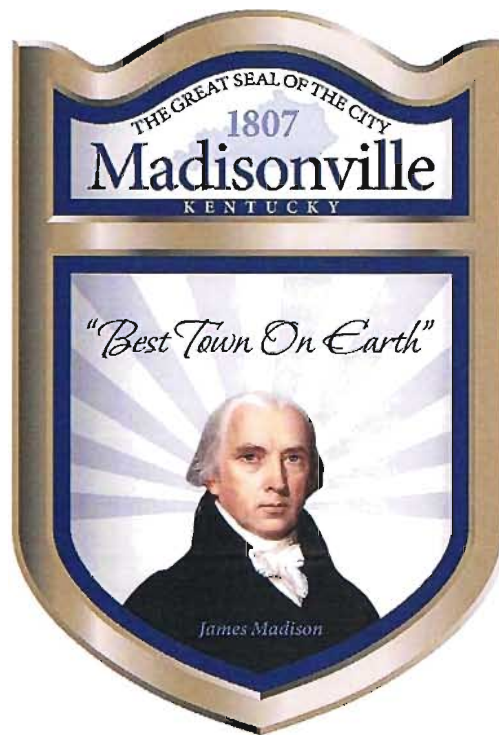


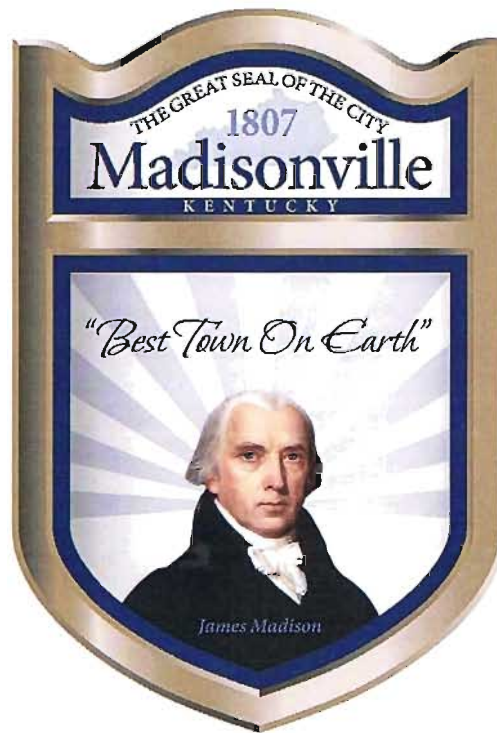
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**MADISONVILLE, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**



**Issued by the**  
**Finance Department**  
**Cory C. Alexander, CPA**  
**Finance Director/Treasurer**  
**Rhonda F. Bryant, CPA**  
**Accountant**

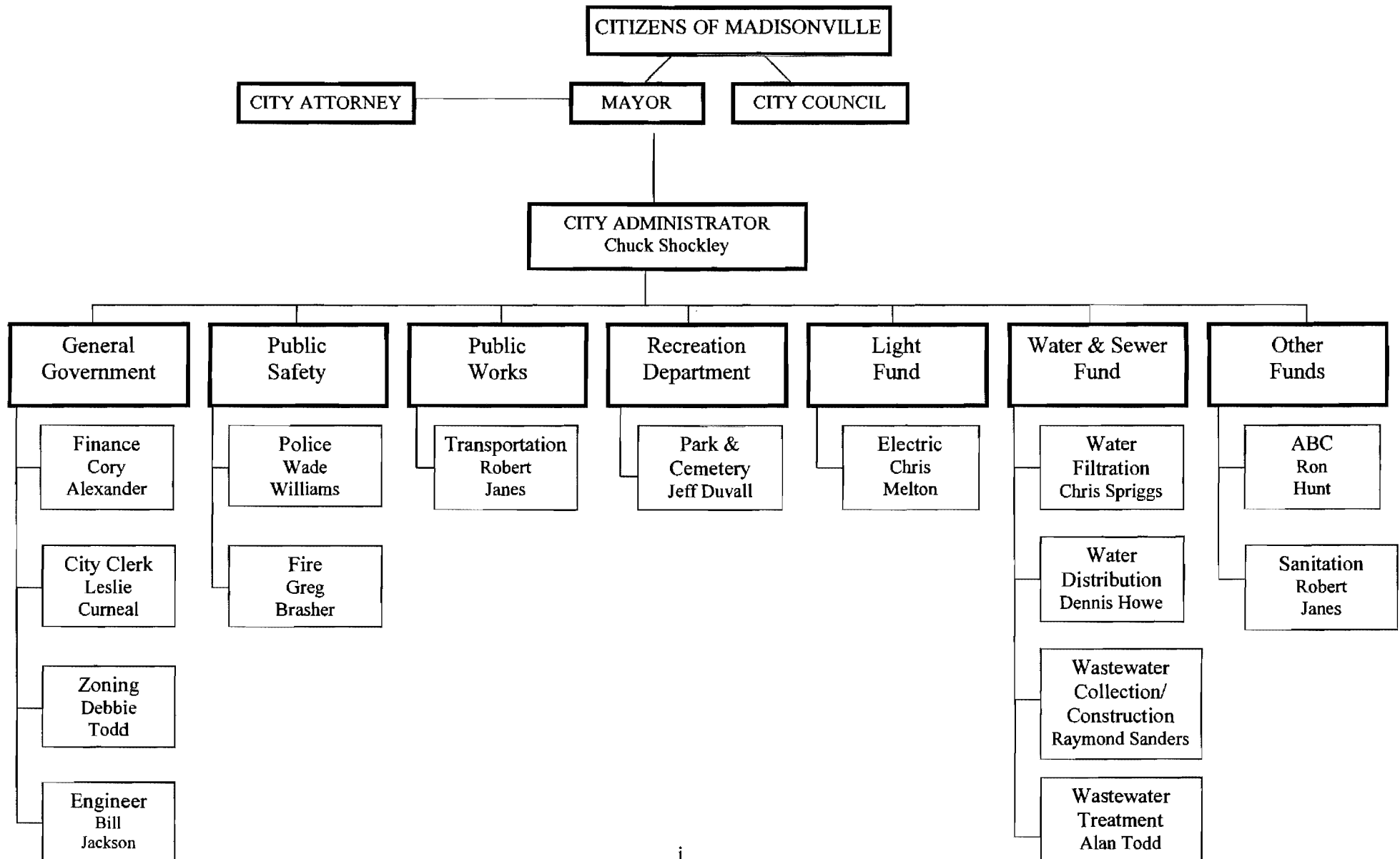
**CITY OF MADISONVILLE, KENTUCKY**

**INTRODUCTORY SECTION**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF MADISONVILLE, KENTUCKY**  
**Organization Chart**  
As of June 30, 2015



# CITY OF MADISONVILLE

## PRINCIPAL OFFICIALS

### Elected Officials

David W. Jackson.....Mayor  
Mark Lee.....Council Member Ward 1  
Tom Morgan.....Council Member Ward 2  
Raymond Marion.....Council Member Ward 3  
Barry McGaw.....Council Member Ward 4  
Frank Stevenson.....Council Member Ward 5  
Bill Smith (Chairperson of the Council).....Council Member Ward 6

### Department Heads

Bill Jackson.....City Engineer  
Chris Melton.....Electric Distribution  
Ron Hunt.....Alcoholic Beverage Administrator  
Chris Spriggs.....Water Treatment  
Robert Janes.....Transportation  
Jeff Duvall.....Parks & Cemetery  
Wade Williams.....Police Chief  
Chuck Shockley.....City Administrator  
Cory Alexander.....Finance Director/Treasurer  
Leslie Curneal.....City Clerk  
Dennis Howe.....Water Distribution  
Raymond Sanders.....Wastewater Collection/Construction  
Robert Janes.....Sanitation  
Alan Todd.....Wastewater Treatment  
Debbie Todd.....Planning & Zoning  
Greg Brasher.....Fire Chief

**CITY OF MADISONVILLE, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2015**

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December 15, 2015

To the Honorable Mayor David W. Jackson  
and Members of the City Council  
And to the Citizens of the City of Madisonville, Kentucky

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Madisonville for the fiscal year ended June 30, 2015. The purpose of the report is to provide the Mayor, City Council, City staff, citizens, our bondholders and other interested parties with useful information concerning the City's operations and financial position.

City management is responsible for both the accuracy of the presented data and the completeness and fairness of presentations, including all disclosures. We believe the data, as presented, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City. The CAFR has been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) based upon a comprehensive framework of internal control that it has established for this purpose. The objective of a system of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Under Kentucky Revised Statute 91A.040, the City of Madisonville is required to publish, before February 1 immediately following the fiscal year, a complete set of audited financial statements. This report fulfills that requirement for the year ended June 30, 2015. To the best of our knowledge and belief, the enclosed report is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. The accompanying disclosures are necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

### **Independent Auditor's Report**

State statutes require an annual audit by independent certified public accountants. The basic financial statements and related notes have been audited by the independent accounting firm of Berry Kington & Utley, PSC. The independent firm concluded that there was a reasonable basis to render an unqualified ("clean") opinion on the financial statements of each opinion unit that collectively comprise the City's basic financial statements, concluding that the basic financial statements are fairly presented in conformity with accounting principles generally accepted in the United States (U.S. GAAP) for the year ended June 30, 2015. The independent auditor's report can be found on page 1 of the Financial Section of this CAFR.

Additionally, Berry Kington & Utley, PSC included an audit of federal grants in order to meet the requirements of federal grantor agencies as outlined by the federal Single Audit Act of 1984, the Single Audit Act Amendment of 1996, and related OMB Circular A-133. These standards require the auditor to report not only on the fairness of the representation of the financial statements, but also on the internal controls and compliance with legal requirements of the federal awards. These reports can be found in the Compliance and Internal Control Section of this CAFR.

### **Management's Discussion and Analysis (MD&A)**

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

### **Form of Government and Organization**

The City was incorporated in 1807 and is a municipal corporation governed by a Mayor/Council form of government. The City Council is comprised of six Council members, who enact local laws, determine policies, and adopt the annual budget. The Mayor is responsible for the daily management of the City.

The basic financial statements of the City include all governmental activities, organizations, and functions for which the City is financially accountable as defined by the GASB. The City organizes its financial activities in a variety of funds. In accordance with GASB Statement No. 14 as amended by Statement No. 61, the City's financial statements include all funds of the City ("primary government") as well as its component unit. The primary government represents all funds under the ultimate control of the Mayor and the City Council. Component units are separate legal entities. While legally separate, component units are part of the City government in substance. The City's financial statements would be misleading without incorporating component unit information. The Greater Madisonville Area Industrial Authority (GMAIA) is a discretely presented component unit in the City's financial statements.

### **Services Provided**

The City provides a full range of services to its citizens. These services include police and fire protection, maintenance of streets and infrastructure, social services, cultural-recreational activities, public improvements, and general administrative services. In addition to the general government activities, the City Municipal Utilities makes available electric, sanitation, wastewater collection and treatment, water filtration and water distribution services.

### **Accounting System**

The City's accounting records for general governmental operations are maintained on a modified accrual basis of accounting, in which revenues are recorded when available and measurable and expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the proprietary activities are maintained on the accrual basis, in which revenues are recorded when earned and expenses are recorded when they are incurred.

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure: (1) assets of the City are protected from loss, theft or misuse; (2) adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles and for maintaining accountability for all assets; and (3) compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Compliance Audit**

As a part of the City's audit described earlier, tests are made to determine the adequacy of the internal control structure, as well as to determine the City's compliance with applicable laws and regulations. The results of the City's audit for the fiscal year ended June 30, 2015, disclosed no instances of material weaknesses in the internal control structure.

### **Budgeting Controls**

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance prior to June 30 of each year. The City Finance Director has the authority to authorize the transfer of budgeted amounts between departments within the same fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The appropriate measures were taken to adopt the budget by ordinance. Budget amendments are allowed by ordinance. Amendments require majority approval by the City Council.

The City maintains budgetary controls over revenues and expenditures. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, special revenue funds, and proprietary funds are included in the annual appropriated budget. The level of budgetary control at which expenditures cannot exceed the appropriated amount, is established by fund annually, by the City Council.

Budgetary control for all governmental fund types and proprietary funds are maintained at the subfunction level. Actual expenditures compared to budget are monitored monthly on a month-by-month and year-to-date basis.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed to the nearest dollar.

### **FACTORS AFFECTING FINANCIAL CONDITION**

The following is a brief discussion of factors affecting the financial condition of the City. Additional detailed information can be found in the Management's Discussion & Analysis (MD&A), in the Financial Section of this report.

#### **Local Economy**

Madisonville is located in mid-central western Kentucky, within Hopkins County. Madisonville is part of the Pennyryle Area Development District, which comprises a nine county area. It is situated 50 miles south of Evansville, Indiana and 100 miles northwest of Nashville, Tennessee.

Long known as the "Heart of the Coal Fields," Madisonville is proud of its heritage, but in recent years has diversified and expanded its manufacturing and health care sectors to rival employment levels in coal and coal-related industries.

#### **Economic Outlook**

Economic conditions are directly affected by the employment statistics. According to the Kentucky Office of Employment and Training, the unemployment rate for Hopkins County for June 2015 was 5.8%.

The following chart depicts these statistics for comparison purposes. Please note that the civilian labor force includes non-military personnel who are employed or who are known to be looking for employment.

#### **Total Employment and Unemployment**

\*Source: Office of Employment Training

Civilian Labor Force		Total Employment		Total Unemployment		Unemployment Rate	
2015	2014	2015	2014	2015	2014	2015	2014
20,566	22,742	19,365	21,062	1,201	1,680	5.8%	7.4%

The statewide rate of unemployment for June 2015 was 5.4%. The Hopkins County unemployment rate of 5.8% was above the state average. With continued economic development efforts, we are hopeful that our employment numbers will improve.

Economic efforts continue to recruit new businesses and industry to Madisonville to create new jobs and area expansions. Efforts also continue to support the growth and expansion of existing businesses.

To better market the workforce of our community, Hopkins County has earned the designation as a Work Ready Community (WRC). This status is awarded by the Kentucky Workforce Investment Board upon meeting all the required criteria. The program serves as an assurance to employers that the community is committed to providing a highly-skilled workforce that is required in today's global economy.

### **Long-term Financial Planning**

The City's budget team, which is composed of the Mayor, City Administrator, Finance Director and Budget and Finance Committee, is primarily responsible for the long-term financial planning for the City. Long-term fiscal sustainability is the top focus of the budget team. The Finance Director prepares the revenue forecast for the budget each year and budgeted expenditures are matched to revenue projections. Great emphasis is placed on current year operating revenues equaling or exceeding current year operating expenditures. Conservatism is used when preparing the annual revenue projection in order to avert budget shortfalls and to help encourage fiscal responsibility on the expenditure side. The City continues to make progress in reducing and eliminating debt and takes advantage of available debt refinancing opportunities.

### **Relevant Financial Policies**

The City follows a comprehensive set of Financial Policies to ensure the City's financial resources are managed prudently. Policies are shaped by state law and approved by the City Council through the budget adoption process. These financial policies govern the City's budgeting and financial planning, capital planning, revenue, investment, debt management, and procurement. Segregation of duties and internal controls are a common theme to achieve sound financial operations in the sections covering accounting, accounts payable, revenue collections, payroll, cash management, investments, fixed assets, and procurement guidelines.

### **Major Initiatives For the Year**

The City's Sanitation Department continues to expand its innovative recycling program. The City's "iRecycle" is a single stream curbside recycling program focused on benefiting the environment, better serving our customers, and reducing operating costs. The program provides each residential customer a separate recycling toter at no additional cost to the customer. Sanitation staff processes the materials using a sorting line located at the recycling center. Financial benefits of the program include revenue generated from the sale of recyclable materials as well as a reduction in landfill tipping fees.

A significant upgrade to the Wastewater Treatment Plant was completed. The project involved updating the plant with a modern sludge dewatering system. The new modern system replaces the original belt press unit and improves the plant's operations. The new system promises to reduce costs associated with the hauling and disposing of solids at the landfill.

During the year, development of a spray park located at the Dr. Festus Claybon Memorial Park was completed. The spray park consists of multiple above ground artistic water features and promises to be a great addition to the future recreational opportunities within the City.

### **Community Development Initiatives**

The Office of Community Development continues its efforts of developing active and sustainable projects that help promote a better quality of life for the citizens of Madisonville and Hopkins County. These efforts include maintaining Madisonville's status as a certified Kentucky Main Street program, a National Main Street program, organizing and overseeing the increasingly popular Friday Night Live Summer Concert Series, and providing support to the Historic District Commission. In addition, the Community Development Director

helps organize other local special events that include Kidapalooza, 4th Fest, Art Hop, and the Soap Box Derby.

The Office of Community Development is the primary resource for the City's grant efforts and is responsible for securing and administering local, state, and federal grant funds that promote quality of life, increase services, and enhance safety for employees and the community at-large. The Community Development Director is the designated FEMA point of contact for the City of Madisonville and works as a liaison between other local, state, and federal funding partners to ensure the City complies with grant regulations during project implementation.

During the fiscal year ended June 30, 2015, the Community Development Director provided grant oversight, and assistance, to the following projects:

- Old City Hall Demolition Grant
- TEA 21 Sugg Street Improvements Grant
- KLC Safety Grant
- Splash Park Grant
- Pride Recycling Grant
- Household Hazardous Waste Grant

### **Economic Development Initiatives**

Major recruiting efforts during this fiscal year ending June 30, 2015 have occurred. Major tools utilized by the Economic Development office included national visits, mass mailings, and mass marketing efforts, which communicate the benefits of relocating businesses and industries in Madisonville.

Recruiting efforts utilized "Madisonville expertise" from local business leaders, the Mayor, the Council, and other local influential residents and state leaders. Recruitment efforts included visits to businesses and industries across the United States where prospects might be located. These combined efforts from a variety of people have encouraged the economic outlook for the citizens of Madisonville. It is direct evidence that the community is working together.

The current administration has concentrated extensive time and efforts toward creating a line of communication between the City of Madisonville and prospective businesses and industries. In addition to the City's participation, local business leaders maintain enthusiastic interest as well. Madisonville and Hopkins County is considered among the most recommendable areas for economic development in the Commonwealth of Kentucky. This accomplishment is due largely to the effective cooperation between the City and the county. This is a major step toward further economic growth for this area. Communication and cooperation is the key to the successful economic development of our community.

The Mayor, along with other community leaders, worked diligently to have the Breathitt Parkway (Pennyrile Parkway), which runs north/south along the east side of the City of Madisonville designated as the new Interstate 69 corridor. This will allow many new avenues of industry and commerce to the City.

### **Service Initiatives**

The City of Madisonville continually strives to expand and improve existing services presently being provided to the highest quality service economically feasible to provide.

Infrastructure improvements within the Water and Sewer departments have continued during fiscal year 2015. A continual effort has been made to improve and increase the overall system capacity within the Sanitary Sewer and Water Systems in order to enhance development within the community.

The Sewer Department has continued to improve the wastewater collection system throughout the city. Work continues on the Sewer Department's computer hydraulic model which will provide a means to better plan system maintenance and improvements.

The City's Water Distribution Department has been preparing for the future with the completion of a water distribution model. This model has allowed the City to identify locations for new elevated storage tanks and pump stations that will improve the level of service to our existing customers while allowing the City to better plan for our future customers.

### **For the Future**

The City's plan for the future entails continuing to provide consistent quality services to all citizens at the most efficient and effective level possible. Past annexations continue to have a positive impact upon the growth, while continuing to provide the City with significant funding challenges. To maintain the current level of services to existing areas and add services to the newly annexed areas, the City must explore new methods of obtaining financial resources necessary in maintaining quality services.

In the upcoming year, the City will continue careful consideration of how to develop Mahr Park. The Park was received as a generous bequeath from the estate of Mrs. Glema Mahr. The gift consisted of a 265-acre farm located in the northwest quadrant of Madisonville. As part of the gift, the City is also the beneficiary of the Mahr Park Charitable Trust. The trust will assist the City in constructing and maintaining the new park on a cost reimbursement basis. Ultimately, the Mahr property will balance out the community's park land, as it is located on the opposite side of town from the existing park. Development of the Mahr Park will take several years and will benefit the citizens for generations to come.

The new year will include the completion of several projects, improvements of sewer and water lines, improvements to the electrical service lines, continued economic development efforts, improved efficiency in solid waste collection and disposal, continued quality police and fire service, maintenance and improvements to streets and sidewalks, and maintenance and extension of all services to all citizens of Madisonville.

The major projects for the fiscal year ending June 30, 2016 are as follows:

- North Pressure Zone Project
- Sugg Street Rehabilitation Project

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madisonville for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the 32nd consecutive year that the City of Madisonville has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements.

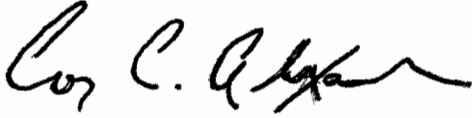
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

We would like to thank the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cory C. Alexander", with a stylized flourish at the end.

Cory C. Alexander, CPA  
Finance Director/Treasurer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
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Presented to

**City of Madisonville  
Kentucky**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

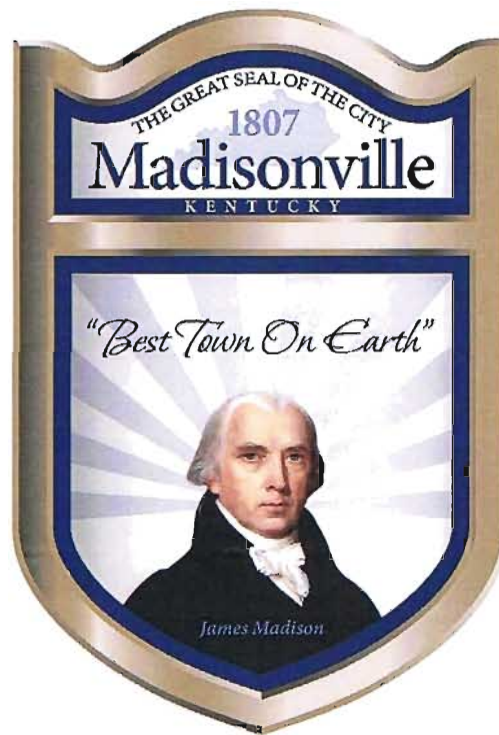
**June 30, 2014**

Executive Director/CEO



**CITY OF MADISONVILLE, KENTUCKY**

**FINANCIAL SECTION**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor David W. Jackson  
and Members of the City Council  
City of Madisonville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madisonville, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madisonville, Kentucky, as of June 30, 2015, 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.

### **Change in Accounting Principle**

As discussed in Note 20 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified

with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions, schedule of investment returns and schedule of proportionate share of net pension liability on pages 3-13 and pages 61-66, 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*

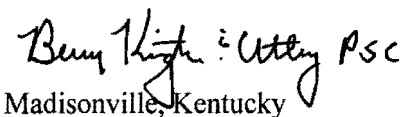
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madisonville, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison and other schedules, and the schedule of expenditures of federal awards 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 and schedules. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules 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 and schedules or to the basic financial statements and schedules themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements and schedules taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the City of Madisonville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Madisonville, Kentucky's internal control over financial reporting and compliance.



Madisonville, Kentucky  
December 15, 2015

**CITY OF MADISONVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

As management of the City of Madisonville, Kentucky we offer readers of the City's financial statement this narrative overview and comparative analysis of the financial activities of the City for the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

**FINANCIAL HIGHLIGHTS**

The financial statements, which follow the Management's Discussion and Analysis, provide these key financial highlights for fiscal year ended June 30, 2015:

- The total assets and deferred outflows of resources of the City of Madisonville exceeded its total liabilities and deferred inflows of resources at the close of the 2015 fiscal year by \$67,515,252 (Net position). Of this amount, \$(4,211,702) represents the unrestricted net position.
- The City's total net position increased by \$3,415,163. Governmental activities increased the City's net position by \$323,395 and business-type activities increased the City's net position by \$3,091,768.
- As of June 30, 2015, the City's governmental funds reported combined fund balances of \$6,920,635. Over 79% of this total amount or \$5,518,306 is unassigned and available for spending at the City's discretion.
- As of June 30, 2015, unassigned fund balance for the General Fund was \$5,673,276 or 31% of total general fund expenditures.
- The City's total long-term bond, note liabilities and capital lease obligations decreased by \$2,146,018 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The **government-wide** financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business and, accordingly, to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short-term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **Statement of Net Position** presents financial information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, recreation, health and welfare, airport, and cemetery. The business-type activities of the City include electric distribution, water and sewer services, and sanitation services. The government-wide financial statements can be found on pages 14-15 of this report.

The government-wide financial statements include not only the City of Madisonville (known as the primary government), but also a legally separate entity for which the City is accountable. For the City of Madisonville, the component unit is included in the basic financial statements of the City, and consists of a legally separate entity for which the City is financially accountable (discretely presented component unit). The Greater Madisonville Area Industrial Authority (GMAIA) is a discretely presented component unit.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories – **governmental** funds, **proprietary** funds, and **fiduciary** funds.

## **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, and provide the balances of spendable resources available at the end of the fiscal year. Such information reflects financial resources available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Madisonville maintains six individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund which is considered to be a major fund. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 16-19.

### **Proprietary Funds**

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers, or internal units/divisions of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Madisonville maintains the following two types of proprietary funds:

**Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its light, water and sewer, and sanitation operations.

**Internal service funds** are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service fund to account for health and life insurance. Because these services predominately benefit both governmental and business-type functions, they have been allocated to governmental and business-type activities in the government-wide financial statements.

The proprietary fund financial statements provide separate information for the Light Fund and Water and Sewer Fund since both are considered to be major funds of the City. Because the Sanitation Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. The internal service fund is presented in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-60 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 61-66. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 67-103 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

While this document contains information about the funds used by the City to provide services to its citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting similar to the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and changes in net position. The change in net position reflects whether the financial position of the City as a whole has improved or diminished; however, in evaluating the overall financial position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets should also be considered.

### Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$67,515,252 as of June 30, 2015.

The following table is a condensed summary of the City's net position for governmental and business-type activities:

#### CITY OF MADISONVILLE'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets and Deferred Outflows of Resources</b>						
Current and other assets	\$ 10,102,959	\$ 10,050,342	\$ 24,211,588	\$ 23,236,416	\$ 34,314,547	\$ 33,286,758
Capital assets	26,605,729	26,340,492	57,465,343	57,577,518	84,071,072	83,918,010
Total Assets	36,708,688	36,390,834	81,676,931	80,813,934	118,385,619	117,204,768
Deferred outflows of resources	1,533,258	-	1,373,846	935,336	2,907,104	935,336
Total Assets and Deferred Outflows of Resources	38,241,946	36,390,834	83,050,777	81,749,270	121,292,723	118,140,104
<b>Liabilities and Deferred Inflows of Resources</b>						
Current and other liabilities	2,493,768	1,918,599	10,937,722	8,626,236	13,431,490	10,544,835
Long-term liabilities	22,556,888	2,598,389	15,892,094	14,708,168	38,448,982	17,306,557
Total Liabilities	25,050,656	4,516,988	26,829,816	23,334,404	51,880,472	27,851,392
Deferred inflows of resources	1,398,765	-	498,234	-	1,896,999	-
Total Liabilities and Deferred Inflows of Resources	26,449,421	4,516,988	27,328,050	23,334,404	53,777,471	27,851,392
<b>Net Position</b>						
Net investment in capital assets	25,768,796	25,342,065	42,854,858	41,058,384	68,623,654	66,400,449
Restricted	-	-	3,103,300	3,040,358	3,103,300	3,040,358
Unrestricted	(13,976,271)	6,531,781	9,764,569	14,316,124	(4,211,702)	20,847,905
Total Net Position	\$ 11,792,525	\$ 31,873,846	\$ 55,722,727	\$ 58,414,866	\$ 67,515,252	\$ 90,288,712

The largest portion of the City's net position (101%) reflects its net investment in capital assets (e.g., land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure), less any related debt used to acquire those assets that is still outstanding. Although the City's

net investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the City uses these capital assets to provide services to citizens and therefore cannot liquidate them.

An additional portion of the City's net position (5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$(4,211,702).

