |
| Training | 967 | 580 | 1,547 |
| Miscellaneous | 49 | 53 | 102 |
| Depreciation and amortization | <u>735,051</u> | <u>466,709</u> | <u>1,201,760</u> |
| Total operating expenses | <u>2,398,267</u> | <u>1,323,988</u> | <u>3,722,254</u> |
| Operating income (loss) | <u>\$ (157,441)</u> | <u>\$ (495,310)</u> | <u>\$ (652,751)</u> |



**INDEPENDENT AUDITORS' 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 the City Council
City of Jamestown
Jamestown, 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 Jamestown, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Jamestown, Kentucky's basic financial statements, and have issued our report thereon dated February 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jamestown, 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 the City of Jamestown, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jamestown, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jamestown, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

RFH

RFH, PLLC
Lexington, Kentucky
February 12, 2019