### Analysis of the Changes in Net Position

The City's total net position increased by \$3,415,163 and \$2,833,692 during the fiscal years ended June 30, 2015 and 2014, respectively. The following table provides a summary of the City's operations:

### CITY OF MADISONVILLE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for services	\$ 2,559,563	\$ 2,782,768	\$ 38,454,498	\$ 39,326,676	\$ 41,014,061	\$ 42,109,444
Operating grants and contributions	650,908	589,469	540	184,433	651,448	773,902
Capital grants and contributions	1,573,037	1,215,102	170,676	158,465	1,743,713	1,373,567
General Revenues:						
Occupational taxes	7,360,756	7,409,604	-	-	7,360,756	7,409,604
Property taxes	1,772,233	1,679,611	-	-	1,772,233	1,679,611
Insurance premium tax	2,771,550	2,715,449	-	-	2,771,550	2,715,449
Alcoholic beverage tax	392,605	388,388	-	-	392,605	388,388
Emergency telephone	221,229	240,364	-	-	221,229	240,364
Franchise and other taxes	420,320	425,736	-	-	420,320	425,736
Investment income	8,585	8,227	41,337	61,583	49,922	69,810
Miscellaneous	447,511	515,516	25,000	-	472,511	515,516
Gain (loss) on disposal of capital assets	-	416	-	41,630	-	42,046
Total Revenues	<u>18,178,297</u>	<u>17,970,650</u>	<u>38,692,051</u>	<u>39,772,787</u>	<u>56,870,348</u>	<u>57,743,437</u>
Expenses:						
General government	4,645,354	5,815,478	-	-	4,645,354	5,815,478
Public safety	10,659,441	10,636,410	-	-	10,659,441	10,636,410
Transportation	2,200,776	2,625,497	-	-	2,200,776	2,625,497
Recreation	1,092,324	852,331	-	-	1,092,324	852,331
Health and welfare	888,784	789,861	-	-	888,784	789,861
Airport	854,686	-	-	-	854,686	-
Cemetery	337,529	318,788	-	-	337,529	318,788
Interest on long-term debt	26,008	32,830	-	-	26,008	32,830
Electric distribution	-	-	22,110,664	23,213,889	22,110,664	23,213,889
Water and sewer services	-	-	8,250,694	8,395,563	8,250,694	8,395,563
Sanitation services	-	-	2,388,925	2,229,098	2,388,925	2,229,098
Total Expenses	<u>20,704,902</u>	<u>21,071,195</u>	<u>32,750,283</u>	<u>33,838,550</u>	<u>53,455,185</u>	<u>54,909,745</u>
Increase (decrease) in net position before transfers	(2,526,605)	(3,100,545)	5,941,768	5,934,237	3,415,163	2,833,692
Transfers	<u>2,850,000</u>	<u>3,850,000</u>	<u>(2,850,000)</u>	<u>(3,850,000)</u>	<u>-</u>	<u>-</u>
Change in net position	323,395	749,455	3,091,768	2,084,237	3,415,163	2,833,692
Net position - July 1	31,873,846	31,124,391	58,414,866	56,499,500	90,288,712	87,623,891
Net effect of accounting change	<u>(20,404,716)</u>	<u>-</u>	<u>(5,783,907)</u>	<u>(168,871)</u>	<u>(26,188,623)</u>	<u>(168,871)</u>
Net position - July 1 restated	<u>11,469,130</u>	<u>31,124,391</u>	<u>52,630,959</u>	<u>56,330,629</u>	<u>64,100,089</u>	<u>87,455,020</u>
Net position - June 30	<u>\$ 11,792,525</u>	<u>\$ 31,873,846</u>	<u>\$ 55,722,727</u>	<u>\$ 58,414,866</u>	<u>\$ 67,515,252</u>	<u>\$ 90,288,712</u>



Effective July 1, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68 which is an accounting change that requires the recording of a net pension liability to be reported in the financial statements of state and local governmental employers. The City also implemented Governmental Accounting Standards Board (GASB) Statement No. 71 which addressed the issue of contributions made to defined benefit plans after the measurement date for the year in which GASB Statement No. 68 was implemented. For the fiscal year ended June 30, 2015, the first year of the accounting change, the impact of GASB 68 and GASB 71 on the City's financial statements was a total of \$28,293,556 being recorded as a net pension liability and \$2,104,933 being recorded as a deferred outflow of resources related to pension. See Note 20 on page 60 for additional information.

### **Governmental Activities**

In fiscal year ended June 30, 2015, governmental activities increased the net position by \$323,395. Governmental activities accounted for 9.47% of the total growth in net position of the City. For governmental activities overall occupational taxes (40.48%), are the largest single source of funds, followed by insurance premium taxes (15.25%), charges for services (14.08%), property taxes (9.75%), and capital grants and contributions (8.65%).

Total expenses decreased from the prior fiscal year by \$366,293 whereas total revenues for governmental activities increased from the prior year by \$207,647. Expenses exceeded revenues resulting in a decrease in net position before transfers. Charges for services decreased \$223,205 primarily due to the City's self-insured health care trust fund. The trust fund had revenues of \$1,873,542 for the current year. Operating grants and contributions increased \$61,439 from the prior year. Total tax revenue increased by \$79,541 over the prior fiscal year.

Governmental activities are supported by program revenues such as charges for services, operating and capital grants and contributions. Additionally, general revenues, miscellaneous revenues, and transfers cover any net expense after program specific revenues are applied. During the fiscal year ended June 30, 2015, the City primarily relied upon tax revenues and transfers for funding governmental activities.

### **Business-type Activities**

Business-type activities increased the City's net position by \$3,091,768 in the fiscal year ended June 30, 2015 and accounted for 90.53% of the total growth in the City's net position. The increase is attributable to charges for services in excess of operating expenses. Charges for services provided the largest share of revenues (99.40%) followed by capital grants and contributions (0.44%). The largest of Madisonville's business-type activities, Light Fund had expenses of \$22,110,664, followed by Water and Sewer Fund with expenses of \$8,250,694 and Sanitation Fund of \$2,388,925.

Total revenues for business-type activities decreased from the prior year by \$1,080,736. Service revenues had a decrease of \$872,178 due to decreases in electric revenues. The primary reason for the decrease in electric revenues can be attributed to decreases in residential, commercial, and demand charges from reduced consumption. Program revenues experienced a \$171,682 decrease in grant revenues from the prior year. The decrease in grant income is attributable to fewer grant funds received for the Light Department. Investment income decreased \$20,246 primarily due to a declining interest rates on investments in the current year.

Business-type activities are supported by charges for services and capital grants and contributions. During the fiscal year ended June 30, 2015, the City relied on charges for services for funding business-type activities.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal

requirements. Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activity not required to be reported in a separate fund is included in the General Fund. Governmental funds are used to account for tax-supported activities.

## Governmental Funds

The focus of the City of Madisonville's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources and nonspendable resources. Such information may be useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. Types of governmental funds reported by the City include the General Fund and Special Revenue Funds.

At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$6,920,635, a decrease of \$131,504 in comparison to the balance at June 30, 2014 of \$7,052,139. Approximately 79% of this total amount \$5,518,306 constitutes unassigned fund balance which is available for spending at the City's discretion. Nonspendable fund balance of \$937,139 is not available for new spending because it has already been committed to provide for real estate, materials, supplies and prepaid items. The remaining fund balance of \$435,659 is restricted and \$29,531 is committed at June 30, 2015.

## Major Governmental Fund

The General Fund is the general operating fund of the City. As of June 30, 2015, the unassigned fund balance in the General Fund was \$5,673,276. The City's fund balance in the General Fund increased by \$239,985.

The following provides an explanation of revenues by source that changed significantly from the prior year:

Revenues Classified by Source General Fund - Revenues by Source						
Revenues by Source	2015		2014		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Taxes						
Occupational	\$ 7,360,756	39.20	\$ 7,409,604	39.72	\$ (48,848)	(0.66)
Insurance premiums	2,771,550	14.75	2,715,449	14.55	56,101	2.07
Property	1,772,233	9.43	1,679,611	9.00	92,622	5.51
Franchise	420,320	2.24	425,736	2.28	(5,416)	(1.27)
Police/Fire incentive	403,980	2.15	435,832	2.34	(31,852)	(7.31)
Grant income	817,841	4.35	544,816	2.92	273,025	50.11
Fuel sales	216,655	1.15	-	-	216,655	-
Miscellaneous	425,011	2.26	334,911	1.79	90,100	26.90
Contributions	404,495	2.15	168,196	0.90	236,299	140.49
Recreational fees	135,234	0.72	147,469	0.79	(12,235)	(8.30)
Cemetery revenues	78,300	0.42	78,730	0.42	(430)	(0.55)
Police fines and base court	161,408	0.86	113,734	0.61	47,674	41.92
Rental income	72,149	0.38	41,033	0.22	31,116	75.83
Investment income	4,470	0.02	3,355	0.02	1,115	33.23
Total revenues	15,044,402	80.08	14,098,476	75.56	945,926	6.71
Transfers in	3,714,035	19.77	4,496,525	24.10	(782,490)	(17.40)
Sale of capital assets	26,622	0.14	63,004	0.34	(36,382)	(57.75)
Total revenues and other financing sources	<u>\$ 18,785,059</u>	<u>99.99</u>	<u>\$ 18,658,005</u>	<u>100.00</u>	<u>\$ 127,054</u>	<u>0.68</u>

- Grant income increased by \$273,025 or 50.11% due to the current year receipt of grant funds for the Airport T-Hangar construction. This is the first year that the Airport has been a department inside the General Fund. Grant revenues fluctuate from year-to-year.
- Miscellaneous revenues increased by \$90,100 or 26.90% due to timber sales from Mahr Park and Grapevine Lake and other additional revenues.
- Contributions increased by \$236,299 or 140.49% due to current year donations for park development.
- Transfers in decreased by \$782,490 or 17.40% due to a decrease in the budgeted transfer from the Light Department.

The following provides an explanation of expenditures by function that changed significantly from the prior year:

**Expenditures by Function**  
**General Fund - Expenditures by Function**

Expenditures by Function	2015		2014		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Public safety	\$ 10,223,181	55.12	\$ 10,490,236	56.76	\$ (267,055)	(2.55)
General government	2,217,227	11.96	2,278,656	12.33	(61,429)	(2.70)
Transportation	1,712,179	9.23	1,661,264	8.99	50,915	3.06
Health and welfare	888,784	4.79	789,861	4.27	98,923	12.52
Parks and recreation	911,499	4.92	763,265	4.13	148,234	19.42
Airport	342,849	1.85	-	-	342,849	-
Cemetery	301,710	1.63	314,010	1.70	(12,300)	(3.92)
Capital outlay	1,760,143	9.49	1,535,633	8.31	224,510	14.62
Debt service	187,502	1.01	195,406	1.06	(7,904)	(4.04)
Total expenditures	18,545,074	100.00	18,028,331	97.55	516,743	2.87
Transfers out	-	-	453,614	2.45	(453,614)	(100.00)
Total expenditures and other financing uses	<u>\$ 18,545,074</u>	<u>100.00</u>	<u>\$ 18,481,945</u>	<u>100.00</u>	<u>\$ 63,129</u>	<u>0.34</u>

- Health and welfare expenditures increased by \$98,923 or 12.52% due to increased expenditures for library maintenance and other operating grants provided by the City to various organizations.
- Parks and recreation expenditures increased by \$148,234 or 19.42% due to increased expenditures for salaries, pool operations, and advertising.
- Capital outlay expenditures increased by \$224,510 or 14.62% due to transportation improvement projects and the construction of a six-unit t-hangar at the Airport.
- Transfers out decreased by \$453,614 or 100.00% due to the prior year transfer to the Airport Special Revenue Fund.

### Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary funds had a total unrestricted net position balance of \$8,600,560 as of June 30, 2015. An increase of total net position for all proprietary funds during the year equaled \$3,011,038 resulting from current year operations. The following table shows actual revenues, expenses and results from operations for the fiscal year:

	2015			
	Light	Water and Sewer	Sanitation	Total
Operating revenues	\$ 26,203,743	\$ 9,935,389	\$ 2,361,680	\$ 38,500,812
Operating expenses	<u>22,129,867</u>	<u>7,802,183</u>	<u>2,324,637</u>	<u>32,256,687</u>
Operating income (loss)	4,073,876	2,133,206	37,043	6,244,125
Non-operating revenues (expenses), net	<u>29,788</u>	<u>(455,387)</u>	<u>(82,390)</u>	<u>(507,989)</u>
Income (loss) before contributions and transfers	4,103,664	1,677,819	(45,347)	5,736,136
Contributions and transfers	<u>(2,835,098)</u>	<u>110,000</u>	<u>-</u>	<u>(2,725,098)</u>
Change in net position	<u>\$ 1,268,566</u>	<u>\$ 1,787,819</u>	<u>\$ (45,347)</u>	<u>\$ 3,011,038</u>

	2014			
	Light	Water and Sewer	Sanitation	Total
Operating revenues	\$ 27,328,110	\$ 9,995,648	\$ 2,187,351	\$ 39,511,109
Operating expenses	<u>23,236,317</u>	<u>7,917,836</u>	<u>2,243,244</u>	<u>33,397,397</u>
Operating income (loss)	4,091,793	2,077,812	(55,893)	6,113,712
Non-operating revenues (expenses), net	<u>47,120</u>	<u>(450,783)</u>	<u>(73,634)</u>	<u>(477,297)</u>
Income (loss) before contributions and transfers	4,138,913	1,627,029	(129,527)	5,636,415
Contributions and transfers	<u>(3,801,535)</u>	<u>110,000</u>	<u>-</u>	<u>(3,691,535)</u>
Change in net position	<u>\$ 337,378</u>	<u>\$ 1,737,029</u>	<u>\$ (129,527)</u>	<u>\$ 1,944,880</u>

### Major Proprietary Funds

The Light Fund accounts for the provision of electricity service to the residents of the City. The Light Fund had a change in net position of \$1,268,566 for 2015 compared to a change of \$337,378 for 2014. The operating revenues decreased by \$1,124,367 and expenses decreased by \$1,106,450, respectfully over the prior year. The decrease in operating revenues is due primarily to the decrease in residential, commercial and demand charges based on reduced consumption in the current year. The decrease in operating expenses is due to decreases in the cost of power purchased and maintenance expenses. The net position as of June 30, 2015 for the Light Fund was \$14,879,723.

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City and some residents of the County. The Water and Sewer Fund had a change in net position of \$1,787,819 for 2015 compared to \$1,737,029 for 2014. The operating revenues decreased by \$60,259 over the prior year due to a decrease in consumption. Operating expenses decreased by \$115,653 mainly due to a decrease in wastewater collection costs. The net position as of June 30, 2015 for the Water and Sewer Fund was \$39,193,335.

The Sanitation Fund accounts for the collection and disposal of the residential and commercial refuse of the City. The Sanitation Fund had a change in net position of \$(45,347) for 2015 compared to a change of \$(129,527) for 2014. Operating revenues increased by \$174,329 and operating expenses increased by \$81,393 over the prior year. The increase in operating revenues is due an increase in fees collected for various sanitation services. The increase in operating expenses is due to increases in pension and maintenance expenses. The net position as of June 30, 2015 for the Sanitation Fund was \$485,660.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not make revisions to the original general fund appropriations approved by the City Council. During the year, actual revenues and other sources were more than final budgetary estimates by \$401,006 and expenditures and other uses were \$178,427 more than final budgetary estimates, resulting in a positive variance of revenues over expenditures of \$222,579.

General Fund revenues and other sources exceeded budgetary amounts due to increases in occupational, property,

grant, miscellaneous, and police fines and base court receipts. General Fund expenditures and other uses were more than budgetary estimates due to increased parks and recreation and capital outlay expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's capital assets for governmental and business-type activities as of June 30, 2015 amounts to \$84,071,072 (net of accumulated depreciation). Capital assets include land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure. The total increase in the City's capital assets for the fiscal year was 0.18% (a 1.01% increase for governmental activities and a 0.19% decrease for business-type activities).

<b>City of Madisonville Capital Assets (net of depreciation)</b>						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and construction in progress	\$ 5,026,106	\$ 4,433,683	\$ 2,145,868	\$ 1,857,974	\$ 7,171,974	\$ 6,291,657
Buildings, plants and facilities	12,766,130	12,820,876	51,969,937	52,796,155	64,736,067	65,617,031
Machinery and equipment	3,062,450	3,219,998	3,074,477	2,629,850	6,136,927	5,849,848
System studies and mapping	-	-	275,061	293,539	275,061	293,539
Infrastructure	5,751,043	5,865,935	-	-	5,751,043	5,865,935
Total Capital Assets	<u>\$ 26,605,729</u>	<u>\$ 26,340,492</u>	<u>\$ 57,465,343</u>	<u>\$ 57,577,518</u>	<u>\$ 84,071,072</u>	<u>\$ 83,918,010</u>

Major capital asset transactions/events during the fiscal year included:

- Construction of a six-unit T-Hangar at the Airport for \$560,861.
- Construction on the Mahr Park of \$278,151.
- Street paving infrastructure improvements of \$437,398.
- Construction on the North Pressure Zone project of \$130,080.
- Construction of a maintenance building at the Sanitation department for \$229,708.
- Purchase of Sanitation department vehicles totaling \$934,842.
- Purchase of Light department vehicles totaling \$281,420.
- Purchase of Wastewater Collection equipment totaling \$201,884.
- Wastewater Treatment Plant Sludge Dewatering improvements of \$846,100.

The City's infrastructure assets are recorded at historical or estimated historical costs in the government-wide financial statements as required by GASB Statement No. 34.

Additional information on the City's capital assets can be found in Note 5 on pages 38-39 of this report.

## Long-term Debt

At the end of the current fiscal year, the City of Madisonville had a total bonded debt, notes payable and capital lease obligations of \$16,612,029. Of this amount, \$11,098,445 comprises debt backed by revenues of the water and sewer system. The notes payable of \$3,052,961 pertain primarily to electric system and water and sewer system facilities and infrastructure. The remaining debt of \$2,460,623 represents capital lease obligations for various equipment.

### Outstanding Debt at Year End Bonds, Notes Payable and Capital Lease Obligations

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue Bonds Payable	\$ -	\$ -	\$ 11,098,445	\$ 12,218,775	\$ 11,098,445	\$ 12,218,775
Notes Payable	-	-	3,052,961	4,100,676	3,052,961	4,100,676
Capital Lease Obligations	836,933	998,427	1,623,690	1,440,169	2,460,623	2,438,596
Total	<u>\$ 836,933</u>	<u>\$ 998,427</u>	<u>\$ 15,775,096</u>	<u>\$ 17,759,620</u>	<u>\$ 16,612,029</u>	<u>\$ 18,758,047</u>

The City maintained a A1 rating from Moody's for its debt throughout the fiscal year. Several of the City's Revenue Bonds are insured thus holding an AAA credit rating from both Moody's and Standard & Poor's.

Additional information on the City's long-term debt can be found in Notes 10 and 11 on pages 50-55 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the fiscal year 2015-2016 budget, General Fund revenues and transfers in are budgeted to increase by 5.21% from the 2014-2015 budget year with occupational license tax revenues making up about 38.70% of the general fund budgeted revenues and transfers in. General fund expenditures are budgeted to increase by 5.08%. The Light Fund revenues are budgeted to decrease by 0.69% with expenditures budgeted to increase by 0.25%. Water and Sewer Fund revenues are budgeted to decrease by 6.20% and expenditures are budgeted to decrease by 6.02%. Sanitation Fund revenues are budgeted to increase by 4.09% and expenditures are budgeted to increase by 1.82%.

## REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have any questions about this report or need any additional information, contact the Department of Finance, Attn: Finance Director, at P.O. Box 705, Madisonville, Kentucky 42431, call (270) 824-2111 or email [calexander@madisonvillegov.com](mailto:calexander@madisonvillegov.com).

**CITY OF MADISONVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
<b><u>Assets</u></b>				
Cash equivalents	\$ 6,187,173	\$ 14,655,393	\$ 20,842,566	\$ 186,006
Investments, at fair value	192,718	133,288	326,006	-
Accounts receivable (net)	2,457,642	3,929,013	6,386,655	-
Internal balances	495,320	(495,320)	-	-
Materials and supplies	76,530	1,205,725	1,282,255	-
Real estate held for resale	578,430	-	578,430	-
Interest receivable	79	10,113	10,192	-
Prepayments	104,485	79,843	184,328	-
Restricted assets:				
Cash and cash equivalents	10,582	86,079	96,661	-
Investments	-	4,607,454	4,607,454	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	5,026,106	2,145,868	7,171,974	-
Depreciable	<u>21,579,623</u>	<u>55,319,475</u>	<u>76,899,098</u>	-
Total Assets	<u>36,708,688</u>	<u>81,676,931</u>	<u>118,385,619</u>	<u>186,006</u>
<b><u>Deferred Outflows of Resources</u></b>				
Related to pensions	1,533,258	508,595	2,041,853	-
Related to refunding debt	<u>-</u>	<u>865,251</u>	<u>865,251</u>	-
Total Deferred Outflows of Resources	<u>1,533,258</u>	<u>1,373,846</u>	<u>2,907,104</u>	-
<b><u>Liabilities</u></b>				
Trade accounts payable	493,493	4,018,836	4,512,329	825
Construction accounts payable	169,596	31,790	201,386	-
Accrued interest payable	465	101,311	101,776	-
Accrued payroll and payroll taxes	893,156	235,107	1,128,263	-
Unearned revenue	56,325	247,318	303,643	-
Customer deposits and related interest	-	713,088	713,088	-
Noncurrent liabilities:				
Due within one year				
Compensated absences	218,514	127,905	346,419	-
Revenue bonds payable	-	1,185,000	1,185,000	-
Notes payable	-	1,074,656	1,074,656	-
Capital lease obligations	174,714	399,284	573,998	-
Due in more than one year				
Net pension liability	22,382,174	5,579,365	27,961,539	-
Revenue bonds payable	-	9,913,445	9,913,445	-
Notes payable	-	1,978,305	1,978,305	-
Capital lease obligations	<u>662,219</u>	<u>1,224,406</u>	<u>1,886,625</u>	-
Total Liabilities	<u>25,050,656</u>	<u>26,829,816</u>	<u>51,880,472</u>	<u>825</u>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenues - property taxes	31,165	-	31,165	-
Related to pensions	<u>1,367,600</u>	<u>498,234</u>	<u>1,865,834</u>	-
Total Deferred Inflows of Resources	<u>1,398,765</u>	<u>498,234</u>	<u>1,896,999</u>	-
<b><u>Net Position</u></b>				
Net investment in capital assets	25,768,796	42,854,858	68,623,654	-
Restricted for:				
Debt service	-	3,074,482	3,074,482	-
Customer deposits	-	28,818	28,818	-
Unrestricted	<u>(13,976,271)</u>	<u>9,764,569</u>	<u>(4,211,702)</u>	<u>185,181</u>
Total Net Position	<u>\$ 11,792,525</u>	<u>\$ 55,722,727</u>	<u>\$ 67,515,252</u>	<u>\$ 185,181</u>

See accompanying notes to financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
Governmental Activities:								
General government	\$ 4,645,354	\$ 1,935,988	\$ 181,635	\$ -	\$ (2,527,731)	\$ -	\$ (2,527,731)	\$ -
Public safety	10,659,441	161,408	428,302	-	(10,069,731)	-	(10,069,731)	-
Transportation	2,200,776	-	-	655,956	(1,544,820)	-	(1,544,820)	-
Recreation	1,092,324	135,234	40,971	441,411	(474,708)	-	(474,708)	-
Health and welfare	888,784	-	-	-	(888,784)	-	(888,784)	-
Airport	854,686	248,633	-	475,670	(130,383)	-	(130,383)	-
Cemetery	337,529	78,300	-	-	(259,229)	-	(259,229)	-
Interest on long-term debt	26,008	-	-	-	(26,008)	-	(26,008)	-
Total governmental activities	<u>20,704,902</u>	<u>2,559,563</u>	<u>650,908</u>	<u>1,573,037</u>	<u>(15,921,394)</u>	<u>-</u>	<u>(15,921,394)</u>	<u>-</u>
Business-type activities:								
Electric distribution	22,110,664	26,203,743	-	14,902	-	4,107,981	4,107,981	-
Water and sewer services	8,250,694	9,934,849	540	110,000	-	1,794,695	1,794,695	-
Sanitation services	<u>2,388,925</u>	<u>2,315,906</u>	<u>-</u>	<u>45,774</u>	<u>-</u>	<u>(27,245)</u>	<u>(27,245)</u>	<u>-</u>
Total business-type activities	<u>32,750,283</u>	<u>38,454,498</u>	<u>540</u>	<u>170,676</u>	<u>-</u>	<u>5,875,431</u>	<u>5,875,431</u>	<u>-</u>
Total Primary Government	<u>\$ 53,455,185</u>	<u>\$ 41,014,061</u>	<u>\$ 651,448</u>	<u>\$ 1,743,713</u>	<u>(15,921,394)</u>	<u>5,875,431</u>	<u>(10,045,963)</u>	<u>-</u>
<b>Component Unit</b>								
GMAJA	<u>\$ 104,991</u>	<u>\$ 101,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,741)</u>
<b>General Revenues</b>								
Taxes:								
Occupational					7,360,756	-	7,360,756	-
Property					1,772,233	-	1,772,233	-
Insurance premium					2,771,550	-	2,771,550	-
Alcoholic beverage					392,605	-	392,605	-
Emergency telephone					221,229	-	221,229	-
Franchise and other					420,320	-	420,320	-
Investment income					8,585	41,337	49,922	41
Miscellaneous					447,511	25,000	472,511	-
Transfers					<u>2,850,000</u>	<u>(2,850,000)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>16,244,789</u>	<u>(2,783,663)</u>	<u>13,461,126</u>	<u>41</u>
<b>Change in Net Position</b>					323,395	3,091,768	3,415,163	(3,700)
<b>Net Position at Beginning of Year</b>					31,873,846	58,414,866	90,288,712	188,881
Prior Period Adjustment					<u>(20,404,716)</u>	<u>(5,783,907)</u>	<u>(26,188,623)</u>	<u>-</u>
<b>Net Position at Beginning of Year as Restated</b>					<u>11,469,130</u>	<u>52,630,959</u>	<u>64,100,089</u>	<u>188,881</u>
<b>Net Position at End of Year</b>					<u>\$ 11,792,525</u>	<u>\$ 55,722,727</u>	<u>\$ 67,515,252</u>	<u>\$ 185,181</u>

See accompanying notes to financial statements.



**CITY OF MADISONVILLE, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>			
Cash equivalents	\$ 4,281,418	\$ 508,126	\$ 4,789,544
Investments, at fair value	16,538	-	16,538
Receivables (Net where applicable of allowances for uncollectibles):			
Taxpayer assessed revenues	1,853,843	60,076	1,913,919
Property taxes	48,096	-	48,096
Grants receivable	135,134	-	135,134
Other accounts	352,192	-	352,192
Materials and supplies	76,530	-	76,530
Real estate held for resale	578,430	-	578,430
Interest receivable	34	-	34
Prepayments	92,550	11,935	104,485
Due from other funds	856,473	156,210	1,012,683
Restricted assets:			
Cash equivalents	<u>10,582</u>	<u>-</u>	<u>10,582</u>
<b><u>Total Assets</u></b>	<b><u>\$ 8,301,820</u></b>	<b><u>\$ 736,347</u></b>	<b><u>\$ 9,038,167</u></b>
<b><u>Liabilities, Deferred Inflows and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Trade accounts payable	\$ 414,855	\$ 35,402	\$ 450,257
Construction accounts payable	169,596	-	169,596
Due to other funds	155,168	361,865	517,033
Unearned revenue	39,400	16,925	56,325
Accruals	<u>893,156</u>	<u>-</u>	<u>893,156</u>
Total Liabilities	<u>1,672,175</u>	<u>414,192</u>	<u>2,086,367</u>
<b><u>Deferred Inflows of Resources</u></b>			
Property taxes	<u>31,165</u>	<u>-</u>	<u>31,165</u>
<b><u>Fund Balances</u></b>			
Nonspendable:			
Real estate held for resale	578,430	-	578,430
Materials and supplies	76,530	-	76,530
Prepaid items	92,550	11,935	104,485
Long-term receivables	177,694	-	177,694
Restricted for:			
Municipal aid	-	309,301	309,301
Coal severance	-	126,358	126,358
Committed for:			
Alcoholic beverage control	-	29,531	29,531
Unassigned	<u>5,673,276</u>	<u>(154,970)</u>	<u>5,518,306</u>
Total Fund Balances	<u>6,598,480</u>	<u>322,155</u>	<u>6,920,635</u>
<b><u>Total Liabilities, Deferred Inflows and Fund Balances</u></b>	<b><u>\$ 8,301,820</u></b>	<b><u>\$ 736,347</u></b>	<b><u>\$ 9,038,167</u></b>

See accompanying notes to financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

**Fund Balances - Total Governmental Funds**

\$ 6,920,635

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

Governmental capital assets	\$ 68,320,073	
Less accumulated depreciation	<u>(41,714,344)</u>	26,605,729

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Accrued interest payable	(465)	
Capital lease obligation	(836,933)	
Net pension liability and related deferred outflows and inflows of resources	(22,216,516)	
Compensated absences	<u>(218,514)</u>	(23,272,428)

Internal service funds are used by management to charge the cost of certain insurance activities to individual funds. The assets and liabilities of the Internal Service Funds (net of amount allocated to business-type activities) not included in other reconciling items are:

Current assets	2,779,124	
Current liabilities	(76,526)	
Net amount allocated to business-type activities	<u>(1,164,009)</u>	<u>1,538,589</u>

**Net Position of Governmental Activities**

\$ 11,792,525

**CITY OF MADISONVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>			
Taxes:			
Occupational	\$ 7,360,756	\$ -	\$ 7,360,756
Insurance premiums	2,771,550	-	2,771,550
Property	1,772,233	-	1,772,233
Franchise	420,320	-	420,320
Alcoholic beverage control	-	392,605	392,605
Emergency telephone	-	221,229	221,229
Intergovernmental:			
Grant income	817,841	-	817,841
Police/Fire incentive	403,980	-	403,980
Kentucky gas tax	-	450,691	450,691
Kentucky severance tax	-	146,938	146,938
Fuel sales	216,655	-	216,655
Miscellaneous	425,011	22,500	447,511
Contributions	404,495	-	404,495
Recreation	135,234	-	135,234
Fees	-	22,275	22,275
Police fines and base court	161,408	-	161,408
Cemetery	78,300	-	78,300
Rental income	72,149	-	72,149
Investment income	4,470	137	4,607
Total Revenues	<u>15,044,402</u>	<u>1,256,375</u>	<u>16,300,777</u>
<b><u>Expenditures</u></b>			
Current:			
Public safety	10,223,181	-	10,223,181
General government/other	2,217,227	344,002	2,561,229
Transportation	1,712,179	-	1,712,179
Health and welfare	888,784	-	888,784
Recreation	911,499	-	911,499
Airport	342,849	-	342,849
Cemetery	301,710	-	301,710
Capital outlay	1,760,143	419,827	2,179,970
Debt service	187,502	-	187,502
Total Expenditures	<u>18,545,074</u>	<u>763,829</u>	<u>19,308,903</u>
<b><u>Excess (Deficiency) of Revenues</u></b>			
<b><u>Over Expenditures</u></b>	<u>(3,500,672)</u>	<u>492,546</u>	<u>(3,008,126)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Proceeds from sale of capital assets	26,622	-	26,622
Transfers in	3,714,035	44,081	3,758,116
Transfers out	-	(908,116)	(908,116)
Total Other Financing Sources (Uses)	<u>3,740,657</u>	<u>(864,035)</u>	<u>2,876,622</u>
<b><u>Net Change in Fund Balances</u></b>	239,985	(371,489)	(131,504)
<b><u>Fund Balances at Beginning of Year</u></b>	<u>6,358,495</u>	<u>693,644</u>	<u>7,052,139</u>
<b><u>Fund Balances at End of Year</u></b>	<u>\$ 6,598,480</u>	<u>\$ 322,155</u>	<u>\$ 6,920,635</u>

See accompanying notes to financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Net Change in Fund Balance - Total Governmental Funds** \$ (131,504)

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

Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year. 32,234

The net pension liability and related deferred outflows and inflows of resources are an obligation of the City of Madisonville not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year. (42,633)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 2,179,970	
Less current year depreciation	<u>(1,823,764)</u>	356,206

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position. (90,969)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on the net position in the Statement of Activities. 161,494

Accrued interest expense on long-term debt is reported on the government-wide Statement of Activities and Changes in Net Position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in the governmental funds. In the Statement of Activities, these costs represent expenses of the current year. 241

Internal service funds are used by management to charge the cost of certain insurance activities to individual funds. The net revenue is reported with governmental activities net of the amount allocated to business-type activities. These amounts are:

Change in net position	119,056	
Net amount allocated to business-type activities	<u>(80,730)</u>	<u>38,326</u>

**Change in Net Position of Governmental Activities** **\$ 323,395**

**CITY OF MADISONVILLE, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Business-type Activities				Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation	Totals	
<b><u>ASSETS</u></b>					
<b><u>Current Assets</u></b>					
Cash equivalents	\$ 6,256,516	\$ 6,851,163	\$ 490,348	\$ 13,598,027	\$ 2,454,995
Investments, at fair value	-	-	-	-	309,468
Accounts receivable:					
Customers (less allowance for uncollectible accounts of \$841,000)	2,638,440	832,829	179,637	3,650,906	-
Others	83,060	157,695	31,071	271,826	14,582
Due from other funds	5,027	3,202	-	8,229	-
Materials and supplies inventory	749,571	416,899	39,255	1,205,725	-
Interest receivable	-	10,079	-	10,079	79
Prepayments	29,076	37,343	13,424	79,843	-
Restricted assets:					
Cash equivalents	28,818	57,261	-	86,079	-
Investments, at fair value	-	4,607,454	-	4,607,454	-
Total Current Assets	<u>9,790,508</u>	<u>12,973,925</u>	<u>753,735</u>	<u>23,518,168</u>	<u>2,779,124</u>
<b><u>Noncurrent Assets</u></b>					
Capital assets	21,202,530	82,369,538	3,715,987	107,288,055	-
Accumulated depreciation	<u>(9,505,715)</u>	<u>(38,438,321)</u>	<u>(1,878,676)</u>	<u>(49,822,712)</u>	<u>-</u>
Total Noncurrent Assets	<u>11,696,815</u>	<u>43,931,217</u>	<u>1,837,311</u>	<u>57,465,343</u>	<u>-</u>
Total Assets	<u>21,487,323</u>	<u>56,905,142</u>	<u>2,591,046</u>	<u>80,983,511</u>	<u>2,779,124</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Related to refunding debt	-	865,251	-	865,251	-
Related to pensions	<u>181,282</u>	<u>249,264</u>	<u>78,049</u>	<u>508,595</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>181,282</u>	<u>1,114,515</u>	<u>78,049</u>	<u>1,373,846</u>	<u>-</u>
<b><u>LIABILITIES</u></b>					
<b><u>Current Liabilities</u></b>					
Trade accounts payable	3,705,488	178,218	102,420	3,986,126	75,946
Construction accounts payable	-	10,805	20,985	31,790	-
Due to other funds	69,870	285,804	147,625	503,299	580
Unearned revenue	-	247,318	-	247,318	-
Accrued interest payable	-	101,311	-	101,311	-
Accrued payroll and payroll taxes	85,404	119,291	30,412	235,107	-
Compensated absences	48,751	61,622	17,532	127,905	-
Customer deposits payable	679,772	-	-	679,772	-
Customer deposit interest payable	33,316	-	-	33,316	-
Current portion of debt	-	2,447,790	211,150	2,658,940	-
Total Current Liabilities	<u>4,622,601</u>	<u>3,452,159</u>	<u>530,124</u>	<u>8,604,884</u>	<u>76,526</u>
<b><u>Long-Term Liabilities Due After One Year</u></b>					
Long-term portion of debt	-	12,395,514	720,642	13,116,156	-
Net pension liability	<u>1,988,692</u>	<u>2,734,463</u>	<u>856,210</u>	<u>5,579,365</u>	<u>-</u>
Total Long-Term Liabilities	<u>1,988,692</u>	<u>15,129,977</u>	<u>1,576,852</u>	<u>18,695,521</u>	<u>-</u>
Total Liabilities	<u>6,611,293</u>	<u>18,582,136</u>	<u>2,106,976</u>	<u>27,300,405</u>	<u>76,526</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Related to pensions	<u>177,589</u>	<u>244,186</u>	<u>76,459</u>	<u>498,234</u>	<u>-</u>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	11,696,815	30,252,524	905,519	42,854,858	-
Restricted for debt service	-	3,074,482	-	3,074,482	-
Restricted for customer deposits	28,818	-	-	28,818	-
Unrestricted	<u>3,154,090</u>	<u>5,866,329</u>	<u>(419,859)</u>	<u>8,600,560</u>	<u>2,702,598</u>
Total Net Position	<u>\$ 14,879,723</u>	<u>\$ 39,193,335</u>	<u>\$ 485,660</u>	<u>54,558,718</u>	<u>\$ 2,702,598</u>
Reconciliation to government-wide statement of net position:					
Adjustment to reflect the consolidation of Internal Service Fund's activities related to Enterprise Funds				<u>1,164,009</u>	
Net position of business-type activities				<u>\$ 55,722,727</u>	

See accompanying notes to financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities- Enterprise Funds				Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation	Totals	
<b><u>Operating Revenues</u></b>					
Sale of electricity	\$ 25,615,010	\$ -	\$ -	\$ 25,615,010	\$ -
Sewer revenues	-	5,196,440	-	5,196,440	-
Water revenues	-	4,738,409	-	4,738,409	-
Sanitation fees	-	-	2,095,252	2,095,252	-
Grant income	-	540	45,774	46,314	-
Service and miscellaneous	588,733	-	220,654	809,387	1,873,542
Total Operating Revenues	26,203,743	9,935,389	2,361,680	38,500,812	1,873,542
<b><u>Operating Expenses</u></b>					
Electricity purchased	18,607,146	-	-	18,607,146	-
Depreciation	748,830	2,495,405	176,396	3,420,631	-
Maintenance	1,729,271	760,815	216,653	2,706,739	-
Sanitation collection and disposal	-	-	1,813,218	1,813,218	-
Wastewater collection	-	1,031,565	-	1,031,565	-
Purification	-	1,418,734	-	1,418,734	-
Wastewater treatment	-	1,255,445	-	1,255,445	-
Other	528,331	493,912	118,370	1,140,613	1,758,464
Commercial office operations	516,289	-	-	516,289	-
Power purchased	-	346,307	-	346,307	-
Total Operating Expenses	22,129,867	7,802,183	2,324,637	32,256,687	1,758,464
<b><u>Income (Loss) from Operations</u></b>	4,073,876	2,133,206	37,043	6,244,125	115,078
<b><u>Nonoperating Revenues (Expenses)</u></b>					
Investment income	4,788	36,492	57	41,337	3,978
Gain (loss) on disposal of assets	25,000	-	(51,951)	(26,951)	-
Interest expense and fees	-	(491,879)	(30,496)	(522,375)	-
Total Nonoperating Revenues (Expenses)	29,788	(455,387)	(82,390)	(507,989)	3,978
<b><u>Income (Loss) Before Contributions and Transfers</u></b>	4,103,664	1,677,819	(45,347)	5,736,136	119,056
Capital contributions	14,902	110,000	-	124,902	-
Transfers out	(2,850,000)	-	-	(2,850,000)	-
<b><u>Change in Net Position</u></b>	1,268,566	1,787,819	(45,347)	3,011,038	119,056
<b><u>Net Position at Beginning of Year (as Restated)</u></b>	13,611,157	37,405,516	531,007		2,583,542
<b><u>Net Position at End of Year</u></b>	\$ 14,879,723	\$ 39,193,335	\$ 485,660		\$ 2,702,598
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of Internal Service Fund's activities related to Enterprise Funds				80,730	
Change in net position of business-type activities				\$ 3,091,768	

See accompanying notes to financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation	Total	
<b><u>Cash Flows From Operating Activities</u></b>					
Cash received from customers	\$ 26,026,931	\$ 9,787,684	\$ 2,350,361	\$ 38,164,976	\$ 1,862,249
Cash received from interfund services provided	160,257	18,911	-	179,168	-
Cash payments to suppliers for goods and services	(19,966,420)	(3,309,514)	(1,183,127)	(24,459,061)	(1,739,719)
Cash payments to employees for services	(1,537,664)	(2,195,334)	(894,249)	(4,627,247)	-
Net Cash Provided (Used) By Operating Activities	<u>4,683,104</u>	<u>4,301,747</u>	<u>272,985</u>	<u>9,257,836</u>	<u>122,530</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>					
Transfers out	(2,850,000)	-	-	(2,850,000)	-
Net decrease (increase) in amounts due from other funds	7,020	(2,597)	-	4,423	-
Net increase (decrease) in amounts due to other funds	<u>36,949</u>	<u>261,135</u>	<u>101,160</u>	<u>399,244</u>	<u>296</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(2,806,031)</u>	<u>258,538</u>	<u>101,160</u>	<u>(2,446,333)</u>	<u>296</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>					
Proceeds from issuance of debt	-	147,900	931,792	1,079,692	-
Principal paid on debt	-	(2,285,615)	(708,516)	(2,994,131)	-
Contributed capital	14,902	110,000	-	124,902	-
Proceeds from the sale of capital assets	25,000	-	601,458	626,458	-
Acquisition of property, plant and equipment	(891,460)	(1,840,083)	(1,230,322)	(3,961,865)	-
Interest paid on debt	-	(503,096)	(30,496)	(533,592)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(851,558)</u>	<u>(4,370,894)</u>	<u>(436,084)</u>	<u>(5,658,536)</u>	<u>-</u>
<b><u>Cash Flows from Investing Activities</u></b>					
Purchase of investments	-	(1,571,735)	-	(1,571,735)	(2,203)
Sale of investments	-	1,537,772	-	1,537,772	-
Income received on investments	<u>4,788</u>	<u>33,102</u>	<u>57</u>	<u>37,947</u>	<u>529,080</u>
Net Cash Provided (Used) By Investing Activities	<u>4,788</u>	<u>(861)</u>	<u>57</u>	<u>3,984</u>	<u>526,877</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<u>1,030,303</u>	<u>188,530</u>	<u>(61,882)</u>	<u>1,156,951</u>	<u>649,703</u>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>5,255,031</u>	<u>6,719,894</u>	<u>552,230</u>	<u>12,527,155</u>	<u>653,681</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 6,285,334</u>	<u>\$ 6,908,424</u>	<u>\$ 490,348</u>	<u>\$ 13,684,106</u>	<u>\$ 1,303,384</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u></b>					
Operating income (loss)	\$ 4,073,876	\$ 2,133,206	\$ 37,043	\$ 6,244,125	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	748,830	2,495,405	176,396	3,420,631	-
Customer deposit interest accrued	(5,595)	-	-	(5,595)	-
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(16,555)	(128,794)	(11,319)	(156,668)	-
Decrease (increase) in grants receivable	-	-	-	-	-
Decrease (increase) in materials and supplies	(74)	54,242	(11,169)	42,999	-
Decrease (increase) in prepayments	12,333	2,050	4,207	18,590	-
Decrease (increase) in deferred outflows	16,817	22,682	(4,810)	34,689	-
Increase (decrease) in accounts payable	(74,327)	(176,983)	25,829	(225,481)	(11,293)
Increase (decrease) in unearned revenue	-	84,280	(10,156)	74,124	-
Increase (decrease) in customer deposits	51,776	-	-	51,776	-
Increase (decrease) in accrued expenses	16,842	4,150	(12,754)	8,238	-
Increase (decrease) in net pension liability	(318,408)	(432,677)	3,259	(747,826)	-
Increase (decrease) in deferred inflows	177,589	244,186	76,459	498,234	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,683,104</u>	<u>\$ 4,301,747</u>	<u>\$ 272,985</u>	<u>\$ 9,257,836</u>	<u>\$ (11,293)</u>
<b><u>Reconciliation of Total Cash</u></b>					
Current Assets - Cash	\$ 6,256,516	\$ 6,851,163	\$ 490,348	\$ 13,598,027	\$ 2,454,995
Restricted Assets - Cash	<u>28,818</u>	<u>57,261</u>	<u>-</u>	<u>86,079</u>	<u>-</u>
Total Cash	<u>\$ 6,285,334</u>	<u>\$ 6,908,424</u>	<u>\$ 490,348</u>	<u>\$ 13,684,106</u>	<u>\$ 2,454,995</u>

See accompanying notes to financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**POLICEMEN AND FIREFIGHTERS PENSION FUND**  
**COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>		
Cash equivalents	\$ 7,477	\$ 14,641
Interest and dividends receivable	76	141
Investments, at fair value:		
Mutual funds	<u>54,216</u>	<u>94,904</u>
<b><u>Total Assets</u></b>	61,769	109,686
<b><u>Liabilities</u></b>		
Other accounts payable	<u>23,070</u>	<u>22,855</u>
<b><u>Net Position</u></b>		
Net position held in trust for pension benefits	<u>\$ 38,699</u>	<u>\$ 86,831</u>

See accompanying notes to financial statements.



**CITY OF MADISONVILLE, KENTUCKY**  
**POLICEMEN AND FIREFIGHTERS PENSION FUND**  
**COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Additions</u></b>		
Contributions:		
Employer	\$ 475,000	\$ 500,000
Investment earnings:		
Net increase (decrease) in		
fair value of financial instruments	(2,129)	9,486
Dividends	3,693	4,622
Interest	2	2
Other	-	25
Net investment earnings	<u>1,566</u>	<u>14,135</u>
Total Additions	476,566	514,135
<b><u>Deductions</u></b>		
Benefits paid	<u>524,698</u>	<u>548,889</u>
<b><u>Net Increase (Decrease) in Net Position</u></b>	(48,132)	(34,754)
<b><u>Net Position at Beginning of Year</u></b>	<u>86,831</u>	<u>121,585</u>
<b><u>Net Position at End of Year</u></b>	<b><u>\$ 38,699</u></b>	<b><u>\$ 86,831</u></b>

See accompanying notes to financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Madisonville, Kentucky was chartered in May, 1807. The City operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, electrical distribution, water treatment and distribution, wastewater collection and treatment, health and social services, cultural and recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City follows GASB pronouncements as codified under GASB 62. The more significant accounting policies of the City are described below:

**A. The Financial Reporting Entity**

The City of Madisonville, Kentucky is a municipal corporation governed by an elected six member council. The City has adhered to the standards set forth in GASB Statement No. 14 as amended by Statement No. 61 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City.

**Related Organizations**

Elected City officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council appoints a minority of voluntary board members of the Madisonville-Hopkins County Public Library, Hopkins County Planning Commission, the Housing Authority of Madisonville, and the Madisonville/Hopkins County Economic Development Corporation. The City appropriated operating grants of \$180,624 to the Madisonville-Hopkins County Public Library, \$46,000 to the Hopkins County Planning Commission, and \$85,000 to the Madisonville/Hopkins County Economic Development Corporation during the fiscal year ended June 30, 2015.

**Discretely Presented Component Unit**

*Greater Madisonville Area Industrial Development Authority*

The Greater Madisonville Area Industrial Authority (GMAIA) was created by the City under Kentucky Revised Statutes to hold title to and administer a city owned industrial park with improvements partially financed with federal grants. The Mayor and the Council select the Authority's Board of Directors. City management controls the financial resources of the GMAIA and prepares the annual budget (which requires City Council approval) and all financial reports. Therefore, based upon GASB 61 criteria, this organization is presented as a discretely presented component unit in the Comprehensive Annual Financial Report. Since separate financial statements for the GMAIA are not available, the GMAIA financial statements have been incorporated into the combined and individual fund sections of the City's Comprehensive Annual Financial Report.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Under the accrual basis of accounting, revenues are recorded when earned, including unbilled electric, water, sewer and sanitation services which are accrued and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Franchise taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Occupational taxes, business taxes, licenses, fines, penalties, and miscellaneous are recognized as revenues in the current period in which they can be used to pay liabilities of the current period (usually 45 days). Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

expenditures, as well as expenditures related to compensated absences, claims and judgements are recorded only when payment is due.

Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund balance sheets amounts reported as restricted fund balances in governmental funds may be different from amounts reported as restricted net position in the statement of net position.

The City reports the following major governmental fund:

**General Fund** - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The City reports the following major proprietary funds:

**Light Fund** - The Light Fund is used to account for the provision of electrical service to the residents of the City. Activities of the fund include wholesale purchase of electricity, administration, distribution infrastructure additions and maintenance, and billing and collection activities. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City and some residents of Hopkins County. Activities of the fund include administration, water treatment, distribution infrastructure additions and maintenance, wastewater collection infrastructure additions and maintenance, and wastewater treatment activities. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for water and sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

**Sanitation Fund** - The Sanitation Fund is used to account for the collection and disposal of solid waste services to the residents of the City. Activities of the fund include administration, commercial and residential garbage collection, sorting recyclable items, transportation of solid waste, and landfill tipping fees. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund. The fund does not meet the criteria of a major fund established in GASB Statement No. 34. However, because the fund is the only remaining non-major fund, it is presented as a major fund.

Additionally, the City reports the following fund types:

**Internal Service Fund** - The Self Insured Health Care Trust Fund provides City employees health and life insurance benefits to those who elect coverage.

**Fiduciary Funds** - The Policemen and Firefighters Pension Trust Fund reports fiduciary resources held in trust and the receipt, investment, and distribution of retirement benefits.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are costs and other charges between the City's governmental activities and the Light Fund, Water and Sewer Fund, and Sanitation Fund, because elimination of these charges would distort the direct costs and program revenues reported in the statement of activities.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities, and Net Position or Equity**

**Cash and Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

City ordinances authorize the City to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, and demand deposits. All investments must be purchased through local brokers/dealers or deposited with local financial institutions. Also by ordinance, the Policemen and Firefighters Pension Fund may invest in deposits with out-of-state financial institutions, corporate stocks and bonds, and limited partnership interests. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments. The City values its investments in restricted asset accounts at quoted market values, which approximates fair value.

For the purpose of the statement of cash flows, the City considers all cash in banks with stated maturities of three months or less or available for withdrawal by City management to be cash and cash equivalents.

**Accounts Receivable and Allowance for Uncollectible Accounts**

Accounts receivable are recorded in the Governmental, Business-type, and Internal Service funds, net of appropriate allowance for uncollectible accounts. An allowance for uncollectible accounts has been provided based on prior years' loss experiences as a percentage of revenues billed. Based on past experience, management considers the allowance adequate to provide for any losses on collection of the June 30, 2015 accounts receivable.

**Short-Term Interfund Receivables and Payables**

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**Inventories**

Inventories of materials and supplies are valued at average cost. Resale inventories are valued at the lower of cost or market. Real estate held for resale is valued at the lower of cost or fair market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items and are accounted for using the consumption method. Prepaid items recorded in the governmental funds are reflected as nonspendable fund balance.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Restricted Assets**

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable debt agreements. The restricted funds have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. Assets are also restricted for deposits received from light customers, as well as amounts received in advance of services provided.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. See Note 4 for information describing restricted assets.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (excluding those acquired prior to June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$2,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	20-50 years
Utility Plant	30-33 years
Studies, Surveys, and Maps	10-20 years
Machinery and Equipment	3-10 years

When capital assets are disposed of, the cost and accumulated depreciation or amortization is removed from the accounts, and any resultant gain or loss is recognized in the government-wide and proprietary fund financial statements.

**Unearned Revenue**

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as a current liability or deferred inflow of resources until such time as the revenue becomes available. In the proprietary funds (and for the governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

**Bond Premiums, Discounts, and Issuance Costs**

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method and are reported as deferred amounts from refunding debt. Issuance costs are reported as expenses.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and the proprietary fund financial statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

**Compensated Absences**

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacation, sick and other leave benefits that meet the following conditions:

- a) The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b) The obligation relates to rights that vest or accumulate.
- c) Payment of the compensation is probable.
- d) The amount can be reasonably estimated.

Employees earn vacation leave on January 1 of each year if they have worked as a full time employee for one continuous year. Employees who work 35 hours per week earn 70 hours per year during the first ten years of employment, 105 hours per year during and after the eleventh year of continuous employment, and 140 hours per year after 25 years. Employees who work 40 hours per week earn 80 hours per year during the first ten years of employment, 120 hours per year during and after the eleventh year of continuous employment, and 160 hours per year after 25 years. Employees who work an average of 56 hours per week earn 120 hours per year during the first ten years, 168 hours per year during and after the eleventh year of continuous employment and 224 hours after 25 years. An employee may carry over vacation days at the end of the calendar year upon written permission from the Human Resources Manager for a period not to exceed 12 months. Therefore, compensated absences are reflected as current liabilities in the Statement of Net Assets. All outstanding vacation leave is payable upon resignation, retirement, or death.

Employees accumulate sick leave at a rate of one day per month up to a total of 120 days. No payment is made for any unused sick leave; upon resignation, retirement or death, sick leave benefit obligations do not vest with employees.

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

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Postemployment Benefits**

Postemployment benefits are those received by employees after termination of employment. The City provides no such benefits.

**Net Position**

In the government-wide statements, equity is classified as net position and displayed in three components.

- Net investment in capital assets - capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- Restricted net position - net position with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

**Fund Balance Classification**

In governmental fund financial statements, equity is classified as fund balance and is displayed in up to five components based primarily on the extent to which the City is bound to observe constraints imposed on the use of fund resources. These components are as follows:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory, prepaids, and real estate held for resale) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by the Finance Director to which the City Council delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. This is the residual fund balance that is not contained in nonspendable fund balance, restricted fund balance, committed fund balance or assigned fund balance.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.



**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**E. Deferred Outflows of Resources and Deferred Inflows of Resources**

**Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category.

Deferred outflows related to refunding debt are reported in the government-wide and proprietary statement of net position. A deferred outflow from refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt using the effective interest method.

Deferred outflows related to pensions are reported in the government-wide and proprietary statement of net position. A deferred outflow from pensions results from City contributions made subsequent to the measurement date. This amount is deferred and will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category.

Deferred inflows related to property taxes are reported in the government-wide statement of net position and governmental balance sheet. A deferred inflow from property taxes results from property taxes receivable that are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows related to pensions are reported in the government-wide statement and proprietary statement of net position. A deferred inflow from pensions results from net differences between expected and actual earnings on pension plan investments. This amount is deferred and will be recognized as a reduction of pension expense over the next four years.

**F. Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues (including occupational and insurance premium taxes, franchise fees, and licenses) are accrued. Property taxes are generally billed and collected within the same period in which the taxes are levied. In addition, revenue from Federal and State reimbursement type grants for which eligibility requirements have been met have been accrued and recognized as revenues of the period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures are recognized when the related fund liability is incurred except for the following, which are permitted by generally accepted accounting principles. General obligation long-term debt principal and interest, compensated absences, pension and other benefits, and other long-term liabilities are reported only when due.

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. The principal operating revenue of the proprietary funds is receipts from customers. Operating expenses for these operations include all costs related to providing the service. These costs include salaries, contractual services, supplies, maintenance, depreciation,

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

and administrative expenses. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**G. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**H. Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds.

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

The City Finance Director is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by a majority vote of the City Council.

As required by Kentucky Revised Statutes (K.R.S.) 91A.030 (1), formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds. Budgets for Internal Service and Fiduciary Type Funds are not legally required, therefore, none are presented. Total expenditures for a fund legally may not exceed the total appropriations as required by K.R.S. 91A.030 (13). All appropriations lapse at year-end.

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There was an amendment to the originally adopted budget during the year ended June 30, 2015.

**I. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Subsequent Events**

The City has evaluated subsequent events through December 15, 2015, the date which the financial statements were available to be issued.

**K. Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year ended June 30, 2015.

**M. Implementation of New Accounting Principles**

**Governmental Accounting Standards Board Statement No. 68**

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which was issued in June 2012. The provisions of this pronouncement are effective for periods beginning after June 15, 2014. This pronouncement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The adoption of this pronouncement did impact the City's financial position and resulted in a restatement of beginning net position due to this change in accounting principle in the amount of \$21,966,364 for governmental activities and \$6,327,192 for business-type activities.

**Governmental Accounting Standards Board Statement No. 69**

The City adopted the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which was issued in January 2013. The provisions of this pronouncement are effective for periods beginning after December 15, 2013. This pronouncement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this pronouncement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City's currently has no activity requiring such disclosures.

**Governmental Accounting Standards Board Statement No. 71**

The City adopted the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, which was issued in November 2013. The provisions of this pronouncement are effective for periods beginning after June 15, 2014. This pronouncement is intended improve accounting and financial reporting by state and local governments for pensions. It addresses an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, concerning transition provisions related to certain pension contributions made to defined benefit plans prior to implementation of that pronouncement by employers and nonemployer contribution entities. The adoption of this pronouncement did impact the City's financial position and resulted in a restatement of beginning net position due to this change in accounting principle in the amount of \$1,561,648 for governmental activities and \$543,285 for business-type activities.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Compliance with Finance Related Legal and Contractual Provisions**

The government has no material violations of finance related legal and contractual provisions.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Excess of Expenditures Over Appropriations in Individual Funds**

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2015:

General Fund	\$ 178,427	Due to under budgeted capital outlay expenditures
Emergency Telephone System Fund	28,276	Due to under budgeted capital outlay expenditures
Airport Fund	153,747	Due to under budgeted transfers out
Greater Madisonville Area Industrial Authority	9,241	Due to under budgeted professional fees and maintenance expenditures

The over expenditures were due mainly to budgeting practices. Fund equity and other financial sources were sufficient to offset the over expenditures in the above funds with the exception of the Emergency Telephone System Special Revenue Fund. Annual budgets were adopted for the general fund, all special revenue funds and all enterprise funds.

**Net Position Restrictions**

Only restrictions imposed by external sources are shown as restricted net position on the government-wide financial statements. The following restrictions apply to business-type activities at June 30, 2015:

Light Enterprise Fund	\$ 28,818	Restricted for customer deposits
Water & Sewer Enterprise Fund	<u>3,074,482</u>	Restricted for debt service
Total	<u>\$ 3,103,300</u>	

**3. DEPOSITS AND INVESTMENTS**

**Net Position**

The captions on the statement of net position for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total along with the component unit column are as follows:

	Deposits	Investments	Primary Government Total	Pension Trust	Component Unit
Cash equivalents	\$ 20,842,566	\$ -	\$ 20,842,566	\$ 7,477	\$ 186,006
Investments	326,006	-	326,006	54,216	-
Restricted assets:					
Cash equivalents	96,475	186	96,661	-	-
Investments	<u>2,270,248</u>	<u>2,337,206</u>	<u>4,607,454</u>	-	-
Total	<u>\$ 23,535,295</u>	<u>\$ 2,337,392</u>	<u>\$ 25,872,687</u>	<u>\$ 61,693</u>	<u>\$ 186,006</u>

At year-end, the carrying amount of the City's deposits was \$23,535,295 and the bank balance was \$23,597,069. The \$61,774 difference represents outstanding checks, deposits in transit, and other reconciling items.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2015, in accordance with City policy, \$1,598,252 of the City's deposits was covered by federal depository insurance and \$20,059,884 was collateralized by securities held by the pledging financial institution's agent or trust department in the City's name. The City had \$1,938,933 of deposits that were uninsured and uncollateralized and exposed to custodial credit risk.

The custodial credit risk for investments is the risk that, in the event of the failures of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The City's investment policy states that investment assets shall be secured through a third party custodian and safekeeping procedures. Bearer instruments shall be held only through third party institutions.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has adopted a formal investment policy. However, that policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Trustees of the Policemen and Firefighters Pension Fund have not adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City and the Trustees of the Policemen and Firefighters Pension Fund have elected the specific identification method to disclose interest rate risk.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. According to the City's investment policy, investments in corporate bonds have been limited to US Government Agency obligations that carry a superior credit rating. The other investments of the primary government are collateralized certificates of deposit or direct obligations of the US Government and its instrumentalities or with mutual funds. The City's Policemen and Firefighters Pension Fund Board of Trustees has primary responsibility for credit risk related to Fiduciary Fund investments and has engaged a professional financial advisor to consult on investment activity.

**Concentration of Credit Risk**

The City's adopted investment policy limits the amount that may be invested with one issuer to no more than 30% of the City's investment portfolio, with the exception of fully insured or fully collateralized investments and authorized investment pools. At June 30, 2015, the City had 42% of its primary government investments in mutual funds holding US Government securities, 35% was invested in time deposits that are uncollateralized, and 23% in fully collateralized certificates of deposit.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Identification**

At June 30, 2015, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Mutual Funds:		
Federated Treasury Obligations	N/A	2,061,925
Federated Prime Value Obligations	N/A	275,281
Total Mutual Funds		<u>2,337,206</u>
Time Deposits:		
Bayerische Landesbank	09/01/2022	1,078,570
Bayerische Landesbank	09/01/2022	860,363
Total Time Deposits		<u>1,938,933</u>
Certificate of Deposit:		
Old National Bank	01/16/2018	16,538
Hancock Bank	12/10/2015	56,675
Hancock Bank	12/14/2015	309,468
Fifth Third Bank	11/17/2015	180,750
First United Bank & Trust	08/16/2016	93,890
Total Certificates of Deposit		<u>657,321</u>
Total Primary Government		<u>\$ 4,933,460</u>
Fiduciary Fund:		
Mutual Funds	N/A	\$ 54,216
Total Fiduciary Fund		<u>\$ 54,216</u>

**4. RESTRICTED NET POSITION**

**Restricted for Customer Deposits**

Customer deposits for utility services scheduled to be refunded are segregated into a separate account. At June 30, 2015, customer deposits of \$28,818 were deposited in a noninterest bearing checking account in Old National Bank for the purpose of refunding customer deposits.

**Bond Issue Construction**

At June 30, 2015, the City maintained \$310,165 restricted for water treatment improvement construction and system infrastructure improvements as allowed by Water & Sewer System Series 2003A Bond Ordinance. The funds were invested in a Federated Treasury Obligations Fund through an account administered by the Bank of New York.

**Debt Covenant Requirements**

	<u>Loan Reserve Funds</u>	<u>Payment and Interest Fund</u>	<u>Bond Reserve Fund</u>	<u>Depreciation Fund</u>
Cash Deposits	\$ -	\$ 186	\$ -	\$ -
Certificates of Deposit	388,390	-	-	-
Time Deposits	-	1,078,570	860,363	-
Mutual Funds	-	944,984	275,281	806,776
Totals	<u>\$ 388,390</u>	<u>\$ 2,023,740</u>	<u>\$ 1,135,644</u>	<u>\$ 806,776</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Net Position Restricted for Debt Service**

A portion of the Net Position of the Water & Sewer Enterprise Fund is reserved for debt service. The reserved portion is calculated as follows:

<b><u>Debt Requirement Restricted Assets</u></b>		
Revenue bond payment and interest fund	\$ 2,023,740	
Bond reserve fund	1,135,644	
Depreciation fund	806,776	
Loan reserve funds	<u>388,390</u>	
Total		\$ 4,354,550
<b><u>Current Portion of Debt Requirements</u></b>		
Revenue bonds and debt payable	1,185,000	
Accrued interest payable	<u>95,068</u>	
Total		<u>1,280,068</u>
<b><u>Net Position Restricted for Debt Service</u></b>		<b><u>\$ 3,074,482</u></b>

**5. CAPITAL ASSETS**

**Governmental Activities**

A summary of capital assets at June 30, 2015 for governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers &amp; Reclasses</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
<b>Nondepreciable capital assets:</b>					
Land	\$ 3,830,866	\$ 122,300	\$ -	\$ -	\$ 3,953,166
Construction in progress	<u>602,817</u>	<u>988,293</u>	<u>-</u>	<u>(518,170)</u>	<u>1,072,940</u>
Total nondepreciable capital assets	<u>4,433,683</u>	<u>1,110,593</u>	<u>-</u>	<u>(518,170)</u>	<u>5,026,106</u>
<b>Depreciable capital assets:</b>					
Buildings	22,324,515	114,873	(3,253,564)	121,330	19,307,154
Improvements other than buildings	1,726,530	147,821	(12,495)	335,897	2,197,753
Machinery and equipment	8,606,238	370,285	(134,426)	60,943	8,903,040
Infrastructure	<u>32,448,622</u>	<u>437,398</u>	<u>-</u>	<u>-</u>	<u>32,886,020</u>
Total depreciable capital assets	<u>65,105,905</u>	<u>1,070,377</u>	<u>(3,400,485)</u>	<u>518,170</u>	<u>63,293,967</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(10,503,689)	(646,232)	3,222,261	-	(7,927,660)
Improvements other than buildings	(726,480)	(96,337)	11,700	-	(811,117)
Machinery and equipment	(5,386,240)	(528,905)	74,555	-	(5,840,590)
Infrastructure	<u>(26,582,687)</u>	<u>(552,290)</u>	<u>-</u>	<u>-</u>	<u>(27,134,977)</u>
Total accumulated depreciation	<u>(43,199,096)</u>	<u>(1,823,764)</u>	<u>3,308,516</u>	<u>-</u>	<u>(41,714,344)</u>
Total depreciable capital assets, net	<u>21,906,809</u>	<u>(753,387)</u>	<u>(91,969)</u>	<u>518,170</u>	<u>21,579,623</u>
Governmental activities capital assets, net	<u>\$ 26,340,492</u>	<u>\$ 357,206</u>	<u>\$ (91,969)</u>	<u>\$ -</u>	<u>\$ 26,605,729</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Business-type Activities**

A summary of proprietary fund property, plant and equipment at June 30, 2015 for business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers &amp; Reclasses</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Nondepreciable capital assets:					
Land	\$ 1,230,244	\$ -	\$ -	\$ -	\$ 1,230,244
Construction in progress	<u>627,730</u>	<u>700,786</u>	<u>-</u>	<u>(412,892)</u>	<u>915,624</u>
Total nondepreciable capital assets	<u>1,857,974</u>	<u>700,786</u>	<u>-</u>	<u>(412,892)</u>	<u>2,145,868</u>
Depreciable capital assets:					
Plants and facilities	95,236,459	1,664,015	(374,186)	412,892	96,939,180
Systems studies and mapping	494,762	7,400	-	-	502,162
Machinery and equipment	<u>6,984,747</u>	<u>1,589,664</u>	<u>(873,566)</u>	<u>-</u>	<u>7,700,845</u>
Total depreciable capital assets	<u>102,715,968</u>	<u>3,261,079</u>	<u>(1,247,752)</u>	<u>412,892</u>	<u>105,142,187</u>
Less accumulated depreciation for:					
Plants and facilities	(42,440,304)	(2,903,125)	374,186	-	(44,969,243)
Systems studies and mapping	(201,223)	(25,878)	-	-	(227,101)
Machinery and equipment	<u>(4,354,897)</u>	<u>(491,628)</u>	<u>220,157</u>	<u>-</u>	<u>(4,626,368)</u>
Total accumulated depreciation	<u>(46,996,424)</u>	<u>(3,420,631)</u>	<u>594,343</u>	<u>-</u>	<u>(49,822,712)</u>
Total depreciable capital assets, net	<u>55,719,544</u>	<u>(159,552)</u>	<u>(653,409)</u>	<u>412,892</u>	<u>55,319,475</u>
Business-type activities capital assets, net	<u>\$ 57,577,518</u>	<u>\$ 541,234</u>	<u>\$ (653,409)</u>	<u>\$ -</u>	<u>\$ 57,465,343</u>

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

Governmental activities:	
Highways and streets, including depreciation of general infrastructure assets	\$ 596,960
Airport	487,061
Public safety	315,463
General government	289,046
Culture and recreation	123,640
Cemetery	<u>11,594</u>
Total depreciation expense - governmental activities	<u>\$ 1,823,764</u>
Business-type activities:	
Light	\$ 748,830
Water and sewer	2,495,405
Sanitation	<u>176,396</u>
Total depreciation expense - business-type activities	<u>\$ 3,420,631</u>



**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**6. PROPERTY TAX**

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Hopkins County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Hopkins County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2015, taxes were levied on October 1, 2014 and payable on November 30, 2014. The tax rate was 12.2 cents per \$100 of assessed valuation of real property; 15.0 cents per \$100 for motor vehicles and watercraft, 19.44 cents per \$100 for all other tangible personal property. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

**7. EMPLOYEE RETIREMENT SYSTEMS**

The City maintains a single-employer, defined benefit pension plan (Policemen and Firefighters Pension Fund) which covers public safety employees employed prior to February 1, 1988, who elect to participate in the plan. The City also participates in the County Employees Retirement System, a multiple-employer, cost-sharing public employee pension plan which covers all of the City's employees hired after February 1, 1988 and those employees electing coverage under the plan who were employed on February 1, 1988.

**Policemen and Firefighters Pension Plan**

**General Information about the Plan**

**1. Plan Description**

The Policemen and Firefighters Pension Fund is a single-employer, defined benefit pension plan that was established March 5, 1943. The fund provides benefits for widows and retiring personnel of the police and fire departments whose date of employment was prior to February 1, 1988, who elect to continue participation in the plan. A Board of Trustees consisting of the Mayor, City Clerk, a Council Member, and two retired beneficiaries administer the fund. The City no longer has active employees contributing to the plan. There is not a separate, audited GAAP basis report available for this plan. As of June 30, 2015, all plan participants had retired. Membership at June 30, 2015 is as follows:

Retirees and beneficiaries currently receiving benefits	25
Vested terminated employees	0
Active employees:	
Fully vested-participating	0
Nonvested	0

**2. Summary of Significant Accounting Policies**

The Policemen & Firefighters Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms as stated in Kentucky Revised Statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The City follows GASB pronouncements as codified under GASB 62.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.98)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**3. Benefits Provided**

Employees attaining the age of 51 years who have completed 20 or more years of service are entitled to an annual benefit of 50% of final salary at the time of retirement. Rights in a service retirement annuity vest upon completion of 20 years of service.

The Plan provides for occupational death benefits, which entitle the spouse to receive immediate income equal to 50% of the member's last rate of pay regardless of the employee's length of service. The income ceases at the spouse's death or remarriage. In addition, \$6 per month is payable to the spouse for each minor child until each child attains age 14. Each surviving dependent parent (if both are alive) is entitled to a benefit of \$15 per month. If only one dependent parent is living, then that parent is entitled to a benefit of \$30 per month. If a member dies from non-occupational causes after completing at least 12 years of service, his/her spouse, dependent children, and dependent parent(s) are entitled to the same benefits as payable under the occupational death benefit.

The Plan provides for disability benefits based on years of service. If a member becomes disabled and has completed at least 12 years of service, the member receives 50% of his final salary. If the member has less than 12 years of service, the member receives a fixed benefit determined by the Board of Trustees, on the ratio of years of service to 12, not to exceed 50% of final salary.

Upon termination, a member may receive a refund of his accumulated contributions to the fund without interest. However, no post-retirement cost of living increases are provided for in the plan. A \$100 funeral benefit is payable to a deceased member's family for funeral expenses.

**4. Contributions**

Active members are required under Kentucky Revised Statutes to contribute 3.5% of their annual salary to the Fund. The City is required to contribute the remaining amounts necessary to fund the plan, using the entry age-normal actuarial method as specified by ordinance. Effective in 1990, legislation was passed which provides that the Board of Trustees may grant an annual cost-of-living adjustment if actuarially supportable up to a maximum of 5%. During March 2006, the Board of Trustees granted those receiving benefits a one time cost-of-living adjustment increase of \$45 per month.

**5. Pension Liability, Pension Expense, and Deferred Inflows of Resources Related to Pensions**

The components of the net pension liability of the City at June 30, 2015, were as follows:

Total pension liability	\$ 5,598,253
Plan fiduciary net position	(38,699)
City's net pension liability	<u>\$ 5,559,554</u>
Plan fiduciary net position as a percentage of the total pension liability	0.69 %

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

For the year ended June 30, 2015, the City recognized pension expense of \$1,130,475. At June 30, 2015, the City reported deferred inflows of resources related to pensions from the following source:

	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual earnings on pension plan investments	\$ <u>5,894</u>

The deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	\$ 1,473
2017	1,473
2018	1,474
2019	1,474

**6. Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the July 1, 2015 actuarial valuation developed by SG Actuarial Services LLC. The valuation used an entry age actuarial funding method. The actuarial assumptions included (a) 5.0% investment rate of return; (b) no cost-of-living adjustment; and (c) no inflation rate adjustment. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 15 years. Mortality was determined using the RP-2000 Mortality Table projected to 2015 without collar adjustment (separate tables for Male and Female lives). The General Fund of the City of Madisonville, Kentucky provides administrative costs such as professional fees and beneficiary services. Other miscellaneous investment fees and miscellaneous costs are paid from available net assets in the Fund.

The long-term expected rate of return on pension plan assets was reviewed as part of the July 1, 2015 valuation. Given the fact that the current level of plan assets is less than 1% of projected plan liabilities, the amount of any investment return is essentially irrelevant regardless of the actual underlying rate of return on invested assets. The plan is for all practical purposes in a "pay as you go" funding mode.

**7. Discount Rate**

The discount rate used to measure the total pension liability was reduced from 7.0% in the prior year to 5.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine to total pension liability.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**8. Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/14	\$ 4,996,804	\$ 86,831	\$ 4,909,973
Changes for the year:			
Interest	329,881	-	329,881
Differences between expected and actual experience	(5,894)	-	(5,894)
Changes of assumptions	802,160	-	802,160
Contributions-employer	-	475,000	(475,000)
Net investment income	-	1,566	(1,566)
Benefit payments, including refunds of employee contributions	(524,698)	(524,698)	-
Net changes	601,449	(48,132)	649,581
Balances at 6/30/15	\$ 5,598,253	\$ 38,699	\$ 5,559,554

The changes of assumptions result from lowering the expected rate of return and discount rate from 7% to 5% and using the updated RP-2000 Mortality Table projected to 2015 without collar adjustment.

**9. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 5.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.0%) or 1-percentage point higher (6.0%) than the current rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
City's net pension liability	\$ 6,082,517	\$ 5,598,253	\$ 5,179,506

**County Employees Retirement System**

**General Information about the Pension Plan**

**1. Plan Description**

The City of Madisonville, Kentucky is a participant in the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems Board of Trustees (KRS Board) established pursuant to Kentucky Revised Statutes (KRS) Section 78.630. On January 18, 1988, the City Council adopted an ordinance which allowed all employees of the City hired before February 1, 1988, at their option, to participate in the CERS. Under the same ordinance, all employees hired after February 1, 1988 are mandated participants in the CERS. KRS Section 61.645 grants the authority to establish and amend the benefit terms to the Kentucky Retirement Systems (Board). All City employees participating in the CERS are classified as having either a hazardous or nonhazardous position for the purpose of KRS 61.592. Kentucky Retirement Systems issues a publicly available comprehensive annual financial report containing CERS information that can be obtained at <https://kyret.ky.gov>.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**2. Benefits Provided**

Hazardous position members who have attained age 55 and have acquired at least 5 years of service, of which 1 year must be current service, are eligible for an annual retirement benefit, payable monthly for life. The benefit is computed by the number of years of service multiplied by 2.45% then multiplied by the average annual salary during the member's five highest paid fiscal years. Benefits fully vest upon reaching 5 years of credited service, one of which must be current service. Vested members may retire at or after age 50 with 15 years of credited service, of which 1 year must be current service, and receive reduced retirement benefits. CERS also provides death and disability benefits. Benefits are established by the Kentucky Statutes.

Nonhazardous position employees who have attained age 65 and have acquired at least 4 years of credited service of which 1 year must be current service are eligible for an annual retirement benefit, payable monthly for life. The benefit is computed by the number of years of service multiplied by 1.85% then multiplied by the average annual salary during the member's five highest paid fiscal years. Benefits fully vest upon reaching 5 years of credited service, one of which must be current service. Vested members may retire at or after age 55 with 5 years of credited service, of which 1 year must be current service, and receive reduced benefits. CERS also provides death and disability benefits. Benefits are established by the Kentucky Statutes.

If a member's employment is terminated before the member is eligible for any other benefits under CERS, the member shall receive a refund of his/her member contributions with credited interest at 3 percent compounded annually through June 30, 1981, 6 percent thereafter through June 30, 1986, and 4 percent thereafter.

**3. Contributions**

Covered employees who began participation before September 1, 2008 are required by state statute to contribute 5 percent of their salary to CERS. Members occupying hazardous positions, as defined by state statute, contribute 8 percent of their salary to CERS. Covered employees who began participation on or after September 1, 2008 are required by state statute to contribute 6 percent of their salary to CERS. Members occupying hazardous positions, as defined by state statute, contribute 9 percent of their salary to CERS. The additional 1 percent is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund.

Covered employees who began participation 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. Covered employees in the plan contribute a set percentage of their salary each month to their own account. Employee contribution rates are 5 percent for those classified as nonhazardous and 8 percent for those classified as hazardous and 1 percent to the health insurance fund which is not credited to the employee's account and is not refundable. The employer contribution rate is set annually by the KRS Board based on an actuarial valuation. The employer contributes a set percentage of the employee's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the employee's account equal to 4 percent for those classified as nonhazardous and 7.5 percent for those classified as hazardous. The employer pay credit represents a portion of the total employer contribution.

Employers are required by state statute (KRS 78.545) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the KRS Board annually based upon actuarial valuations. For the year ended June 30, 2015, the employer contribution rate was 17.67% and 34.31%, respectively, of members' nonhazardous and hazardous salaries. The employer contribution when combined with employee contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

liability. City employer CERS contributions for the year ended June 30, 2015 were \$3,154,433 which consisted of \$1,158,389 and \$1,996,043 for nonhazardous and hazardous classified employees, respectively.

**4. Refunds of Contributions**

Employees who have terminated service as a contributing member of CERS may file an application for a refund of their contributions. Employee accounts have been credited with interest on July 1 of each year at 3 percent compounded annually through June 30, 1981; 6 percent thereafter through June 30, 1986; 4 percent thereafter through June 30, 2003, and 2.5 percent thereafter. For employees participating prior to September 1, 2008, the interest paid is set by the KRS Board and will not be less than 2 percent, for employees participating on or after September 1, 2008 but before January 1, 2014, interest will be credited at a rate of 2.5 percent. For employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4 percent.

**5. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the City reported a net pension liability of \$22,401,985 for its proportionate share of the CERS net pension liability. The net pension liability was measured as of June 30, 2014, 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 CERS relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportion was 0.283 percent for nonhazardous classified employees and 1.101 percent for hazardous classified employees.

For the year ended June 30, 2015, the City recognized pension expense of \$2,326,687 (\$826,271 nonhazardous and \$1,500,416 hazardous). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Nonhazardous Employees</u>		<u>Hazardous Employees</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual earnings on pension plan investments	\$ -	\$ 818,822	\$ -	\$ 1,041,118
City contributions subsequent to the measurement date	<u>835,849</u>	<u>-</u>	<u>1,206,004</u>	<u>-</u>
Total	<u>\$ 835,849</u>	<u>\$ 818,822</u>	<u>\$ 1,206,004</u>	<u>\$ 1,041,118</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

The \$2,041,853 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	<u>Nonhazardous</u>	<u>Hazardous</u>
2016	\$ 204,705	\$ 260,279
2017	204,705	260,279
2018	204,706	260,279
2019	204,706	260,279

**6. Actuarial Assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2008.

The long-term expected return on pension assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return and net of investment expense) 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 weighing 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 timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
Domestic Equity	30 %	8.45 %
International Equity	22 %	8.85 %
Emerging Market Equity	5 %	10.50 %
Private Equity	7 %	11.25 %
Real Estate	5 %	7.00 %
Core US Fixed Income	10 %	5.25 %
High Yield US Fixed Income	5 %	7.25 %
Non US Fixed Income	5 %	5.50 %
Commodities	5 %	7.75 %
TIPS	5 %	5.00 %
Cash	1 %	3.25 %
Total	100 %	

**7. Discount Rate**

The discount rate used to measure the total pension liability for the plan was 7.75 percent for both nonhazardous and hazardous. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 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 assets over the first four years of the projection period.

**8. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what the plan's net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
<b><i>Nonhazardous</i></b>			
City's proportionate share of the net pension liability	\$ 12,082,353	\$ 9,169,400	\$ 6,618,690
<b><i>Hazardous</i></b>			
City's proportionate share of the net pension liability	\$ 17,309,680	\$ 13,232,585	\$ 9,769,889

**9. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by the Kentucky Retirement Systems and can be found at <https://kyret.ky.gov>.



**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**10. Payables to the Pension Plan**

At June 30, 2015, the City owed \$290,973 in contractually required employee and employer contributions primarily for the month ended June 30, 2015. The obligation was paid within prescribed time limits.

**11. Postretirement Healthcare Benefits**

In addition to the pension benefits described above, the KRS provides postretirement healthcare benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund). The Insurance Fund was established to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the year ended June 30, 2014 (the date of the latest available information), insurance premiums withheld from benefit payments for those receiving benefits from CERS were \$24,206,307 and \$1,936,349 for nonhazardous and hazardous, respectively. For the year ended June 30, 2013, insurance premiums withheld from benefit payments for those receiving benefits from CERS were \$27,804,392 and \$2,068,890 for nonhazardous and hazardous, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty. As of June 30, 2014, the Insurance Fund had 104,635 retirees and beneficiaries for whom benefits were available.

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentage of the maximum contribution are shown below:

<u>Service Period</u>	<u>% paid by Insurance Fund</u>
20 or more years	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, nonhazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index (CPI) for all urban consumers. This benefit is not protected under the inviolable contract provision of Kentucky Revised Statutes 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

In prior years, the employer's required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20 year period measured from 1987. In November 1992, the Board adopted a fixed percentage rate and suspended future increases under

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

the current medical premium funding policy until the next experience study could be performed. In May 1996, the KRS Board adopted a policy to increase the insurance rate by the amount needed to achieve the target rate for full entry age normal funding within twenty years.

On August 6, 2012, the KRS Board voted to cease self-funding of healthcare benefits for most Medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to retirees through a fully insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

**8. COMMITMENTS**

**Kentucky Law Enforcement Foundation Program Funds**

KLEFP funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualification.

**Professional Firefighters Foundation Incentive Program Funds**

PFFIP funds are provided by the Commonwealth of Kentucky for fire training incentives. The funds are made available to supplement firefighters' salaries under certain defined requirements for qualification.

**Mahr Park Entrance Road Project**

The City had a contract for a construction project at June 30, 2015 for the park department referred to as the Mahr Park Entrance Road Project. The project will provide the entrance road for the development of Mahr Park. The City had a construction commitment with Road Builders, LLC for \$397,800.

**Pledge to Madisonville Community College**

On November 3, 2014, the City pledged the sum of \$1,000,000 to Madisonville Community College (MCC) for the construction of the regional post-secondary educational center to be constructed on the MCC campus under the KCTCS Buildsmart Initiative to be funded over a 3 year period with the pledge to be paid in full on or before June 30, 2016. The pledge is contingent upon MCC receiving pledges totaling at least \$5,000,000 by January 1, 2016 to qualify for the issuance of \$15,000,000 in agency bonds to construct the new center. The City paid the first of the 3 installments of the pledge to MCC in October 2015.

**9. RISK MANAGEMENT**

Beginning July 1, 2011, the City became a participant in the Kentucky League of Cities Insurance Services (KLCIS) Program. The fully funded policy provides workers' compensation coverage and benefits on a statutory basis in accordance with the laws of the State of Kentucky. The policy also provides employers' liability insurance limits of \$4,000,000 which provide for disability and injuries not normally included in the workers' compensation system.

Prior to joining the KLCIS program, the City participated in the Kentucky Municipal Risk Management Association (KMRMA). The purpose of the association was to purchase reinsurance on a group basis for member governments as it related to workers' compensation insurance coverage. The City retained the risk of loss associated with workers' compensation claims up to a maximum of \$75,000 per accident or \$75,000 per employee at which time the reinsurance policy purchased through the KMRMA would pay losses in excess of those stated limits. This self-insurance feature exposed the City to a significant possible insurance risk. Workers compensation claims which were incurred prior to July 1, 2011 are accounted for in the General Fund.

Effective July 1, 2005, the City implemented a self insured health care trust fund. The purpose of this fund is to accumulate resources to be used in providing health and life insurance benefits to all City employees electing coverage. The City retains the risk of loss for employee health claims up to a maximum of

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

\$75,000 per employee per annum. The aggregate annual claims exposure associated with employee health claims was \$1,253,645 for the plan as a whole whereupon excess risk insurance proceeds from HCC Life Insurance Company were scheduled to pay 100% of the claims then outstanding for the year ending June 30, 2015. This self-insurance feature exposes the City to a significant possible insurance risk. The plan is accounted for as an internal service fund.

The following is a reconciliation of changes in the aggregate liabilities for the current and the preceding fiscal years:

	Self Insured Health Care Trust Fund
Claims payable at June 30, 2013 (Due in one year)	\$ 36,127
Current Year Claims Expense	1,211,725
Current Year Payments on Claims	<u>(1,190,651)</u>
Claims payable at June 30, 2014 (Due in one year)	57,201
Current Year Claims Expense	1,272,390
Current Year Payments on Claims	<u>(1,253,645)</u>
Claims Payable at June 30, 2015 (Due in one year)	\$ <u><u>75,946</u></u>

There were no claims in excess of the reinsurance coverage levels during the fiscal years for the above described plan. The City also has not had any claims in excess of insurance coverage levels for the prior three fiscal years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage.

**10. WATER AND SEWER ENTERPRISE FUND REVENUE BONDS PAYABLE**

Description	Interest Rate	Maturity Date	Balance 6/30/2015	Due in One Year
Water & Sewer Revenue Bonds (Series 2003A)	4.0% - 4.25%	2015	\$ 685,000	\$ 685,000
Water & Sewer Refunding Bond (Series 2008)	2.0% - 3.0%	2017	1,130,000	365,000
Water & Sewer Refunding Bond (Series 2012)	0.5% - 3.25%	2033	<u>9,415,000</u>	<u>135,000</u>
Total			11,230,000	\$ <u><u>1,185,000</u></u>
Less current portion			<u>(1,185,000)</u>	
Long-term portion			\$ <u><u>10,045,000</u></u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

Principal and interest requirements of the revenue bonds payable as of June 30, 2015 are:

Fiscal Year	Principal	Interest	Total
2015-16	\$ 1,185,000	\$ 252,502	\$ 1,437,502
2016-17	1,220,000	217,721	1,437,721
2017-18	1,250,000	189,196	1,439,196
2018-19	875,000	165,996	1,040,996
2019-20	895,000	148,296	1,043,296
2020-21	910,000	130,246	1,040,246
2021-22	925,000	111,896	1,036,896
2022-23	950,000	92,196	1,042,196
2023-24	970,000	71,076	1,041,076
2024-25	180,000	58,156	238,156
2025-30	975,000	214,950	1,189,950
2030-34	<u>895,000</u>	<u>58,684</u>	<u>953,684</u>
Total	<u>\$ 11,230,000</u>	<u>\$ 1,710,915</u>	<u>\$ 12,940,915</u>

Water and Sewer system revenues are pledged as collateral for annual debt service relating to Revenue Bonds Series 2003A, Refunding Series 2008, Refunding Series 2012 and a Kentucky Infrastructure Authority Loan finalized October 12, 1997. Under resolution of the various bond ordinances and covenants, the Water and Sewer Enterprise Fund is required to deposit all receipts in a revenue account and transfer funds to the following segregated accounts:

- A) Bond Principal and Interest Redemption Fund - Pro rata monthly transfers of an amount equal to the next principal and /or interest payment.
- B) Bond Reserve Fund - Monthly deposits are required until a balance of \$860,363 is accumulated. The balance as of June 30, 2015 was \$1,135,644.
- C) Depreciation Fund - Monthly deposits are required until a balance of \$777,760 is accumulated. The balance as of June 30, 2015 was \$806,776. Withdrawals may be made from the depreciation fund for renewals, replacements, new construction, and contingencies in the operation of the combined municipal water works and sewer system and to meet the payment of bond principal or interest, if necessary.
- D) Loan Reserve Funds – Annual deposits of \$99,500 are required until a balance of \$995,000 is accumulated. The balance of the reserve account at June 30, 2015 was \$388,390.

In various bond ordinances, the City also has committed that -

- A) No transfers will be made from the Water and Sewer Enterprise Fund to any other fund until funds are in excess of the amounts to be transferred during the ensuing year to the Bond Principal and Interest Redemption Fund, Reserve Fund, or Depreciation Fund.
- B) In order to issue additional parity bonds, the adjusted net revenues of the combined and consolidated Water and Sewer System for 12 consecutive months of the preceding 18 months are to equal at least one and thirty hundredths (1.30) times (coverage) the maximum amount that will become due in any fiscal year for both principal and interest on the Prior Bonds and the Current Bonds then outstanding and any parity bonds including the bonds then proposed to be issued.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

- C) Not to reduce Water and Sewer rates without establishing that the proposed reduction will not reduce the required coverage below the amount of coverage (revenues, as adjusted, equal to at least 1.30 times maximum annual debt service requirements) which would be required in order to enable the City to issue additional parity bonds.
- D) To cause a report to be filed with the City Council within four months after the end of each fiscal year by Certified Public Accountants and/or Independent Consulting Engineers, setting forth what was the precise percentage ("coverage") of the maximum debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then outstanding bonds payable from the revenues of the system, produced or provided by the net revenues of the system in that fiscal year; and the City covenanted that if and whenever such report so filed should establish that such coverage of net revenues for such year was less than 125% of the maximum debt service requirements, the City would increase the rates by an amount sufficient, in the opinion of such Engineers and/or Accountants, to establish the existence of or immediate projection of, such minimum 125% coverage. In a report submitted to the City Council subsequent to June 30, 2015 the "coverage" was sufficient to produce the required 125% of the maximum debt service requirements.

**11. NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS**

**Water & Sewer Enterprise Fund Notes Payable**

The City of Madisonville was awarded a Capitalization Grant Loan from the Kentucky Infrastructure Authority. The committed loan funds totaled \$15,618,294 and had been drawn by the City of Madisonville to finance the construction of a wastewater treatment facility and collection system improvements. Repayment terms require semi-annual payments of principal and interest at 2.6% per annum with an additional loan servicing fee of 0.2% per annum for a total effective interest rate of 2.8%. Scheduled semi-annual payments vary throughout the loan term. Principal requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending,			
June 30, 2016	\$ 994,419	\$ 35,122	\$ 1,029,541
June 30, 2017	<u>506,925</u>	<u>7,097</u>	<u>514,022</u>
Total	<u>\$ 1,501,344</u>	<u>\$ 42,219</u>	<u>\$ 1,543,563</u>

On November 12, 2009, the City of Madisonville was awarded an American Recovery and Reinvestment Act ("ARRA") Loan from the Kentucky Infrastructure Authority. The committed loan funds totaled \$3,800,000 with principal forgiveness in the amount of \$1,979,800 and had been drawn down to finance the construction of the South Main Sewer Interceptor Project - Phase 1B. The loan consisted of two distinct parts (Loan A209-44 and Loan A209-45), each with it's own repayment schedule. Repayment terms for each part of the loan require semi-annual payments of principal and interest at 2.0% per annum with an additional loan servicing fee of 0.2% per annum for an effective rate of 2.2%. Scheduled semi-annual payments vary throughout the loan term. Principal requirements for Loan A209-44 are as follows:

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending,			
June 30, 2016	\$ 64,644	\$ 27,148	\$ 91,792
June 30, 2017	65,943	25,719	91,662
June 30, 2018	67,269	24,260	91,529
June 30, 2019	68,621	22,773	91,394
June 30, 2020	70,000	21,256	91,256
June 30, 2021 through 2025	371,680	82,433	454,113
June 30, 2026 through 2030	410,565	39,659	450,224
June 30, 2031 through 2032	<u>131,350</u>	<u>2,899</u>	<u>134,249</u>
Total	\$ <u>1,250,072</u>	\$ <u>246,147</u>	\$ <u>1,496,219</u>

Principal requirements for Loan A209-45 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending,			
June 30, 2016	\$ 15,593	\$ 6,549	\$ 22,142
June 30, 2017	15,907	6,204	22,111
June 30, 2018	16,227	5,852	22,079
June 30, 2019	16,553	5,493	22,046
June 30, 2020	16,886	5,127	22,013
June 30, 2021 through 2025	89,657	19,885	109,542
June 30, 2026 through 2030	99,037	9,567	108,604
June 30, 2031 through 2032	<u>31,685</u>	<u>699</u>	<u>32,384</u>
Total	\$ <u>301,545</u>	\$ <u>59,376</u>	\$ <u>360,921</u>

**Water & Sewer Enterprise Fund Capital Lease Obligations**

On November 6, 2008, the City entered into a lease agreement with the Kentucky League of Cities Funding Trust Program to finance the purchase of automated meter reading water meters and related costs. The lease agreement calls for monthly lease payments and fees varying from \$12,032 to \$15,104 beginning December 1, 2008 and ending November 1, 2018. The lease qualifies as a capital financing lease with the cost of the assets and the net present value of the capital lease obligation reflected in these financial statements. The proceeds of the lease were \$1,500,000. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2016	\$ 161,116	\$ 17,348	\$ 178,464
June 30, 2017	167,318	12,089	179,407
June 30, 2018	173,686	6,687	180,373
June 30, 2019	<u>74,312</u>	<u>1,138</u>	<u>75,450</u>
Total	\$ <u>576,432</u>	\$ <u>37,262</u>	\$ <u>613,694</u>

On August 22, 2014, the City entered into a lease agreement with the Edgar County Bank & Trust Company to finance the purchase of an excavator. The lease agreement calls for annual lease payments of \$32,284 beginning September 2, 2014 and concluding September 2, 2018. At the conclusion of the lease, legal ownership of the excavator vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

statements. The historical cost and accumulated depreciation of the excavator acquired was \$147,900 and \$17,607, respectively as of June 30, 2015. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2016	\$ 27,018	\$ 5,266	\$ 32,284
June 30, 2017	28,160	4,124	32,284
June 30, 2018	29,481	2,803	32,284
June 30, 2019	<u>30,807</u>	<u>1,433</u>	<u>32,240</u>
Total	<u>\$ 115,466</u>	<u>\$ 13,626</u>	<u>\$ 129,092</u>

**Sanitation Fund Capital Lease Obligations**

On December 19, 2013, the City entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for three garbage trucks. The vehicles are leased for interest only payments each month at an interest rate of 4.55%. A lump sum principal payment is due at the expiration date on June 20, 2015. The City exercised an option to purchase the three garbage trucks in March 2015 for the purchase price and accrued interest. The lease qualified as a capital financing lease. The lease obligation was fully paid at June 30, 2015.

On September 9, 2014, the City entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for a garbage truck. The vehicle is leased for interest only payments each month at an interest rate of 4.55%. A lump sum principal payment is due at the expiration date on March 20, 2016. There is an option to purchase at any point during the agreement for the purchase price and accrued interest. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the garbage truck acquired was \$214,200 (including \$3,050 of transaction expenses) and \$8,007, respectively as of June 30, 2015. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2016	\$ 211,150	\$ 6,396	\$ 217,546
Total	<u>\$ 211,150</u>	<u>\$ 6,396</u>	<u>\$ 217,546</u>

On April 20, 2015, the City entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for three garbage trucks. The vehicles are leased for interest only payments each month at an interest rate of 4.55%. A lump sum principal payment is due at the expiration date on October 20, 2016. There is an option to purchase at any point during the agreement for the purchase price and accrued interest. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the garbage trucks acquired was \$720,642 and \$8,007, respectively as of June 30, 2015. Maturities of the lease obligation are as follows:

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

	Amount Representing Principal	Amount Representing Interest	Total Lease Commitment
For the year ending,			
June 30, 2016	\$ -	\$ 30,012	\$ 30,012
June 30, 2017	<u>720,642</u>	<u>10,913</u>	<u>731,555</u>
Total	<u>\$ 720,642</u>	<u>\$ 40,925</u>	<u>\$ 761,567</u>

**General Fund Capital Lease Obligations**

On April 15, 2013, the City refinanced a lease agreement with Old National Bank to finance the purchase and renovation of a building to be used as City Hall. The lease agreement calls for monthly lease payments of \$7,904 beginning May 15, 2013 and concluding April 30, 2023. At the conclusion of the lease, legal ownership of the City Hall building vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the building acquired was \$1,340,694 and \$351,982, respectively as of June 30, 2015. Maturities of the lease obligation are as follows:

	Amount Representing Principal	Amount Representing Interest	Total Lease Commitment
For the year ending,			
June 30, 2016	\$ 78,647	\$ 16,196	\$ 94,843
June 30, 2017	80,708	14,135	94,843
June 30, 2018	82,777	12,066	94,843
June 30, 2019	84,900	9,943	94,843
June 30, 2020	87,056	7,787	94,843
June 30, 2021 through 2023	<u>259,048</u>	<u>9,675</u>	<u>268,723</u>
Total	<u>\$ 673,136</u>	<u>\$ 69,802</u>	<u>\$ 742,938</u>

On April 30, 2010, the City entered into a lease agreement with First United Bank to finance the purchase of a fire truck. The lease agreement calls for monthly lease payments of \$7,722 beginning May 30, 2010 and concluding April 30, 2017. At the conclusion of the lease, legal ownership of the fire truck vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the fire truck acquired was \$599,725 and \$96,397, respectively as of June 30, 2015. Maturities of the lease obligation are as follows:

	Amount Representing Principal	Amount Representing Interest	Total Lease Commitment
For the year ending,			
June 30, 2016	\$ 96,067	\$ 4,314	\$ 100,381
June 30, 2017	<u>67,730</u>	<u>1,039</u>	<u>68,769</u>
Total	<u>\$ 163,797</u>	<u>\$ 5,353</u>	<u>\$ 169,150</u>



**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**12. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT**

A summary of changes in government-wide activities debt for the year ended June 30, 2015 follows:

	Balance June 30, 2014	Issuance/ Additions	Retirement/ Reductions	Balance June 30, 2015	Due Within One Year
<u>Governmental Activities:</u>					
Capital Lease Obligation	\$ 998,427	\$ -	\$ (161,494)	\$ 836,933	\$ 174,714
Compensated Absences	250,748	306,947	(339,181)	218,514	218,514
Total Governmental Activities	<u>1,249,175</u>	<u>306,947</u>	<u>(500,675)</u>	<u>1,055,447</u>	<u>393,228</u>
<u>Business-Type Activities</u>					
Revenue Bonds Payable	12,370,000	-	(1,140,000)	11,230,000	1,185,000
Notes Payable	4,100,676	-	(1,047,715)	3,052,961	1,074,656
Capital Lease Obligations	1,440,169	1,079,692	(896,171)	1,623,690	399,284
Compensated Absences	155,778	191,595	(219,468)	127,905	127,905
Less Unamortized Bond Discount	(151,225)	-	19,670	(131,555)	-
Total Business-Type Activities	<u>17,915,398</u>	<u>1,271,287</u>	<u>(3,283,684)</u>	<u>15,903,001</u>	<u>2,786,845</u>
Total Primary Government	<u>\$ 19,164,573</u>	<u>\$ 1,578,234</u>	<u>\$ (3,784,359)</u>	<u>\$ 16,958,448</u>	<u>\$ 3,180,073</u>

Compensated absences represent the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Special Revenue Fund or Enterprise Fund based on the assignment of an employee at termination. The City estimates its liability for compensated absences will be due within one year because vacation leave is calculated on a calendar year basis and must be taken during that year.

**13. LITIGATION**

There are several minor lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from litigation would not materially affect the financial statements of the City.

Madisonville Municipal Utilities (MMU) along with other members of the Kentucky Municipals group reached settlement agreements with Kentucky Utilities (KU) during fiscal year 2016 in relation to periods earlier than June 30, 2015. A dispute involving the wholesale power rate charged by KU was settled on August 18, 2015 which resulted in a refund of \$586,388 to MMU. The group also reached a settlement on October 23, 2015 regarding a billing dispute over the amount included in KU's wholesale rates for Construction Work-In-Progress (CWIP). The CWIP settlement resulted in a refund of \$638,806 for MMU.

**14. CONTINGENT LIABILITIES**

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2015, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City anticipates that any disallowed expenditures would be immaterial.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**15. CUSTOMER DEPOSITS INTEREST PAYABLE**

During 1979, the city obtained an Attorney General's opinion regarding the payment of interest on customer deposits for utility services. The opinion stated that the Municipal Utilities were liable for payment of interest on customer deposits. The interest expense for the year ended June 30, 2015 was \$776. Interest incurred but unpaid on customer deposits at June 30, 2015 was \$33,316.

**16. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES**

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Operating subsidies provided to the General Fund during the year ended June 30, 2015 were \$330,000 from the Municipal Aid Fund, \$153,747 from the Airport Fund, \$115,000 from the Coal Severance Fund, \$265,288 from the Alcohol Beverage Control Fund, and \$2,850,000 from the Light Enterprise Fund. The Coal Severance Fund transferred \$44,081 to the Municipal Aid Fund which represented funds earmarked by state statute for transportation expenditures.

Primary government operating transfers at June 30, 2015 were:

	Transfers In	Transfers Out	Transfers Net
<b><u>Governmental Fund</u></b>			
General Fund	\$ 3,714,035	\$ -	\$ 3,714,035
<b><u>Proprietary Fund</u></b>			
Light Enterprise Fund	-	2,850,000	(2,850,000)
<b><u>Special Revenue Funds</u></b>			
Alcohol Beverage Control Fund	-	265,288	(265,288)
Municipal Aid Fund	44,081	330,000	(285,919)
Coal Severance Tax Fund	-	159,081	(159,081)
Airport Fund	-	153,747	(153,747)
Total	<u>\$ 3,758,116</u>	<u>\$ 3,758,116</u>	<u>\$ -</u>

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

The purpose of Proprietary Fund interfund payables are for personnel and operating related expenditures provided by the General Fund. Proprietary Fund interfund receivables represent utility services provided to other funds. Internal Service Fund interfund payables represent fees owed to the General Fund. The purpose of Special Revenue Fund interfund payables were personnel related costs owed to the General Fund.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Similar activities in which a component unit is a party are captioned as "receivables/payables" for both the current and non-current portions between a component unit and the primary government. Balances to which a fiduciary fund is a

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

party are treated as “external” receivables and payables.

Primary government interfund receivable/payable balances at June 30, 2015 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b><u>General Fund</u></b>	\$ 856,473	\$ 155,168
<b><u>Proprietary Funds</u></b>		
Light Enterprise Fund	5,027	69,870
Water & Sewer Enterprise Fund	3,202	285,804
Sanitation Enterprise Fund	-	147,625
<b><u>Internal Service Fund</u></b>		
Self Insured Health Care Fund	-	580
<b><u>Special Revenue Funds</u></b>		
Alcohol Beverage Control Fund	-	62,484
Emergency Telephone System Fund	-	299,381
Municipal Aid Fund	155,168	-
Coal Severance Fund	1,042	-
Total	<u>\$ 1,020,912</u>	<u>\$ 1,020,912</u>

**17. RECENT ACCOUNTING PRONOUNCEMENTS**

As of June 30, 2015, the GASB has issued the following pronouncements not yet required to be adopted by the City.

**Governmental Accounting Standards Board Statement No. 72**

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued February 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2015. This pronouncement is intended to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This pronouncement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**Governmental Accounting Standards Board Statement No. 73**

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued June 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This pronouncement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**Governmental Accounting Standards Board Statement No. 74**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, was issued June 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2016. This pronouncement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**Governmental Accounting Standards Board Statement No. 75**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued June 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2017. This pronouncement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**Governmental Accounting Standards Board Statement No. 76**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued June 2015. The provisions of this pronouncement are effective for periods beginning after June 15, 2015. This pronouncement is intended to improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

**Governmental Accounting Standards Board Statement No. 77**

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued in August 2015. The provisions of this pronouncement are effective for periods beginning after December 15, 2015. This pronouncement requires disclosure of information necessary to assess how tax abatements affect financial position and results of operations. The City's management has not yet determined the effect this pronouncement will have on the financial statements.

**18. SUBSEQUENT EVENTS**

**Fire Department Grant Award**

On July 25, 2014, the Fire Department was awarded a grant from the Federal Emergency Management Agency (FEMA) and the Department of Homeland Security (DHS) under the FY 2013 Assistance to Firefighters Grant program. The approved project costs total to \$1,125,000. The Federal share is 90 percent or \$1,000,000 of the approved amount and the City's share of the costs is 10 percent or \$125,000. The grant proceeds will be used to purchase a 100' Aerial Ladder Truck. On November 17, 2014, the City awarded the bid for the ladder truck to Mid America Fire and Safety, LLC in the amount of \$1,066,499 pending federal approval. The City took delivery of the Aerial Ladder Truck on August 24, 2015.

**Sanitation Fund Capital Lease Obligation**

On September 29, 2015, the Sanitation Department entered into a \$218,180 lease agreement with the Kentucky Association of Counties Leasing Trust for a 2016 Mack truck.

**CITY OF MADISONVILLE, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**

**19. OPERATING LEASE**

During the fiscal year ended June 30, 2015, the Light Fund leased office space for the utility office from the City. The lease is cancelable at any time by either party. Lease payments of \$24,000 were received as of June 30, 2015 and \$24,000 is expected to be received for the fiscal year ended June 30, 2016.

**20. CHANGE IN ACCOUNTING PRINCIPLE**

The net position of the governmental activities and business-type activities were restated to reflect implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement 27)*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 changed how governments' measure and report long-term obligations and annual costs associated with the pension benefits they provide. GASB Statement No. 71 addressed the issue of contributions made to defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented.

The restatement of the beginning of the year net position is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at July 1, 2014	\$ 31,873,846	\$ 58,414,866
Net pension liability	(21,966,364)	(6,327,192)
Deferred outflows of resources related to pension	<u>1,561,648</u>	<u>543,285</u>
Net position at July 1, 2014, as restated	<u>\$ 11,469,130</u>	<u>\$ 52,630,959</u>

The effect of the change in net position of the prior year is undeterminable.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (GAAP BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
<b><u>Revenues</u></b>				
Taxes:				
Occupational	\$ 7,250,000	\$ 7,250,000	\$ 7,360,756	\$ 110,756
Insurance premiums	3,025,000	3,025,000	2,771,550	(253,450)
Property	1,670,000	1,670,000	1,772,233	102,233
Franchise	420,000	420,000	420,320	320
Intergovernmental:				
Grant income	576,200	576,200	817,841	241,641
Police/Fire incentive	441,343	441,343	403,980	(37,363)
Fuel sales	333,350	333,350	216,655	(116,695)
Contributions	260,000	260,000	404,495	144,495
Recreational fees	154,700	154,700	135,234	(19,466)
Miscellaneous	434,700	434,700	425,011	(9,689)
Police fines and base court	102,750	102,750	161,408	58,658
Cemetery revenues	84,500	84,500	78,300	(6,200)
Rental income	72,200	72,200	72,149	(51)
Investment income	3,310	3,310	4,470	1,160
Total Revenues	<u>14,828,053</u>	<u>14,828,053</u>	<u>15,044,402</u>	<u>216,349</u>
<b><u>Expenditures</u></b>				
Current:				
Public safety:				
Police	4,906,567	4,906,567	4,815,225	91,342
Fire	5,685,824	5,685,824	5,407,956	277,868
Total Public safety	<u>10,592,391</u>	<u>10,592,391</u>	<u>10,223,181</u>	<u>369,210</u>
General government:				
City engineer	358,338	358,338	261,839	96,499
Finance office	516,302	516,302	521,421	(5,119)
Elected officials	306,697	306,697	279,007	27,690
Administration	740,737	740,737	689,670	51,067
City clerk/treasurer	272,339	272,339	263,044	9,295
Planning and zoning	208,452	208,452	202,246	6,206
Total General government	<u>2,402,865</u>	<u>2,402,865</u>	<u>2,217,227</u>	<u>185,638</u>
Transportation	1,802,669	1,802,669	1,712,179	90,490
Health and public welfare	837,150	837,150	888,784	(51,634)
Parks and recreation	707,777	707,777	911,499	(203,722)
Airport	427,867	427,867	342,849	85,018
Cemetery	321,455	321,455	301,710	19,745
Capital outlay	1,085,900	1,085,900	1,760,143	(674,243)
Debt service	188,573	188,573	187,502	1,071
Total Expenditures	<u>18,366,647</u>	<u>18,366,647</u>	<u>18,545,074</u>	<u>(178,427)</u>
Deficiency of Revenues Over Expenditures	<u>(3,538,594)</u>	<u>(3,538,594)</u>	<u>(3,500,672)</u>	<u>37,922</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds from sale of capital assets	-	-	26,622	26,622
Transfers in	3,556,000	3,556,000	3,714,035	158,035
Total Other Financing Sources (Uses)	<u>3,556,000</u>	<u>3,556,000</u>	<u>3,740,657</u>	<u>184,657</u>
Net Change in Fund Balances	17,406	17,406	239,985	222,579
Fund Balance at Beginning of Year	6,358,495	6,358,495	6,358,495	-
Fund Balance at End of Year	<u>\$ 6,375,901</u>	<u>\$ 6,375,901</u>	<u>\$ 6,598,480</u>	<u>\$ 222,579</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**POLICEMEN AND FIREFIGHTERS PENSION FUND**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b><u>Total Pension Liability</u></b>										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,430	\$ 2,933
Interest	329,881	367,062	394,987	403,322	410,057	417,875	424,789	416,555	378,893	403,424
Changes in benefit terms	-	-	-	-	-	-	-	-	130,108	-
Differences between expected and actual experience	(5,894)	(362,429)	60,750	55,638	51,849	47,544	43,686	195,393	501,700	(202,161)
Changes of assumptions	802,160	-	406,090	-	17,039	-	8,243	49,121	-	-
Benefit payments	(524,698)	(548,889)	(563,141)	(563,141)	(563,141)	(563,141)	(563,141)	(552,228)	(528,512)	(489,957)
Net change in total pension liability	601,449	(544,256)	298,686	(104,181)	(84,196)	(97,722)	(86,423)	108,841	483,619	(285,761)
Total pension liability-beginning	<u>4,996,804</u>	<u>5,541,060</u>	<u>5,242,374</u>	<u>5,346,555</u>	<u>5,430,751</u>	<u>5,528,473</u>	<u>5,614,896</u>	<u>5,506,055</u>	<u>5,022,436</u>	<u>5,308,197</u>
Total pension liability-ending (a)	<u>\$ 5,598,253</u>	<u>\$ 4,996,804</u>	<u>\$ 5,541,060</u>	<u>\$ 5,242,374</u>	<u>\$ 5,346,555</u>	<u>\$ 5,430,751</u>	<u>\$ 5,528,473</u>	<u>\$ 5,614,896</u>	<u>\$ 5,506,055</u>	<u>\$ 5,022,436</u>
<b><u>Plan Fiduciary Net Position</u></b>										
Contributions-employer	\$ 475,000	\$ 500,000	\$ 450,000	\$ 300,000	\$ 100,000	\$ 75,000	\$ 75,000	\$ 101,167	\$ 95,085	\$ 81,323
Contributions-member	-	-	-	-	-	-	-	1,167	4,085	6,323
Net investment income	1,566	14,135	21,976	2,398	139,508	154,525	(377,997)	(211,294)	359,316	104,042
Benefit payments	(524,698)	(548,889)	(563,141)	(563,141)	(563,141)	(563,141)	(563,141)	(552,228)	(528,512)	(489,957)
Administration expenses	-	-	(2,300)	(3,200)	(2,613)	(3,610)	(3,428)	(2,734)	(3,230)	(2,434)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(48,132)	(34,754)	(93,465)	(263,943)	(326,246)	(337,226)	(869,566)	(663,922)	(73,256)	(300,703)
Plan fiduciary net position-beginning	<u>86,831</u>	<u>121,585</u>	<u>215,050</u>	<u>478,993</u>	<u>805,239</u>	<u>1,142,465</u>	<u>2,012,031</u>	<u>2,675,953</u>	<u>2,749,209</u>	<u>3,049,912</u>
Plan fiduciary net position-ending (b)	<u>\$ 38,699</u>	<u>\$ 86,831</u>	<u>\$ 121,585</u>	<u>\$ 215,050</u>	<u>\$ 478,993</u>	<u>\$ 805,239</u>	<u>\$ 1,142,465</u>	<u>\$ 2,012,031</u>	<u>\$ 2,675,953</u>	<u>\$ 2,749,209</u>
Net Pension Liability (a) - (b)	<u>\$ 5,559,554</u>	<u>\$ 4,909,973</u>	<u>\$ 5,419,475</u>	<u>\$ 5,027,324</u>	<u>\$ 4,867,562</u>	<u>\$ 4,625,512</u>	<u>\$ 4,386,008</u>	<u>\$ 3,602,865</u>	<u>\$ 2,830,102</u>	<u>\$ 2,273,227</u>
Plan fiduciary net position as a percentage of the total pension liability	0.69 %	1.74 %	2.19 %	4.10 %	8.96 %	14.83 %	20.67 %	35.83 %	48.60 %	54.74 %
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,161	\$ 96,084
City's net position as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,876.34 %	2,365.87 %



**CITY OF MADISONVILLE, KENTUCKY**  
**POLICEMEN AND FIREFIGHTERS PENSION FUND**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially Determined Contribution	\$ 556,103	\$ 556,103	\$ 459,050	\$ 459,050	\$ 359,856	\$ 359,856	\$ 296,328	\$ 189,901	\$ 189,901	\$ 199,710
Contributions in relation to the actuarially determined contribution	<u>475,000</u>	<u>500,000</u>	<u>450,000</u>	<u>300,000</u>	<u>100,000</u>	<u>75,000</u>	<u>75,000</u>	<u>101,167</u>	<u>95,085</u>	<u>81,323</u>
Contribution deficiency (excess)	<u>\$ 81,103</u>	<u>\$ 56,103</u>	<u>\$ 9,050</u>	<u>\$ 159,050</u>	<u>\$ 259,856</u>	<u>\$ 284,856</u>	<u>\$ 221,328</u>	<u>\$ 88,734</u>	<u>\$ 94,816</u>	<u>\$ 118,387</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,161	\$ 96,084
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	197.43 %	84.64 %

**Notes to Schedule**

Valuation date	July 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	15 years
Asset valuation method	Market
Inflation	None
Salary increases	None
Investment rate of return	5%
Retirement age	Age 51 with at least 20 years of service
Mortality	RP-2000 Mortality Table

**Other information:**

The actuarially determined contribution was calculated using the following amortization periods:  
Fiscal years beginning 7/1/1998 through fiscal year ending 6/30/2011 - 30 year amortization  
Fiscal years beginning 7/1/2011 through fiscal year ending 6/30/2013 - 20 year amortization  
Fiscal years beginning 7/1/2013 and later - 15 year amortization

**CITY OF MADISONVILLE, KENTUCKY**  
**POLICEMEN AND FIREFIGHTERS PENSION FUND**  
**SCHEDULE OF INVESTMENT RETURNS**  
**LAST EIGHT FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual money-weighted rate of return, net of investment expense	(0.98)%	11.14 %	10.19 %	(2.78)%	20.49 %	11.37 %	(25.01)%	(15.76)%

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

**CITY OF MADISONVILLE, KENTUCKY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST TWO FISCAL YEARS (1)**

	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
<b><u>Nonhazardous</u></b>		
City's proportion of the net pension liability (asset)	0.28 %	0.28 %
City's proportion of the net pension liability (asset)	\$ 9,169,400	\$ 10,375,372
City's covered employee payroll	\$ 6,555,682	\$ 6,483,857
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	139.87 %	160.02 %
Plan fiduciary net position as a percentage of the total pension liability (2)	66.80 %	61.22 %
<b><u>Hazardous</u></b>		
City's proportion of the net pension liability (asset)	1.10 %	1.10 %
City's proportion of the net pension liability (asset)	\$ 13,232,585	\$ 14,777,378
City's covered employee payroll	\$ 5,817,674	\$ 5,576,718
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	227.45 %	264.98 %
Plan fiduciary net position as a percentage of the total pension liability (2)	63.46 %	57.73 %

(1) The amounts presented for the fiscal year were determined as of the prior fiscal year ending June 30.

(2) This will be the same percentage for all participant employers in the CERS plan.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

**CITY OF MADISONVILLE, KENTUCKY**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS**

	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
<b><u>Nonhazardous</u></b>		
Contractually required contributions	\$ 1,158,389	\$ 1,224,801
Contributions in relation to the contractually required contributions	<u>1,158,389</u>	<u>1,224,801</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 6,555,682	\$ 6,483,857
Contributions as a percentage of covered employee payroll	17.67 %	18.89 %
<b><u>Hazardous</u></b>		
Contractually required contributions	\$ 1,996,043	\$ 1,990,888
Contributions in relation to the contractually required contributions	<u>1,996,043</u>	<u>1,990,888</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 5,817,674	\$ 5,576,718
Contributions as a percentage of covered employee payroll	34.31 %	35.70 %

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10 year trend is compiled, the City will present information for those years for which information is available.

## **COMBINING FINANCIAL STATEMENTS**

### **NON-MAJOR GOVERNMENTAL FUNDS**

#### **Special Revenue Funds**

##### Alcoholic Beverage Control Fund

This fund accounts for revenues and expenditures of the alcoholic beverages tax and related license fees on retailers of alcoholic beverages.

##### Emergency Telephone System Fund

This fund accounts for revenues accumulated for the development, implementation, and operation of a 911 emergency telephone system.

##### Municipal Aid Fund

This fund accounts for revenues and expenditures of Commonwealth of Kentucky gasoline tax refunds.

##### Coal Severance Tax Fund

This fund accounts for revenues and expenditures of Commonwealth of Kentucky coal and mineral severance tax refunds.

##### Airport Special Revenue Fund

This fund accounts for revenues and expenditures of the municipal airport and airport expansion projects. The activities of this fund were transferred into the General Fund on July 1, 2014.

**CITY OF MADISONVILLE, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	Special Revenue Funds					Total Other Governmental Funds
	Alcoholic Beverage Control Fund	Emergency Telephone System Fund	Municipal Aid Fund	Coal Severance Tax Fund	Airport Fund	
<b><u>Assets</u></b>						
Cash	\$ 71,323	\$ 140,429	\$ 171,058	\$ 125,316	\$ -	\$ 508,126
Due from other funds	-	-	155,168	1,042	-	156,210
Prepayments	165	11,770	-	-	-	11,935
Taxes receivable	33,625	26,451	-	-	-	60,076
<b><u>Total Assets</u></b>	<b><u>\$ 105,113</u></b>	<b><u>\$ 178,650</u></b>	<b><u>\$ 326,226</u></b>	<b><u>\$ 126,358</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 736,347</u></b>
<b><u>Liabilities and Fund Balances</u></b>						
Liabilities						
Trade accounts payable	\$ 12,933	\$ 22,469	\$ -	\$ -	\$ -	\$ 35,402
Deferred revenues	-	-	16,925	-	-	16,925
Due to other funds	62,484	299,381	-	-	-	361,865
Total Liabilities	75,417	321,850	16,925	-	-	414,192
Fund balances						
Nonspendable						
Prepaid items	165	11,770	-	-	-	11,935
Restricted for						
Municipal aid	-	-	309,301	-	-	309,301
Coal severance	-	-	-	126,358	-	126,358
Committed for						
Alcoholic beverage control	29,531	-	-	-	-	29,531
Unassigned						
Emergency telephone system	-	(154,970)	-	-	-	(154,970)
Total Fund Balances	29,696	(143,200)	309,301	126,358	-	322,155
<b><u>Total Liabilities and Fund Balances</u></b>	<b><u>\$ 105,113</u></b>	<b><u>\$ 178,650</u></b>	<b><u>\$ 326,226</u></b>	<b><u>\$ 126,358</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 736,347</u></b>

**CITY OF MADISONVILLE, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds					Total Other Governmental Funds
	Alcoholic Beverage Control Fund	Emergency Telephone System Fund	Municipal Aid Fund	Coal Severance Tax Fund	Airport Fund	
<b><u>Revenues</u></b>						
Intergovernmental revenue	\$ -	\$ -	\$ 450,691	\$ 146,938	\$ -	\$ 597,629
Tax revenues	392,605	221,229	-	-	-	613,834
Other income	-	22,500	-	-	-	22,500
Fees	22,275	-	-	-	-	22,275
Investment income	12	21	66	38	-	137
Total Revenues	<u>414,892</u>	<u>243,750</u>	<u>450,757</u>	<u>146,976</u>	<u>-</u>	<u>1,256,375</u>
<b><u>Expenditures</u></b>						
Current:						
General government/other	36,652	307,270	-	80	-	344,002
Capital outlay	<u>121,201</u>	<u>23,626</u>	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>419,827</u>
Total Expenditures	<u>157,853</u>	<u>330,896</u>	<u>275,000</u>	<u>80</u>	<u>-</u>	<u>763,829</u>
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>	<u>257,039</u>	<u>(87,146)</u>	<u>175,757</u>	<u>146,896</u>	<u>-</u>	<u>492,546</u>
<b><u>Other Financing Sources (Uses)</u></b>						
Transfers in	-	-	44,081	-	-	44,081
Transfers out	<u>(265,288)</u>	<u>-</u>	<u>(330,000)</u>	<u>(159,081)</u>	<u>(153,747)</u>	<u>(908,116)</u>
Total Other Financing Sources (Uses)	<u>(265,288)</u>	<u>-</u>	<u>(285,919)</u>	<u>(159,081)</u>	<u>(153,747)</u>	<u>(864,035)</u>
<b><u>Net Change In Fund Balances</u></b>	<u>(8,249)</u>	<u>(87,146)</u>	<u>(110,162)</u>	<u>(12,185)</u>	<u>(153,747)</u>	<u>(371,489)</u>
<b><u>Fund Balances at Beginning of Year</u></b>	<u>37,945</u>	<u>(56,054)</u>	<u>419,463</u>	<u>138,543</u>	<u>153,747</u>	<u>693,644</u>
<b><u>Fund Balances at End of Year</u></b>	<u>\$ 29,696</u>	<u>\$ (143,200)</u>	<u>\$ 309,301</u>	<u>\$ 126,358</u>	<u>\$ -</u>	<u>\$ 322,155</u>

## **SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

The supplementary statements and schedules are included to provide management additional information for financial analysis.

### **GOVERNMENTAL FUND**

#### General Fund

This fund accounts for resources traditionally associated with governments which are not required to be accounted for in another fund.



**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**  
**JUNE 30, 2015 AND 2014**

<b><u>ASSETS</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Assets</u></b>		
Cash equivalents	\$ 4,281,418	\$ 4,211,748
Investments, at fair value	16,538	16,404
Accounts receivable:		
Taxpayer assessed revenues	1,853,843	1,840,402
Property taxes (less allowance for uncollectible accounts of \$33,932 and \$75,253)	48,096	13,303
Grants receivable	135,134	115,828
Other	352,192	365,110
Materials and supplies	76,530	34,191
Real estate held for resale	578,430	573,533
Interest receivable	34	25
Prepayments	92,550	81,187
Due from other funds	856,473	375,811
Restricted assets:		
Cash equivalents	10,582	-
<b><u>Total Assets</u></b>	<b><u>\$ 8,301,820</u></b>	<b><u>\$ 7,627,542</u></b>

**LIABILITIES, DEFERRED INFLOWS  
AND FUND BALANCE**

**Current Liabilities**

Liabilities		
Trade accounts payable	\$ 414,855	\$ 547,464
Construction accounts payable	169,596	8,812
Unearned revenue	39,400	190,133
Due to other funds	155,168	-
Accrued payroll and taxes	893,156	522,638
Total Liabilities	<u>1,672,175</u>	<u>1,269,047</u>

**Deferred Inflows of Resources**

Property taxes	<u>31,165</u>	<u>-</u>
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**Fund Balances**

Nonspendable:		
Real estate held for resale	578,430	573,533
Materials and supplies	76,530	34,191
Prepayments	92,550	81,187
Long-term receivables	177,694	59,694
Unassigned	<u>5,673,276</u>	<u>5,609,890</u>
Total Fund Balance	<u>6,598,480</u>	<u>6,358,495</u>

<b><u>Total Liabilities, Deferred Inflows and Fund Balances</u></b>	<b><u>\$ 8,301,820</u></b>	<b><u>\$ 7,627,542</u></b>
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**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	GAAP	Final Budget	GAAP
			Basis	Positive	Basis
				(Negative)	
<b><u>Revenues</u></b>					
Taxes:					
Occupational	\$ 7,250,000	\$ 7,250,000	\$ 7,360,756	\$ 110,756	\$ 7,409,604
Insurance premiums	3,025,000	3,025,000	2,771,550	(253,450)	2,715,449
Property	1,670,000	1,670,000	1,772,233	102,233	1,679,611
Franchise	420,000	420,000	420,320	320	425,736
Intergovernmental:					
Grant income	576,200	576,200	817,841	241,641	544,816
Police/Fire incentive	441,343	441,343	403,980	(37,363)	435,832
Fuel sales	333,350	333,350	216,655	(116,695)	-
Contributions	260,000	260,000	404,495	144,495	168,196
Recreational fees	154,700	154,700	135,234	(19,466)	147,469
Miscellaneous	434,700	434,700	425,011	(9,689)	334,911
Police fines and base court	102,750	102,750	161,408	58,658	113,734
Cemetery revenues	84,500	84,500	78,300	(6,200)	78,730
Rental income	72,200	72,200	72,149	(51)	41,033
Investment income	3,310	3,310	4,470	1,160	3,355
Total Revenues	<u>14,828,053</u>	<u>14,828,053</u>	<u>15,044,402</u>	<u>216,349</u>	<u>14,098,476</u>
<b><u>Expenditures</u></b>					
Current:					
Public safety	10,592,391	10,592,391	10,223,181	369,210	10,490,236
General government	2,402,865	2,402,865	2,217,227	185,638	2,278,656
Transportation	1,802,669	1,802,669	1,712,179	90,490	1,661,264
Health and public welfare	837,150	837,150	888,784	(51,634)	789,861
Parks and recreation	707,777	707,777	911,499	(203,722)	763,265
Airport	427,867	427,867	342,849	85,018	-
Cemetery	321,455	321,455	301,710	19,745	314,010
Capital outlay	1,085,900	1,085,900	1,760,143	(674,243)	1,535,633
Debt service	188,573	188,573	187,502	1,071	195,406
Total Expenditures	<u>18,366,647</u>	<u>18,366,647</u>	<u>18,545,074</u>	<u>(178,427)</u>	<u>18,028,331</u>
<b><u>Excess (Deficiency) of Revenues</u></b>					
<u>Over Expenditures</u>	(3,538,594)	(3,538,594)	(3,500,672)	37,922	(3,929,855)
<b><u>Other Financing Sources (Uses)</u></b>					
Sale of capital assets	-	-	26,622	26,622	63,004
Transfers in	3,556,000	3,556,000	3,714,035	158,035	4,496,525
Transfers out	-	-	-	-	(453,614)
<b><u>Net Change in Fund Balance</u></b>	<u>\$ 17,406</u>	<u>\$ 17,406</u>	<u>239,985</u>	<u>\$ 222,579</u>	<u>176,060</u>
<b><u>Fund Balance at Beginning of Year</u></b>			<u>6,358,495</u>		<u>6,182,435</u>
<b><u>Fund Balance at End of Year</u></b>			<u>\$ 6,598,480</u>		<u>\$ 6,358,495</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	GAAP	Final Budget	GAAP
			Basis	Positive	Basis
				(Negative)	
<b><u>GENERAL GOVERNMENT</u></b>					
<b><u>Elected Officials</u></b>					
Current:					
Salaries and wages	\$ 107,198	\$ 107,198	\$ 109,839	\$ (2,641)	\$ 109,360
Contingencies	100,000	100,000	56,456	43,544	64,919
Employee benefits	22,318	22,318	20,367	1,951	24,833
Supplies and other	34,850	34,850	35,363	(513)	31,028
Communications and postage	500	500	4,838	(4,338)	4,167
Pension expense	11,990	11,990	10,137	1,853	10,839
Payroll taxes	8,201	8,201	7,473	728	7,181
Insurance and bonds	11,640	11,640	12,768	(1,128)	13,238
Travel	10,000	10,000	21,766	(11,766)	14,307
Capital outlay	-	-	63,972	(63,972)	35,700
Total Elected Officials	<u>306,697</u>	<u>306,697</u>	<u>342,979</u>	<u>(36,282)</u>	<u>315,572</u>
<b><u>Administration</u></b>					
Current:					
Salaries and wages	370,468	370,468	382,210	(11,742)	345,076
Professional fees	38,500	38,500	35,806	2,694	52,470
Pension expense	65,462	65,462	66,570	(1,108)	61,179
Nuisance abatement	100,000	100,000	44,082	55,918	75,970
Maintenance and repairs	-	-	-	-	59,235
Employee benefits	47,094	47,094	47,210	(116)	39,197
Payroll taxes	28,713	28,713	27,719	994	22,683
Supplies and miscellaneous	84,000	84,000	75,514	8,486	51,256
Communications and postage	1,000	1,000	1,088	(88)	696
Travel	3,500	3,500	6,278	(2,778)	6,587
Dues and subscriptions	900	900	1,813	(913)	1,318
Printing and duplicating	500	500	724	(224)	1,095
Insurance and bonds	600	600	656	(56)	585
Capital outlay	-	-	6,109	(6,109)	3,500
Total Administration	<u>740,737</u>	<u>740,737</u>	<u>695,779</u>	<u>44,958</u>	<u>720,847</u>
<b><u>Finance Office</u></b>					
Current:					
Salaries and wages	281,915	281,915	288,464	(6,549)	280,304
Professional fees	102,000	102,000	102,647	(647)	105,265
Employee benefits	31,181	31,181	31,915	(734)	34,835
Pension expense	49,284	49,284	50,543	(1,259)	52,824
Supplies and miscellaneous	13,000	13,000	12,906	94	15,195
Payroll taxes	21,622	21,622	20,419	1,203	19,259
Communications and postage	9,000	9,000	9,949	(949)	10,164
Printing and duplicating	5,000	5,000	1,557	3,443	2,601
Travel	1,500	1,500	1,605	(105)	849
Dues and subscriptions	1,800	1,800	1,416	384	1,884
Total Finance Office	<u>516,302</u>	<u>516,302</u>	<u>521,421</u>	<u>(5,119)</u>	<u>523,180</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015				2014
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
<b><u>City Clerk/Treasurer</u></b>					
Current:					
Salaries and wages	\$ 106,050	\$ 106,050	\$ 93,412	\$ 12,638	\$ 96,400
Insurance and bonds	13,688	13,688	12,754	934	13,032
Communications and postage	31,000	31,000	32,337	(1,337)	31,885
Pension expense	18,739	18,739	16,503	2,236	21,482
Employee benefits	16,842	16,842	16,788	54	21,831
Utilities	38,000	38,000	41,571	(3,571)	40,775
Payroll taxes	8,220	8,220	6,855	1,365	7,070
Printing and duplicating	10,000	10,000	19,102	(9,102)	7,249
Professional fees	2,000	2,000	797	1,203	2,868
Supplies and miscellaneous	26,300	26,300	21,790	4,510	16,963
Travel	1,500	1,500	1,135	365	859
Capital outlay	-	-	45,838	(45,838)	-
Debt service	95,913	95,913	94,843	1,070	102,747
Total City Clerk/Treasurer	368,252	368,252	403,725	(35,473)	363,161
<b><u>Planning and Zoning</u></b>					
Current:					
Salaries and wages	133,191	133,191	133,947	(756)	132,637
Supplies and miscellaneous	17,050	17,050	10,635	6,415	8,825
Employee benefits	17,338	17,338	17,268	70	19,122
Pension expense	23,535	23,535	23,615	(80)	24,979
Payroll taxes	10,330	10,330	9,844	486	9,770
Professional fees	2,250	2,250	2,232	18	2,920
Travel	2,200	2,200	2,080	120	1,324
Insurance and bonds	2,558	2,558	2,625	(67)	3,276
Capital outlay	-	-	-	-	18,662
Total Planning and Zoning	208,452	208,452	202,246	6,206	221,515

**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	GAAP	Final Budget	GAAP
			Basis	Positive	Basis
				(Negative)	
<b><u>City Engineer</u></b>					
Current:					
Salaries and wages	\$ 223,993	\$ 223,993	\$ 157,108	\$ 66,885	\$ 182,900
Professional fees	11,000	11,000	5,276	5,724	8,935
Employee benefits	26,517	26,517	20,252	6,265	25,176
Pension expense	39,403	39,403	26,660	12,743	33,919
Supplies and miscellaneous	35,057	35,057	36,167	(1,110)	27,001
Payroll taxes	17,243	17,243	10,799	6,444	13,003
Maintenance and repairs	4,375	4,375	5,111	(736)	3,092
Travel	750	750	466	284	964
Capital outlay	20,000	20,000	-	20,000	11,598
Total City Engineer	378,338	378,338	261,839	116,499	306,588
<b><u>TOTAL GENERAL GOVERNMENT</u></b>	<b><u>\$ 2,518,778</u></b>	<b><u>\$ 2,518,778</u></b>	<b><u>\$ 2,427,989</u></b>	<b><u>\$ 90,789</u></b>	<b><u>\$ 2,450,863</u></b>
<b><u>HEALTH AND PUBLIC WELFARE</u></b>					
Current:					
Grants and subsidies:					
Library maintenance	\$ 180,000	\$ 180,000	\$ 180,624	\$ (624)	\$ 126,232
Economic Development	85,000	85,000	85,000	-	87,532
Humane Society	50,000	50,000	50,000	-	50,000
Planning Commission	46,000	46,000	46,000	-	40,000
PACS	33,000	33,000	33,000	-	32,500
Minority Economic Development	41,000	41,000	41,000	-	20,000
Community Clinic	17,000	17,000	17,000	-	15,000
Youth Athletic Association	15,000	15,000	14,405	595	12,614
Kentucky Renaissance	18,500	18,500	21,724	(3,224)	16,843
PADD	5,000	5,000	4,927	73	9,854
Historical Society	6,000	6,000	10,884	(4,884)	7,559
Crime Stoppers	3,000	3,000	3,000	-	3,000
Minority Students	5,000	5,000	5,000	-	4,000
Habitat for Humanity	-	-	7,600	(7,600)	-
Utilities and other expenses	322,500	322,500	357,716	(35,216)	353,556
Other employee benefits	10,150	10,150	10,904	(754)	11,171
<b><u>TOTAL HEALTH AND PUBLIC WELFARE</u></b>	<b><u>\$ 837,150</u></b>	<b><u>\$ 837,150</u></b>	<b><u>\$ 888,784</u></b>	<b><u>\$ (51,634)</u></b>	<b><u>\$ 789,861</u></b>

**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			Variance with	2014
	Budgeted Amounts		Actual	Final Budget	Actual
	Original	Final	GAAP	Positive	GAAP
			Basis	(Negative)	Basis
<b><u>PUBLIC SAFETY</u></b>					
<b><u>Police Department</u></b>					
Current:					
Salaries and wages	\$ 2,877,447	\$ 2,877,447	\$ 2,758,136	\$ 119,311	\$ 2,795,962
Pension expense	963,546	963,546	916,175	47,371	969,180
Employee benefits	294,867	294,867	295,318	(451)	339,056
Police incentive	142,600	142,600	130,471	12,129	138,592
Fuel and oil	138,000	138,000	103,103	34,897	139,634
Insurance and bonds	101,354	101,354	123,531	(22,177)	106,246
Professional fees	34,500	34,500	49,018	(14,518)	48,688
Workmen's compensation	42,111	42,111	43,702	(1,591)	44,245
Payroll taxes	68,392	68,392	65,141	3,251	63,310
Supplies and miscellaneous	41,250	41,250	95,714	(54,464)	179,260
Uniforms and clothing	42,500	42,500	44,977	(2,477)	39,947
Maintenance and repairs	65,000	65,000	76,645	(11,645)	68,583
Travel and training	60,000	60,000	78,872	(18,872)	70,355
Communications and postage	5,000	5,000	5,100	(100)	1,431
Utilities	20,000	20,000	19,633	367	21,458
Equipment parts	2,000	2,000	2,786	(786)	1,399
Printing and duplicating	8,000	8,000	6,903	1,097	5,561
Capital outlay	30,500	30,500	38,999	(8,499)	56,168
Total Police Department	<u>4,937,067</u>	<u>4,937,067</u>	<u>4,854,224</u>	<u>82,843</u>	<u>5,089,075</u>
<b><u>Fire Department</u></b>					
Current:					
Salaries and wages	3,038,839	3,038,839	2,899,332	139,507	2,900,044
Pension expense	1,094,058	1,094,058	1,144,693	(50,635)	1,095,323
Employee benefits	339,804	339,804	317,189	22,615	370,509
Fire incentive	186,000	186,000	170,229	15,771	183,792
Pension plan contribution	475,000	475,000	475,000	-	500,000
Workmen's compensation	72,427	72,427	77,127	(4,700)	69,859
Maintenance and repairs	68,144	68,144	65,265	2,879	59,285
Utilities	35,000	35,000	38,651	(3,651)	38,365
Payroll taxes	51,607	51,607	45,741	5,866	43,952
Insurance and bonds	37,500	37,500	35,261	2,239	39,688
Training	16,300	16,300	10,498	5,802	11,390
Supplies, grant and miscellaneous	180,545	180,545	59,901	120,644	67,201
Uniforms and clothing	50,800	50,800	41,394	9,406	40,356
Fuel and oil	32,000	32,000	23,587	8,413	30,077
Communications and postage	1,800	1,800	584	1,216	704
Equipment parts	6,000	6,000	3,504	2,496	6,784
Capital outlay	35,000	35,000	32,497	2,503	1,013,071
Debt service	92,660	92,660	92,659	1	92,659
Total Fire Department	<u>5,813,484</u>	<u>5,813,484</u>	<u>5,533,112</u>	<u>280,372</u>	<u>6,563,059</u>
<b><u>TOTAL PUBLIC SAFETY</u></b>	<u>\$ 10,750,551</u>	<u>\$ 10,750,551</u>	<u>\$ 10,387,336</u>	<u>\$ 363,215</u>	<u>\$ 11,652,134</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			Variance with	2014
	Budgeted Amounts		Actual	Final Budget	Actual
	Original	Final	GAAP	Positive	GAAP
			Basis	(Negative)	Basis
<b><u>TRANSPORTATION</u></b>					
Current:					
Salaries and wages	\$ 771,757	\$ 771,757	\$ 673,547	\$ 98,210	\$ 713,007
Construction materials	140,000	140,000	171,747	(31,747)	128,240
Other contractual services	241,000	241,000	213,644	27,356	222,128
Employee benefits	116,477	116,477	96,964	19,513	121,447
Pension expense	130,185	130,185	93,699	36,486	109,005
Payroll taxes	57,070	57,070	43,855	13,215	47,295
Workmen's compensation	26,019	26,019	22,707	3,312	24,273
Salt and technical supplies	104,500	104,500	152,588	(48,088)	75,978
Fuel and oil	35,000	35,000	36,515	(1,515)	39,055
Insurance and bonds	31,461	31,461	31,003	458	34,496
Equipment parts	57,000	57,000	61,477	(4,477)	50,070
Maintenance and repairs	37,500	37,500	39,173	(1,673)	36,641
Uniforms and clothing	17,000	17,000	14,647	2,353	15,943
Supplies and miscellaneous	19,000	19,000	41,934	(22,934)	21,812
Utilities	15,000	15,000	11,985	3,015	14,434
Communications and postage	500	500	20	480	-
Professional fees	2,000	2,000	3,426	(1,426)	7,079
Rent and storage	1,200	1,200	3,248	(2,048)	361
Capital outlay	249,000	249,000	264,706	(15,706)	21,831
<b><u>TOTAL TRANSPORTATION</u></b>	<b><u>\$ 2,051,669</u></b>	<b><u>\$ 2,051,669</u></b>	<b><u>\$ 1,976,885</u></b>	<b><u>\$ 74,784</u></b>	<b><u>\$ 1,683,095</u></b>
<b><u>AIRPORT</u></b>					
Current:					
Fuel and oil	\$ 241,875	\$ 241,875	\$ 155,748	\$ 86,127	\$ -
Salaries and wages	65,700	65,700	79,368	(13,668)	-
Maintenance and repairs	24,300	24,300	19,196	5,104	-
Utilities	17,200	17,200	16,337	863	-
Professional fees	12,000	12,000	13,377	(1,377)	-
Employee benefits	12,076	12,076	11,322	754	-
Pension expense	11,079	11,079	10,959	120	-
Mowing and snow removal	19,000	19,000	10,895	8,105	-
Insurance and bonds	10,350	10,350	10,533	(183)	-
Supplies and miscellaneous	5,950	5,950	6,640	(690)	-
Payroll taxes	4,837	4,837	5,029	(192)	-
Communications and postage	3,500	3,500	3,445	55	-
Capital outlay	424,600	424,600	596,795	(172,195)	-
<b><u>TOTAL AIRPORT</u></b>	<b><u>\$ 852,467</u></b>	<b><u>\$ 852,467</u></b>	<b><u>\$ 939,644</u></b>	<b><u>\$ (87,177)</u></b>	<b><u>\$ -</u></b>

**CITY OF MADISONVILLE, KENTUCKY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
				Basis
<b>CEMETERY</b>				
Current:				
Salaries and wages	\$ 197,586	\$ 197,586	\$ 181,500	\$ 16,086
Employee benefits	28,355	28,355	27,620	735
Pension expense	31,379	31,379	24,192	7,187
Payroll taxes	13,785	13,785	11,236	2,549
Workmen's compensation	5,910	5,910	6,195	(285)
Supplies and miscellaneous	27,640	27,640	35,758	(8,118)
Fuel and oil	5,000	5,000	5,248	(248)
Maintenance and repairs	8,000	8,000	4,716	3,284
Uniforms and clothing	1,800	1,800	1,971	(171)
Equipment parts	2,000	2,000	3,274	(1,274)
Capital outlay	-	-	35,315	(35,315)
<b>TOTAL CEMETERY</b>	<b>\$ 321,455</b>	<b>\$ 321,455</b>	<b>\$ 337,025</b>	<b>\$ (15,570)</b>
<b>PARKS AND RECREATION</b>				
Current:				
Salaries and wages	\$ 371,300	\$ 371,300	\$ 445,865	\$ (74,565)
Employee benefits	51,660	51,660	50,725	935
Pension expense	56,411	56,411	53,532	2,879
Payroll taxes	27,611	27,611	26,440	1,171
Supplies and miscellaneous	41,400	41,400	51,704	(10,304)
Utilities	28,500	28,500	36,788	(8,288)
Workmen's compensation	10,595	10,595	9,614	981
Concessions	15,500	15,500	18,089	(2,589)
Insurance and bonds	10,500	10,500	11,684	(1,184)
Fuel and oil	18,000	18,000	17,408	592
Equipment parts	14,800	14,800	18,848	(4,048)
Maintenance and repairs	34,000	34,000	60,414	(26,414)
Professional fees	5,000	5,000	17,016	(12,016)
Pool operations	7,000	7,000	28,890	(21,890)
Uniforms and clothing	3,000	3,000	4,878	(1,878)
Construction materials	2,500	2,500	3,058	(558)
Resale merchandise	2,000	2,000	1,625	375
Advertising and printing	4,000	4,000	52,739	(48,739)
Communications and postage	2,500	2,500	201	2,299
Travel	1,500	1,500	1,981	(481)
Capital outlay	326,800	326,800	675,912	(349,112)
<b>TOTAL PARKS AND RECREATION</b>	<b>\$ 1,034,577</b>	<b>\$ 1,034,577</b>	<b>\$ 1,587,411</b>	<b>\$ (552,834)</b>



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**NON-MAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

These supplementary statements and schedules are included to provide management additional information for financial analysis.

**CITY OF MADISONVILLE, KENTUCKY**  
**ALCOHOLIC BEVERAGE CONTROL SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budgeted Amounts		Actual	Actual
	Original	Final	GAAP	GAAP
			Basis	Basis
				Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Tax revenues	\$ 404,000	\$ 404,000	\$ 392,605	\$ (11,395)
Fees	26,000	26,000	22,275	(3,725)
Investment income	20	20	12	(8)
Total Revenues	<u>430,020</u>	<u>430,020</u>	<u>414,892</u>	<u>(15,128)</u>
<b><u>Expenditures</u></b>				
Current:				
General government/other	41,813	41,813	36,652	5,161
Capital outlay	<u>127,000</u>	<u>127,000</u>	<u>121,201</u>	<u>5,799</u>
Total Expenditures	<u>168,813</u>	<u>168,813</u>	<u>157,853</u>	<u>10,960</u>
<b><u>Excess (Deficiency) of Revenues</u></b>				
<b><u>Over Expenditures</u></b>	261,207	261,207	257,039	(4,168)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers:				
General Fund	<u>(261,000)</u>	<u>(261,000)</u>	<u>(265,288)</u>	<u>(4,288)</u>
<b><u>Net Change in Fund Balance</u></b>	<u>\$ 207</u>	<u>\$ 207</u>	<u>(8,249)</u>	<u>\$ (8,456)</u>
<b><u>Fund Balance at Beginning of Year</u></b>			<u>37,945</u>	<u>208,621</u>
<b><u>Fund Balance at End of Year</u></b>			<u>\$ 29,696</u>	<u>\$ 37,945</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**EMERGENCY TELEPHONE SYSTEM SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	GAAP	Final Budget	GAAP
			Basis	Positive	Basis
				(Negative)	
<b><u>Revenues</u></b>					
Tax revenues	\$ 263,200	\$ 263,200	\$ 221,229	\$ (41,971)	\$ 240,364
Other income	-	-	22,500	22,500	-
Investment income	100	100	21	(79)	32
Total Revenues	<u>263,300</u>	<u>263,300</u>	<u>243,750</u>	<u>(19,550)</u>	<u>240,396</u>
<b><u>Expenditures</u></b>					
Current:					
Monthly operating updates	100,000	100,000	127,461	(27,461)	94,272
General government/other	199,620	199,620	179,809	19,811	226,986
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>23,626</u>	<u>(20,626)</u>	<u>182,746</u>
Total Expenditures	<u>302,620</u>	<u>302,620</u>	<u>330,896</u>	<u>(28,276)</u>	<u>504,004</u>
<b><u>Net Change in Fund Balance</u></b>	<u>\$ (39,320)</u>	<u>\$ (39,320)</u>	(87,146)	<u>\$ (47,826)</u>	(263,608)
<b><u>Fund Balance at Beginning of Year</u></b>			(56,054)		<u>207,554</u>
<b><u>Fund Balance at End of Year</u></b>			<u>\$ (143,200)</u>		<u>\$ (56,054)</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**MUNICIPAL AID SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budgeted Amounts		Actual	Actual
	Original	Final	GAAP	GAAP
			Basis	Basis
				Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Intergovernmental revenue	\$ 480,000	\$ 480,000	\$ 450,691	\$ (29,309)
Investment income	50	50	66	16
Total Revenues	<u>480,050</u>	<u>480,050</u>	<u>450,757</u>	<u>(29,293)</u>
<b><u>Expenditures</u></b>				
Current:				
General government/other	500	500	-	500
Capital outlay	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>	<u>-</u>
Total Expenditures	<u>275,500</u>	<u>275,500</u>	<u>275,000</u>	<u>500</u>
<b><u>Excess (Deficiency) of Revenues</u></b>				
<b><u>Over Expenditures</u></b>	<u>204,550</u>	<u>204,550</u>	<u>175,757</u>	<u>(28,793)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers:				
Coal Severance Fund	49,950	49,950	44,081	(5,869)
General Fund	<u>(330,000)</u>	<u>(330,000)</u>	<u>(330,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(280,050)</u>	<u>(280,050)</u>	<u>(285,919)</u>	<u>(5,869)</u>
<b><u>Net Change in Fund Balance</u></b>	<u>\$ (75,500)</u>	<u>\$ (75,500)</u>	<u>(110,162)</u>	<u>\$ (34,662)</u>
<b><u>Fund Balance at Beginning of Year</u></b>			<u>419,463</u>	<u>467,327</u>
<b><u>Fund Balance at End of Year</u></b>			<u>\$ 309,301</u>	<u>\$ 419,463</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**COAL SEVERANCE TAX SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budgeted Amounts		Actual GAAP Basis	Actual GAAP Basis
	Original	Final		
<b><u>Revenues</u></b>				
Intergovernmental revenue	\$ 166,500	\$ 166,500	\$ 146,938	\$ 166,277
Investment income	150	150	38	139
Total Revenues	<u>166,650</u>	<u>166,650</u>	<u>146,976</u>	<u>166,416</u>
<b><u>Expenditures</u></b>				
Current:				
General government/other	-	-	80	79
Total Expenditures	<u>-</u>	<u>-</u>	<u>80</u>	<u>79</u>
<b><u>Excess (Deficiency) of Revenues Over Expenditures</u></b>	<u>166,650</u>	<u>166,650</u>	<u>146,896</u>	<u>166,337</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers:				
General Fund	(115,000)	(115,000)	(115,000)	(125,000)
Municipal Aid Fund	(49,950)	(49,950)	(44,081)	(49,883)
Total Other Financing Sources (Uses)	<u>(164,950)</u>	<u>(164,950)</u>	<u>(159,081)</u>	<u>(174,883)</u>
<b><u>Net Change in Fund Balance</u></b>	<u>\$ 1,700</u>	<u>\$ 1,700</u>	<u>(12,185)</u>	<u>(8,546)</u>
<b><u>Fund Balance at Beginning of Year</u></b>			<u>138,543</u>	<u>147,089</u>
<b><u>Fund Balance at End of Year</u></b>			<u>\$ 126,358</u>	<u>\$ 138,543</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**AIRPORT SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015				2014
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
<b><u>Revenues</u></b>					
Grant income	\$ -	\$ -	\$ -	\$ -	\$ 169,214
Fuel sales	-	-	-	-	273,085
Other income	-	-	-	-	29,944
Rental income	-	-	-	-	27,718
Investment income	-	-	-	-	10
Total Revenues	-	-	-	-	499,971
<b><u>Expenditures</u></b>					
Current:					
General government/other	-	-	-	-	382,251
Capital outlay	-	-	-	-	172,248
Total Expenditures	-	-	-	-	554,499
<b><u>Excess (Deficiency) of Revenues</u></b>					
<b><u>Over Expenditures</u></b>	-	-	-	-	(54,528)
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers:					
General Fund	-	-	(153,747)	(153,747)	453,614
<b><u>Net Change in Fund Balance</u></b>	\$ -	\$ -	(153,747)	\$ (153,747)	399,086
<b><u>Fund Balance at Beginning of Year</u></b>			153,747		(245,339)
<b><u>Fund Balance at End of Year</u></b>			\$ -		\$ 153,747

## **SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

### **Proprietary Funds**

These supplementary statements and schedules are included to provide management additional information for financial analysis.

#### **Light Fund**

This fund accounts for the provision of electricity service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

#### **Water and Sewer Fund**

This fund accounts for the provisions of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, financing and related debt service.

#### **Sanitation Fund**

This fund accounts for the provision of sanitary waste collection and disposal services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, financing and related debt service.

**CITY OF MADISONVILLE, KENTUCKY**  
**LIGHT FUND**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash equivalents	\$ 6,256,516	\$ 5,234,282
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$447,000 and \$431,000)	2,638,440	2,637,028
Others	83,060	67,917
Due from other funds	5,027	12,047
Materials and supplies inventory	749,571	749,497
Prepayments	29,076	41,409
Restricted assets:		
Cash equivalents	28,818	20,749
Total Current Assets	<u>9,790,508</u>	<u>8,762,929</u>
<b><u>Noncurrent Assets</u></b>		
Capital assets	21,202,530	20,721,293
Accumulated depreciation	<u>(9,505,715)</u>	<u>(9,167,108)</u>
Total Noncurrent Assets	<u>11,696,815</u>	<u>11,554,185</u>
Total Assets	<u>21,487,323</u>	<u>20,317,114</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred amounts from pensions	<u>181,282</u>	<u>198,099</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Trade accounts payable	3,705,488	3,779,815
Due to other funds	69,870	32,921
Accrued payroll and payroll taxes	85,404	68,542
Compensated absences	48,751	48,771
Customer deposits payable	679,772	627,996
Customer deposit interest payable	33,316	38,911
Total Current Liabilities	<u>4,622,601</u>	<u>4,596,956</u>
<b><u>Long-Term Liabilities Due After One Year</u></b>		
Net pension liability	<u>1,988,692</u>	<u>2,307,100</u>
Total Long-Term Liabilities	<u>1,988,692</u>	<u>2,307,100</u>
Total Liabilities	<u>6,611,293</u>	<u>6,904,056</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred amounts for pensions	<u>177,589</u>	<u>-</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	11,696,815	11,554,185
Restricted for customer deposits	28,818	20,749
Unrestricted (as Restated - June 30, 2014)	<u>3,154,090</u>	<u>2,036,223</u>
Total Net Position	<u>\$ 14,879,723</u>	<u>\$ 13,611,157</u>



**CITY OF MADISONVILLE, KENTUCKY**  
**LIGHT FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Operating Revenues</u></b>		
Sale of electricity	\$ 25,615,010	\$ 26,598,365
Grant income	-	176,589
Service and miscellaneous	<u>588,733</u>	<u>553,156</u>
Total Operating Revenues	<u>26,203,743</u>	<u>27,328,110</u>
<b><u>Operating Expenses</u></b>		
Electricity purchased	18,607,146	19,621,999
Maintenance	1,729,271	1,969,942
Depreciation	748,830	705,039
Commercial operations	516,289	495,402
Other	<u>528,331</u>	<u>443,935</u>
Total Operating Expenses	<u>22,129,867</u>	<u>23,236,317</u>
<b><u>Income From Operations</u></b>	4,073,876	4,091,793
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Investment income	4,788	4,120
Gain on disposal of assets	<u>25,000</u>	<u>43,000</u>
Total Nonoperating Revenues (Expenses)	<u>29,788</u>	<u>47,120</u>
<b><u>Income Before Contributions and Transfers</u></b>	4,103,664	4,138,913
Capital contributions	14,902	48,465
Transfers out	<u>(2,850,000)</u>	<u>(3,850,000)</u>
<b><u>Change in Net Position</u></b>	1,268,566	337,378
<b><u>Net Position at Beginning of Year</u></b>	13,611,157	15,382,780
Prior period adjustment	<u>-</u>	<u>(2,109,001)</u>
<b><u>Net Position at Beginning of Year (as Restated)</u></b>	<u>13,611,157</u>	<u>13,273,779</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ 14,879,723</u>	<u>\$ 13,611,157</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**LIGHT FUND**  
**COMPARATIVE SCHEDULES OF OPERATING EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Electricity Purchased</u></b>	\$ <u>18,607,146</u>	\$ <u>19,621,999</u>
<b><u>Maintenance</u></b>		
Overhead conductors	891,645	1,118,223
Tree trimming	214,953	247,700
Other	116,411	114,630
Poles, towers, and fixtures	428,854	418,855
Street lights	<u>77,408</u>	<u>70,534</u>
Total	<u>1,729,271</u>	<u>1,969,942</u>
<b><u>Depreciation</u></b>	<u>748,830</u>	<u>705,039</u>
<b><u>Commercial Office Operations</u></b>		
Billing and commercial office salaries and wages	343,366	314,462
Computer services and supplies	11,885	21,043
Postage	52,682	58,564
Office supplies and other expenses	<u>108,356</u>	<u>101,333</u>
Total	<u>516,289</u>	<u>495,402</u>
<b><u>Other</u></b>		
Employee benefits	55,778	61,816
Professional fees	323,835	231,131
Pension expense	74,406	55,635
Uncollectible accounts	5,562	8,591
Engineering	44,605	63,318
Customer deposit interest	776	2,149
Payroll taxes	<u>23,369</u>	<u>21,295</u>
Total	<u>528,331</u>	<u>443,935</u>
<b><u>Total Operating Expenses</u></b>	\$ <u><u>22,129,867</u></u>	\$ <u><u>23,236,317</u></u>

**CITY OF MADISONVILLE, KENTUCKY**  
**LIGHT FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Cash Flows From Operating Activities</u></b>		
Cash received from customers	\$ 26,026,931	\$ 27,303,469
Cash received from interfund services provided	160,257	169,121
Cash payments to suppliers for goods and services	(19,966,420)	(20,653,900)
Cash payments to employees for services	(1,537,664)	(1,559,709)
Net Cash Provided (Used) By Operating Activities	<u>4,683,104</u>	<u>5,258,981</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>		
Transfers out	(2,850,000)	(3,850,000)
Net decrease (increase) in amounts due from other funds	7,020	163,777
Net increase (decrease) in amounts due to other funds	36,949	32,921
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(2,806,031)</u>	<u>(3,653,302)</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>		
Contributed capital	14,902	48,465
Acquisition of property, plant and equipment	(891,460)	(1,050,942)
Proceeds from sale of property, plant and equipment	25,000	43,000
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(851,558)</u>	<u>(959,477)</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Sale of investments	-	61,093
Income received on investments	4,788	4,120
Net Cash Provided (Used) By Investing Activities	<u>4,788</u>	<u>65,213</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<u>1,030,303</u>	<u>711,415</u>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>5,255,031</u>	<u>4,543,616</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 6,285,334</u>	<u>\$ 5,255,031</u>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>		
<b><u>Provided (Used) By Operating Activities</u></b>		
Operating income	\$ 4,073,876	\$ 4,091,793
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	748,830	705,039
Customer deposit interest accrued	(5,595)	(9,909)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(16,555)	144,480
Decrease (increase) in grant receivable	-	266,737
Decrease (increase) in materials and supplies	(74)	39,884
Decrease (increase) in prepayments	12,333	(10,169)
Decrease (increase) in deferred outflows	16,817	-
Increase (decrease) in trade accounts payable	(74,327)	20,287
Increase (decrease) in customer deposits	51,776	(798)
Increase (decrease) in accrued expenses	16,842	11,637
Increase (decrease) in net pension liability	(318,408)	-
Increase (decrease) in deferred inflows	177,589	-
Net Cash Provided (Used) By Operating Activities	<u>\$ 4,683,104</u>	<u>\$ 5,258,981</u>
<b><u>Reconciliation of Total Cash</u></b>		
Current Assets - Cash	\$ 6,256,516	\$ 5,234,282
Restricted Assets - Cash	28,818	20,749
Total Cash	<u>\$ 6,285,334</u>	<u>\$ 5,255,031</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**LIGHT FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budgeted Amounts		Variance with	Actual
	Original	Final	Final Budget Positive (Negative)	GAAP Basis
<b><u>Operating Revenues</u></b>				
Sale of electricity	\$ 26,873,500	\$ 26,873,500	\$ (1,258,490)	\$ 26,598,365
Grant income	-	-	-	176,589
Service and miscellaneous	563,600	563,600	25,133	553,156
Total Operating Revenues	<u>27,437,100</u>	<u>27,437,100</u>	<u>(1,233,357)</u>	<u>27,328,110</u>
<b><u>Operating Expenses</u></b>				
Electricity purchased	19,397,000	19,397,000	789,854	19,621,999
Maintenance	3,104,597	3,104,597	1,375,326	1,969,942
Depreciation	675,000	675,000	(73,830)	705,039
Commercial operations	546,411	546,411	30,122	495,402
Other	394,465	394,465	(133,866)	443,935
Total Operating Expenses	<u>24,117,473</u>	<u>24,117,473</u>	<u>1,987,606</u>	<u>23,236,317</u>
<b><u>Income from Operations</u></b>	<u>3,319,627</u>	<u>3,319,627</u>	<u>754,249</u>	<u>4,091,793</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment income	3,750	3,750	1,038	4,120
Gain on disposal of assets	-	-	25,000	43,000
Total Nonoperating Revenues (Expenses)	<u>3,750</u>	<u>3,750</u>	<u>26,038</u>	<u>47,120</u>
<b><u>Income Before Contributions and Transfers</u></b>	<u>3,323,377</u>	<u>3,323,377</u>	<u>780,287</u>	<u>4,138,913</u>
Capital contributions	116,000	116,000	(101,098)	48,465
Transfers out	<u>(2,850,000)</u>	<u>(2,850,000)</u>	<u>-</u>	<u>(3,850,000)</u>
<b><u>Change in Net Position</u></b>	<u>\$ 589,377</u>	<u>\$ 589,377</u>	<u>\$ 679,189</u>	<u>\$ 337,378</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash equivalents	\$ 6,851,163	\$ 6,719,708
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$300,000 and \$290,000)	832,829	833,905
Others	157,695	27,825
Due from other funds	3,202	605
Materials and supplies	416,899	471,141
Interest receivable	10,079	6,689
Prepayments	37,343	39,393
Restricted assets:		
Cash equivalents	57,261	186
Investments, at fair value	4,607,454	4,573,491
Total Current Assets	<u>12,973,925</u>	<u>12,672,943</u>
<b><u>Noncurrent Assets</u></b>		
Capital assets	82,369,538	80,658,468
Accumulated depreciation	<u>(38,438,321)</u>	<u>(36,071,929)</u>
Total Noncurrent Assets	<u>43,931,217</u>	<u>44,586,539</u>
Total Assets	<u>56,905,142</u>	<u>57,259,482</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred amounts from refunding debt	865,251	935,336
Deferred amounts from pensions	<u>249,264</u>	<u>271,946</u>
Total Deferred Outflows of Resources	<u>1,114,515</u>	<u>1,207,282</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Trade accounts payable	178,218	361,006
Construction accounts payable	10,805	5,000
Due to other funds	285,804	24,669
Unearned revenue	247,318	163,038
Accrued interest payable	101,311	112,528
Accrued payroll and payroll taxes	119,291	101,011
Compensated absences	61,622	75,752
Current portion of debt	<u>2,447,790</u>	<u>2,342,936</u>
Total Current Liabilities	<u>3,452,159</u>	<u>3,185,940</u>
<b><u>Long-Term Liabilities Due After One Year</u></b>		
Long-term portion of debt	12,395,514	14,708,168
Net pension liability	<u>2,734,463</u>	<u>3,167,140</u>
Total Long-Term Liabilities	<u>15,129,977</u>	<u>17,875,308</u>
Total Liabilities	<u>18,582,136</u>	<u>21,061,248</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred amounts for pensions	<u>244,186</u>	<u>-</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	30,252,524	28,775,921
Restricted for debt service	3,074,482	3,019,609
Unrestricted (as Restated - June 30, 2014)	<u>5,866,329</u>	<u>5,609,986</u>
Total Net Position	<u>\$ 39,193,335</u>	<u>\$ 37,405,516</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Operating Revenues</u></b>		
Sewer revenues	\$ 5,196,440	\$ 5,124,854
Water revenues	4,738,409	4,870,794
Grant income	540	-
Total Operating Revenues	<u>9,935,389</u>	<u>9,995,648</u>
<b><u>Operating Expenses</u></b>		
Depreciation	2,495,405	2,557,796
Wastewater collection	1,031,565	1,189,362
Wastewater treatment	1,255,445	1,278,825
Purification	1,418,734	1,441,636
Distribution maintenance	760,815	704,695
Other	493,912	471,622
Power purchased	346,307	273,900
Total Operating Expenses	<u>7,802,183</u>	<u>7,917,836</u>
<b><u>Income From Operations</u></b>	<u>2,133,206</u>	<u>2,077,812</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Investment income	36,492	57,425
Gain on disposal of assets	-	52,335
Interest expense and amortization	(491,879)	(560,543)
Total Nonoperating Revenues (Expenses)	<u>(455,387)</u>	<u>(450,783)</u>
<b><u>Income Before Contributions and Transfers</u></b>	1,677,819	1,627,029
Capital contributions	<u>110,000</u>	<u>110,000</u>
<b><u>Change in Net Position</u></b>	1,787,819	1,737,029
<b><u>Net Position at Beginning of Year</u></b>	37,405,516	38,563,681
Prior Period Adjustment	<u>-</u>	<u>(2,895,194)</u>
<b><u>Net Position at Beginning of Year (as Restated)</u></b>	<u>37,405,516</u>	<u>35,668,487</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ 39,193,335</u>	<u>\$ 37,405,516</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**COMPARATIVE SCHEDULES OF OPERATING EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Depreciation</u></b>	\$ <u>2,495,405</u>	\$ <u>2,557,796</u>
<b><u>Wastewater Collection</u></b>		
Maintenance	890,692	1,036,795
Materials and supplies	33,468	33,143
Fuel and power	107,281	118,387
Engineering/billing fees	124	1,037
Total	<u>1,031,565</u>	<u>1,189,362</u>
<b><u>Wastewater Treatment</u></b>		
Salaries and wages	473,281	479,881
Fuel and power	211,152	225,306
Sludge hauling	156,072	162,726
Employee benefits	95,837	105,641
Materials and supplies	148,462	113,893
Pension expense	38,320	82,758
Maintenance	61,046	47,032
Payroll taxes	34,949	35,024
Professional fees	36,326	26,564
Total	<u>1,255,445</u>	<u>1,278,825</u>
<b><u>Purification</u></b>		
Salaries and wages	523,244	519,798
Materials and supplies	403,794	392,035
Maintenance	179,419	177,021
Employee benefits	102,010	105,919
Pension expense	65,803	97,278
Filter water analysis	31,446	38,830
Payroll taxes	37,147	36,547
Small tools and work equipment	8,752	3,842
Engineering	67,119	70,366
Total	<u>1,418,734</u>	<u>1,441,636</u>
<b><u>Distribution Maintenance</u></b>		
Other	173,361	102,560
Hydrants	201,477	201,596
Water mains	385,977	400,539
Total	<u>760,815</u>	<u>704,695</u>
<b><u>Other</u></b>		
Billing and collection	254,000	254,000
Professional fees	88,400	88,400
Miscellaneous	44,738	44,063
Insurance	69,436	63,296
Uncollectible accounts	37,338	21,863
Total	<u>493,912</u>	<u>471,622</u>
<b><u>Power Purchased</u></b>	<u>346,307</u>	<u>273,900</u>
<b><u>Total Operating Expenses</u></b>	<u>\$ 7,802,183</u>	<u>\$ 7,917,836</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Cash Flows From Operating Activities</u></b>		
Cash received from customers	\$ 9,787,684	\$ 10,007,294
Cash received from interfund services provided	18,911	21,796
Cash payments to suppliers for goods and services	(3,309,514)	(3,651,445)
Cash payments to employees for services	(2,195,334)	(2,228,954)
Net Cash Provided (Used) By Operating Activities	<u>4,301,747</u>	<u>4,148,691</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>		
Net decrease (increase) in amounts due from other funds	(2,597)	(256)
Net increase (decrease) in amounts due to other funds	<u>261,135</u>	<u>(136,518)</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>258,538</u>	<u>(136,774)</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>		
Proceeds from issuance of debt	147,900	-
Principal paid on debt	(2,285,615)	(2,181,205)
Contributed capital	110,000	110,000
Acquisition of property, plant and equipment	(1,840,083)	(1,343,970)
Proceeds from sale of property, plant and equipment	-	52,335
Interest paid on debt	(503,096)	(574,137)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(4,370,894)</u>	<u>(3,936,977)</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of investments	(1,571,735)	(6,806,418)
Proceeds from sales and maturities of investments	1,537,772	7,496,784
Income received on investments	<u>33,102</u>	<u>51,576</u>
Net Cash Provided (Used) By Investing Activities	<u>(861)</u>	<u>741,942</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<u>188,530</u>	<u>816,882</u>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>6,719,894</u>	<u>5,903,012</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u><u>\$ 6,908,424</u></u>	<u><u>\$ 6,719,894</u></u>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>		
<b><u>Provided (Used) By Operating Activities</u></b>		
Operating income	\$ 2,133,206	\$ 2,077,812
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	2,495,405	2,557,796
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(128,794)	33,442
Decrease (increase) in grant receivable	-	3,369
Decrease (increase) in materials and supplies	54,242	(9,265)
Decrease (increase) in prepayments	2,050	(5,943)
Decrease (increase) in deferred outflows	22,682	-
Increase (decrease) in trade accounts payable	(176,983)	(677,658)
Increase (decrease) in unearned revenue	84,280	155,720
Increase (decrease) in accrued expenses	4,150	13,418
Increase (decrease) in net pension liability	(432,677)	-
Increase (decrease) in deferred inflows	244,186	-
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 4,301,747</u></u>	<u><u>\$ 4,148,691</u></u>
<b><u>Reconciliation of Total Cash</u></b>		
Current Assets - Cash	\$ 6,851,163	\$ 6,719,708
Restricted Assets - Cash	<u>57,261</u>	<u>186</u>
Total Cash	<u><u>\$ 6,908,424</u></u>	<u><u>\$ 6,719,894</u></u>
<b><u>Noncash Investing, Capital and Related Financing Activities</u></b>		
Net increase (decrease) in fair value of investments	\$ -	\$ (904)
Net Noncash Investing, Capital and Related Financing Activities	<u><u>\$ -</u></u>	<u><u>\$ (904)</u></u>



**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			Variance with	2014
	Budgeted Amounts		Actual	Final Budget	Actual
	Original	Final	GAAP Basis	Positive (Negative)	GAAP Basis
<b><u>Operating Revenues</u></b>					
Sewer revenues	\$ 5,204,500	\$ 5,204,500	\$ 5,196,440	\$ (8,060)	\$ 5,124,854
Water revenues	5,043,000	5,043,000	4,738,409	(304,591)	4,870,794
Grant income	-	-	540	540	-
Total Operating Revenues	<u>10,247,500</u>	<u>10,247,500</u>	<u>9,935,389</u>	<u>(312,111)</u>	<u>9,995,648</u>
<b><u>Operating Expenses</u></b>					
Depreciation	2,251,000	2,251,000	2,495,405	(244,405)	2,557,796
Wastewater collection	1,992,329	1,992,329	1,031,565	960,764	1,189,362
Wastewater treatment	2,188,559	2,188,559	1,255,445	933,114	1,278,825
Purification	1,612,769	1,612,769	1,418,734	194,035	1,441,636
Distribution maintenance	914,730	914,730	760,815	153,915	704,695
Other	488,200	488,200	493,912	(5,712)	471,622
Power purchased	<u>321,000</u>	<u>321,000</u>	<u>346,307</u>	<u>(25,307)</u>	<u>273,900</u>
Total Operating Expenses	<u>9,768,587</u>	<u>9,768,587</u>	<u>7,802,183</u>	<u>1,966,404</u>	<u>7,917,836</u>
<b><u>Income from Operations</u></b>	<u>478,913</u>	<u>478,913</u>	<u>2,133,206</u>	<u>1,654,293</u>	<u>2,077,812</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>					
Investment income	52,400	52,400	36,492	(15,908)	57,425
Gain on disposal of assets	-	-	-	-	52,335
Interest expense and fees	<u>(595,487)</u>	<u>(595,487)</u>	<u>(491,879)</u>	<u>103,608</u>	<u>(560,543)</u>
Total Nonoperating Revenues (Expenses)	<u>(543,087)</u>	<u>(543,087)</u>	<u>(455,387)</u>	<u>87,700</u>	<u>(450,783)</u>
<b><u>Income Before Contributions and Transfers</u></b>	<u>(64,174)</u>	<u>(64,174)</u>	<u>1,677,819</u>	<u>1,741,993</u>	<u>1,627,029</u>
Capital contributions	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>	<u>110,000</u>
<b><u>Change in Net Position</u></b>	<u>\$ 45,826</u>	<u>\$ 45,826</u>	<u>\$ 1,787,819</u>	<u>\$ 1,741,993</u>	<u>\$ 1,737,029</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**SANITATION FUND**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash equivalents	\$ 490,348	\$ 552,230
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$94,000 and \$91,000)	179,637	179,519
Others	31,071	19,870
Materials and supplies inventory	39,255	28,086
Prepayments	13,424	17,631
Total Current Assets	<u>753,735</u>	<u>797,336</u>
<b><u>Noncurrent Assets</u></b>		
Capital assets	3,715,987	3,194,181
Accumulated depreciation	<u>(1,878,676)</u>	<u>(1,757,387)</u>
Total Noncurrent Assets	<u>1,837,311</u>	<u>1,436,794</u>
Total Assets	<u>2,591,046</u>	<u>2,234,130</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred amounts from pensions	<u>78,049</u>	<u>73,239</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Trade accounts payable	102,420	97,576
Construction accounts payable	20,985	-
Due to other funds	147,625	46,465
Unearned revenue	-	10,156
Accrued payroll and payroll taxes	30,412	29,443
Compensated absences	17,532	31,255
Current portion of debt	211,150	708,516
Total Current Liabilities	<u>530,124</u>	<u>923,411</u>
<b><u>Long-Term Liabilities Due After One Year</u></b>		
Long-term portion of debt	720,642	-
Net pension liability	856,210	852,951
Total Long-Term Liabilities	<u>1,576,852</u>	<u>852,951</u>
Total Liabilities	<u>2,106,976</u>	<u>1,776,362</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred amounts for pensions	<u>76,459</u>	<u>-</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	905,519	728,278
Unrestricted (as Restated - June 30, 2014)	<u>(419,859)</u>	<u>(197,271)</u>
Total Net Position	<u>\$ 485,660</u>	<u>\$ 531,007</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**SANITATION FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Operating Revenues</u></b>		
Sanitation fees	\$ 2,095,252	\$ 1,995,895
Grant income	45,774	7,844
Service and miscellaneous	<u>220,654</u>	<u>183,612</u>
Total Operating Revenues	<u>2,361,680</u>	<u>2,187,351</u>
<b><u>Operating Expenses</u></b>		
Sanitation collection and disposal	1,813,218	1,769,176
Depreciation	176,396	166,271
Maintenance	216,653	194,099
Other	<u>118,370</u>	<u>113,698</u>
Total Operating Expenses	<u>2,324,637</u>	<u>2,243,244</u>
<b><u>Income (Loss) From Operations</u></b>	<u>37,043</u>	<u>(55,893)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Investment income	57	38
Gain (loss) on disposal of assets	(51,951)	(53,705)
Interest expense and fees	<u>(30,496)</u>	<u>(19,967)</u>
Total Nonoperating Revenues (Expenses)	<u>(82,390)</u>	<u>(73,634)</u>
<b><u>Change in Net Position</u></b>	(45,347)	(129,527)
<b><u>Net Position at Beginning of Year</u></b>	531,007	1,440,246
Prior Period Adjustment	<u>-</u>	<u>(779,712)</u>
<b><u>Net Position at Beginning of Year (as Restated)</u></b>	<u>531,007</u>	<u>660,534</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ 485,660</u>	<u>\$ 531,007</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**SANITATION FUND**  
**COMPARATIVE SCHEDULES OF OPERATING EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Sanitation Collection and Disposal</u></b>		
Salaries and wages	\$ 834,077	\$ 810,047
Hauling and landfill tipping fees	162,644	167,831
Employee benefits	160,380	174,702
Fuel and oil	163,463	181,307
Pension expense	183,074	100,567
Materials and miscellaneous	201,684	229,761
Workers compensation	39,054	42,882
Payroll taxes	47,419	43,158
Uniforms and clothing	21,423	18,921
Total	<u>1,813,218</u>	<u>1,769,176</u>
<b><u>Depreciation</u></b>	<u>176,396</u>	<u>166,271</u>
<b><u>Maintenance</u></b>		
Equipment	173,538	171,280
Facilities	43,115	22,819
Total	<u>216,653</u>	<u>194,099</u>
<b><u>Other</u></b>		
Billing and collection	50,000	50,000
Insurance	44,144	38,821
Professional fees	21,393	21,393
Uncollectible accounts	2,833	3,484
Total	<u>118,370</u>	<u>113,698</u>
<b><u>Total Operating Expenses</u></b>	<u>\$ 2,324,637</u>	<u>\$ 2,243,244</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**SANITATION FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS**

	<u>2015</u>	<u>2014</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Cash received from customers	\$ 2,350,361	\$ 2,184,762
Cash payments to suppliers for goods and services	(1,183,127)	(1,183,906)
Cash payments to employees for services	(894,249)	(843,310)
Net Cash Provided (Used) By Operating Activities	<u>272,985</u>	<u>157,546</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>		
Net decrease (increase) in amounts due from other funds	-	7,710
Net increase (decrease) in amounts due to other funds	<u>101,160</u>	<u>41,112</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>101,160</u>	<u>48,822</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>		
Proceeds from issuance of debt	931,792	708,516
Principal paid on debt	(708,516)	-
Acquisition of property, plant and equipment	(1,230,322)	(761,192)
Proceeds from sale of property, plant and equipment	601,458	170,407
Interest paid on debt	(30,496)	(19,967)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(436,084)</u>	<u>97,764</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Income received on investments	<u>57</u>	<u>38</u>
Net Cash Provided (Used) By Investing Activities	<u>57</u>	<u>38</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	(61,882)	304,170
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>552,230</u>	<u>248,060</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 490,348</u>	<u>\$ 552,230</u>
<b><u>Reconciliation of Operating Income to Net Cash</u></b>		
<b><u>Provided (Used) By Operating Activities</u></b>		
Operating income	\$ 37,043	\$ (55,893)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	176,396	166,271
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(11,319)	(2,589)
Decrease (increase) in materials and supplies	(11,169)	(2,796)
Decrease (increase) in prepayments	4,207	(675)
Decrease (increase) in deferred outflows	(4,810)	-
Increase (decrease) in trade accounts payable	25,829	33,177
Increase (decrease) in unearned revenue	(10,156)	10,156
Increase (decrease) in accrued expenses	(12,754)	9,895
Increase (decrease) in net pension liability	3,259	-
Increase (decrease) in deferred inflows	76,459	-
Net Cash Provided (Used) By Operating Activities	<u>\$ 272,985</u>	<u>\$ 157,546</u>
<b><u>Reconciliation of Total Cash</u></b>		
Current Assets - Cash	\$ 490,348	\$ 552,230
Restricted Assets - Cash	-	-
Total Cash	<u>\$ 490,348</u>	<u>\$ 552,230</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**SANITATION FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015				2014
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
<b><u>Operating Revenues</u></b>					
Sanitation fees	\$ 1,962,635	\$ 1,962,635	\$ 2,095,252	\$ 132,617	\$ 1,995,895
Grant income	62,200	62,200	45,774	(16,426)	7,844
Service and miscellaneous	192,500	192,500	220,654	28,154	183,612
Total Operating Revenues	2,217,335	2,217,335	2,361,680	144,345	2,187,351
<b><u>Operating Expenses</u></b>					
Salaries and wages	706,937	836,937	834,077	2,860	810,047
Hauling and landfill tipping fees	160,200	175,200	162,644	12,556	167,831
Employee benefits	157,214	157,214	160,380	(3,166)	174,702
Fuel and oil	155,000	155,000	163,463	(8,463)	181,307
Pension expense	115,727	115,727	183,074	(67,347)	100,567
Maintenance	219,000	271,000	216,653	54,347	194,099
Materials and supplies	252,353	300,353	201,684	98,669	229,761
Payroll taxes	50,753	50,753	47,419	3,334	43,158
Workers compensation	44,444	44,444	39,054	5,390	42,882
Insurance	36,383	36,383	44,144	(7,761)	38,821
Uniforms and clothing	20,000	25,000	21,423	3,577	18,921
Depreciation	184,000	184,000	176,396	7,604	166,271
Billing and collection	50,000	50,000	50,000	-	50,000
Professional fees	21,393	21,393	21,393	-	21,393
Uncollectible accounts	5,000	5,000	2,833	2,167	3,484
Total Operating Expenses	2,178,404	2,428,404	2,324,637	103,767	2,243,244
<b><u>Income from Operations</u></b>	38,931	(211,069)	37,043	248,112	(55,893)
<b><u>Nonoperating Revenues (Expenses)</u></b>					
Investment income	40	40	57	17	38
Gain (loss) on disposal of assets	-	-	(51,951)	(51,951)	(53,705)
Interest expense and fees	(35,000)	(35,000)	(30,496)	4,504	(19,967)
Total Nonoperating Revenues (Expenses)	(34,960)	(34,960)	(82,390)	(47,430)	(73,634)
<b><u>Change in Net Position</u></b>	\$ 3,971	\$ (246,029)	\$ (45,347)	\$ 200,682	\$ (129,527)

## **COMPARATIVE FINANCIAL STATEMENTS**

### **Internal Service Fund**

#### Self Insured Health Care Trust Fund

This fund accounts for the accumulation of resources to be used in providing health and life insurance benefits to all employees electing coverage as determined by the City Council.

**CITY OF MADISONVILLE, KENTUCKY**  
**INTERNAL SERVICE FUND**  
**SELF INSURED HEALTH CARE TRUST FUND**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash	\$ 2,454,995	\$ 1,801,314
Investments, at fair value	309,468	836,345
Accounts receivable	14,582	3,289
Interest receivable	<u>79</u>	<u>79</u>
Total Current Assets	<u>2,779,124</u>	<u>2,641,027</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Claims payable	75,946	57,201
Due to other funds	<u>580</u>	<u>284</u>
Total Current Liabilities	<u>76,526</u>	<u>57,485</u>
<b><u>NET POSITION</u></b>		
Unrestricted	<u>2,702,598</u>	<u>2,583,542</u>
Total Net Position	<u>\$ 2,702,598</u>	<u>\$ 2,583,542</u>



**CITY OF MADISONVILLE, KENTUCKY**  
**INTERNAL SERVICE FUND**  
**SELF INSURED HEALTH CARE TRUST FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Revenues</u></b>		
Charges for premiums and services	\$ <u>1,873,542</u>	\$ <u>2,072,924</u>
<b><u>Expenses</u></b>		
Claims expense	1,272,390	1,211,725
Insurance premiums	417,850	407,595
Administration	<u>68,224</u>	<u>65,267</u>
Total Expenses	<u>1,758,464</u>	<u>1,684,587</u>
<b><u>Income (Loss) From Operations</u></b>	115,078	388,337
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Investment income	<u>3,978</u>	<u>4,623</u>
<b><u>Change in Net Position</u></b>	119,056	392,960
<b><u>Net Position at Beginning of Year</u></b>	<u>2,583,542</u>	<u>2,190,582</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ <u>2,702,598</u></u>	<u>\$ <u>2,583,542</u></u>

**CITY OF MADISONVILLE, KENTUCKY**  
**INTERNAL SERVICE FUND**  
**SELF INSURED HEALTH CARE TRUST FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS**

	<u>2015</u>	<u>2014</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Cash received for premiums and services	\$ 1,862,249	\$ 2,115,652
Cash payments for premiums, claims and other	<u>(1,739,719)</u>	<u>(1,663,513)</u>
Net Cash Provided (Used) By Operating Activities	<u>122,530</u>	<u>452,139</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>		
Net increase (decrease) in amounts due to other funds	<u>296</u>	<u>284</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>296</u>	<u>284</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>	<u>-</u>	<u>-</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of investments	(2,203)	(3,137)
Proceeds from sales and maturities of investments	529,080	-
Income received on investments	<u>3,978</u>	<u>4,671</u>
Net Cash Provided By Investing Activities	<u>530,855</u>	<u>1,534</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	653,681	453,957
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>1,801,314</u>	<u>1,347,357</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 2,454,995</u>	<u>\$ 1,801,314</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash</u></b>		
<b><u>Provided (Used) By Operating Activities</u></b>		
Operating income (loss)	\$ 115,078	\$ 388,337
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in receivables	(11,293)	42,728
Increase (decrease) in payables	<u>18,745</u>	<u>21,074</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 122,530</u>	<u>\$ 452,139</u>

## **SUPPLEMENTARY COMPONENT UNIT FINANCIAL STATEMENTS AND SCHEDULES**

### **Greater Madisonville Area Industrial Authority**

These supplementary statements and schedules are included to provide management additional information for financial analysis.

The Greater Madisonville Area Industrial Authority (GMAIA) is created by City Ordinance but legally separate from the City of Madisonville, and governed by a separate board. The GMAIA is, accordingly, reported as a discretely presented component unit in the combined financial statements. The following financial statements are included in the City's financial statements since separate financial statements are not available for the GMAIA. The purpose of GMAIA is to promote the development, sale and management of City owned properties for industrial expansion purposes.

**CITY OF MADISONVILLE, KENTUCKY**  
**COMPONENT UNIT**  
**GREATER MADISONVILLE AREA INDUSTRIAL AUTHORITY**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash equivalents	\$ <u>186,006</u>	\$ <u>189,706</u>
Total Current Assets	<u>186,006</u>	<u>189,706</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Trade accounts payable	<u>825</u>	<u>825</u>
Total Current Liabilities	<u>825</u>	<u>825</u>
<b><u>NET POSITION</u></b>		
Unrestricted	<u>185,181</u>	<u>188,881</u>
Total Net Position	\$ <u><u>185,181</u></u>	\$ <u><u>188,881</u></u>

**CITY OF MADISONVILLE, KENTUCKY**  
**COMPONENT UNIT**  
**GREATER MADISONVILLE AREA INDUSTRIAL AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Operating Revenues</u></b>		
Rental income	\$ <u>101,250</u>	\$ <u>101,250</u>
Total Operating Revenues	<u>101,250</u>	<u>101,250</u>
<b><u>Operating Expenses</u></b>		
Repairs and maintenance	22,091	14,003
Professional fees	2,900	-
Miscellaneous	<u>-</u>	<u>26</u>
Total Operating Expenses	<u>24,991</u>	<u>14,029</u>
<b><u>Income (Loss) From Operations</u></b>	76,259	87,221
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Investment income	<u>41</u>	<u>23</u>
Total Nonoperating Revenues (Expenses)	<u>41</u>	<u>23</u>
<b><u>Income (Loss) Before Transfers</u></b>	76,300	87,244
<b><u>Operating Transfers</u></b>		
Operating transfers out - primary government	<u>(80,000)</u>	<u>(80,000)</u>
<b><u>Change in Net Position</u></b>	(3,700)	7,244
<b><u>Net Position at Beginning of Year</u></b>	<u>188,881</u>	<u>181,637</u>
<b><u>Net Position at End of Year</u></b>	<u>\$ <u>185,181</u></u>	<u>\$ <u>188,881</u></u>

**CITY OF MADISONVILLE, KENTUCKY**  
**COMPONENT UNIT**  
**GREATER MADISONVILLE AREA INDUSTRIAL AUTHORITY**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS**

	<u>2015</u>	<u>2014</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Cash received from customers	\$ 101,250	\$ 101,250
Cash payments to suppliers for goods and services	<u>(24,991)</u>	<u>(24,887)</u>
Net Cash Provided (Used) By Operating Activities	<u>76,259</u>	<u>76,363</u>
<b><u>Cash Flows From Noncapital Financing Activities</u></b>		
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(80,000)</u>	<u>(80,000)</u>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>		
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>-</u>	<u>-</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Income received on investments	<u>41</u>	<u>23</u>
Net Cash Provided (Used) By Investing Activities	<u>41</u>	<u>23</u>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	(3,700)	(3,614)
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<u>189,706</u>	<u>193,320</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<u>\$ 186,006</u>	<u>\$ 189,706</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u></b>		
Operating income (loss)	\$ 76,259	\$ 87,221
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Increase (decrease) in accounts payable	<u>-</u>	<u>(10,858)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 76,259</u>	<u>\$ 76,363</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**COMPONENT UNIT**  
**GREATER MADISONVILLE AREA INDUSTRIAL AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budgeted Amounts		Actual	Actual
	Original	Final	GAAP Basis	GAAP Basis
			Variance with Final Budget Positive (Negative)	
<b><u>Operating Revenues</u></b>				
Rental income	\$ 101,250	\$ 101,250	\$ 101,250	\$ 101,250
Total Operating Revenues	<u>101,250</u>	<u>101,250</u>	<u>101,250</u>	<u>101,250</u>
<b><u>Operating Expenses</u></b>				
Repairs and maintenance	15,000	15,000	22,091	14,003
Professional fees	-	-	2,900	-
Insurance	750	750	-	-
Miscellaneous	-	-	-	26
Total Operating Expenses	<u>15,750</u>	<u>15,750</u>	<u>24,991</u>	<u>14,029</u>
<b><u>Income (Loss) from Operations</u></b>	85,500	85,500	76,259	87,221
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Investment income	20	20	41	23
Total Nonoperating Revenues (Expenses)	<u>20</u>	<u>20</u>	<u>41</u>	<u>23</u>
<b><u>Income (Loss) Before Transfers</u></b>	85,520	85,520	76,300	87,244
<b><u>Transfers</u></b>				
Transfers out - primary government	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>
<b><u>Change in Net Position</u></b>	<u>\$ 5,520</u>	<u>\$ 5,520</u>	<u>\$ (3,700)</u>	<u>\$ 7,244</u>

**CITY OF MADISONVILLE, KENTUCKY**

**SUPPLEMENTAL SCHEDULES**

**JUNE 30, 2015**



### **Schedule 1**

## **Schedule 2**

<b><u>Amount of Lease</u></b>	\$ 559,947
<b><u>Date of Lease</u></b>	April 30, 2010
<b><u>Interest Rate</u></b>	3.70%
<b><u>Lease Outstanding June 30, 2015</u></b>	\$ 163,797
<b>Lessor</b>	First United Bank

Fiscal Year	Principal	Interest	Total Requirement	Obligation at June 30
2015 - 2016	\$ 96,067	\$ 4,314	\$ 100,381	\$ 67,730
2016 - 2017	<u>67,730</u>	<u>1,039</u>	<u>68,769</u>	-
	<u>\$ 163,797</u>	<u>\$ 5,353</u>	<u>\$ 169,150</u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**DEBT SERVICE REQUIREMENTS**  
**2015-2016 THROUGH 2029-2034**

**Schedule 3**

**TOTAL PRINCIPAL AND INTEREST REQUIREMENTS**

<u>Fiscal Year</u>	<u>Series 2003A</u>	<u>Series 2008</u>	<u>Series 2012</u>	<u>Kentucky Infrastructure Authority</u>	<u>KLC Funding Trust</u>	<u>Total Requirement</u>
2015 - 2016	\$ 699,556	\$ 393,425	\$ 344,521	\$ 1,143,475	\$ 178,464	\$ 2,759,441
2016 - 2017	-	392,325	1,045,396	627,795	179,407	2,244,923
2017 - 2018	-	395,850	1,043,346	113,608	180,373	1,733,177
2018 - 2019	-	-	1,040,996	113,440	75,450	1,229,886
2019 - 2020	-	-	1,043,296	113,269	-	1,156,565
2020 - 2025	-	-	4,398,570	563,655	-	4,962,225
2025 - 2030	-	-	1,189,950	558,828	-	1,748,778
2030 - 2034	<u>-</u>	<u>-</u>	<u>953,684</u>	<u>166,633</u>	<u>-</u>	<u>1,120,317</u>
	<u>\$ 699,556</u>	<u>\$ 1,181,600</u>	<u>\$ 11,059,759</u>	<u>\$ 3,400,703</u>	<u>\$ 613,694</u>	<u>\$ 16,955,312</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**WATER AND SEWER REVENUE BONDS (SERIES OF 2003A)**  
**JUNE 30, 2015**

**Schedule 4**

**DESCRIPTION**

The bonds were issued November 1, 2003 in the amount of \$15,460,000 to construct water supply/treatment system improvements. The bonds maintain a stated interest rate varying between 4.0% and 4.25% per annum with interest payments falling on March 1 and September 1 with September 1 being the stated principal payment date. The bond issue is on a parity basis with other bonded indebtedness of the water and sewer system and are payable with income and revenues derived by the operation of the City's combined and consolidated water and sewer system.

The current bonds maturing on or after September 1, 2014, are subject to redemption, in whole or in part, at any time, in any order, by the City prior to their stated maturities, on any date falling on or after March 1, 2014, upon payment of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. Written notice of any such repayment shall be delivered by first class mail to the registered owners at least 30 days prior to and no more than 60 days after the date fixed for redemption.

On March 6, 2012, the City issued \$9,810,000 of Water and Sewer Refunding Revenue Bonds to advance refund \$8,865,000 of Series 2003A Water and Sewer Revenue Bonds due after September 1, 2015 along with applicable interest through March 1, 2014.

**DEBT SERVICE REQUIREMENTS**

Fiscal Year	Principal	Interest		Requirement For Year	Bonds Outstanding at June 30
		September 1	March 1		
2015 - 2016	\$ 685,000	\$ 14,556	\$ -	\$ 699,556	\$ -
	<u>\$ 685,000</u>	<u>\$ 14,556</u>	<u>\$ -</u>	<u>\$ 699,556</u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**WATER AND SEWER REVENUE BONDS (SERIES OF 2008)**  
**JUNE 30, 2015**

**Schedule 5**

**DESCRIPTION**

The bonds were issued April 22, 2008 in the amount of \$3,210,000 to refund bonds originally issued in connection with the construction of wastewater collection system improvements performed in 1997. The bonds maintain a stated interest rate varying between 2.00% and 3.00% per annum with interest payments falling on March 1 and September 1 with September 1 being the stated principal payment date. The bond issue is on a parity basis with other bonded indebtedness of the water and sewer system and are payable with income and revenues derived by the operation of the City's combined and consolidated water and sewer system.

**DEBT SERVICE REQUIREMENTS**

Fiscal Year	Principal	Interest		Requirement For Year	Bonds Outstanding at June 30
		September 1	March 1		
2015 - 2016	\$ 365,000	\$ 16,950	\$ 11,475	\$ 393,425	\$ 765,000
2016 - 2017	375,000	11,475	5,850	392,325	390,000
2017 - 2018	<u>390,000</u>	<u>5,850</u>	<u>-</u>	<u>395,850</u>	-
	<u>\$ 1,130,000</u>	<u>\$ 34,275</u>	<u>\$ 17,325</u>	<u>\$ 1,181,600</u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**WATER AND SEWER REVENUE BONDS (SERIES OF 2012)**  
**JUNE 30, 2015**

**Schedule 6**

**DESCRIPTION**

The bonds were issued on March 6, 2012 in the amount of \$9,810,000 to partially advance refund bonds originally issued in connection with the construction of water supply/treatment system improvements performed in 2003. The bonds maintain a stated interest rate varying between 0.50% and 3.25% per annum with interest payments falling on March 1 and September 1 with September 1 being the stated principal payment date. The bond issue is on a parity basis with other bonded indebtedness of the water and sewer system and are payable with income and revenues derived by the operation of the City's combined and consolidated water and sewer system.

**DEBT SERVICE REQUIREMENTS**

Fiscal Year	Principal	Interest		Requirement For Year	Bonds Outstanding at June 30
		September 1	March 1		
2015 - 2016	\$ 135,000	\$ 105,098	\$ 104,423	\$ 344,521	\$ 9,280,000
2016 - 2017	845,000	104,423	95,973	1,045,396	8,435,000
2017 - 2018	860,000	95,973	87,373	1,043,346	7,575,000
2018 - 2019	875,000	87,373	78,623	1,040,996	6,700,000
2019 - 2020	895,000	78,623	69,673	1,043,296	5,805,000
2020 - 2025	3,935,000	252,645	210,925	4,398,570	1,870,000
2025 - 2030	975,000	114,316	100,634	1,189,950	895,000
2030 - 2034	895,000	36,478	22,206	953,684	-
	<u>\$ 9,415,000</u>	<u>\$ 874,929</u>	<u>\$ 769,830</u>	<u>\$ 11,059,759</u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF NOTE PAYABLE**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**JUNE 30, 2015**

**Schedule 7**

**DESCRIPTION**

The note from the Kentucky Infrastructure Authority was finalized October 12, 1997 in the amount of \$15,618,294 to construct the new wastewater treatment facility. The note bears interest at 2.6% per annum with the Kentucky Infrastructure Authority charging an additional 0.2% servicing fee for a total effective interest rate of 2.8% per annum. Payments of principal and interest are due each June 1 and December 1. The note is subordinated to various previous bond issues which are payable with income and revenues derived by the operation of the City's combined water and sewer system.

**DEBT SERVICE REQUIREMENTS**

Fiscal Year	<u>December 1</u>		<u>June 1</u>		<u>Requirement For Year</u>	<u>Debt Outstanding at June 30</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2015 - 2016	\$ 493,998	\$ 21,019	\$ 500,420	\$ 14,103	\$ 1,029,540	\$ 506,926
2016 - 2017	<u>506,926</u>	<u>7,097</u>	<u>-</u>	<u>-</u>	<u>514,023</u>	-
	<u>\$ 1,000,924</u>	<u>\$ 28,116</u>	<u>\$ 500,420</u>	<u>\$ 14,103</u>	<u>\$ 1,543,563</u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF NOTE PAYABLE**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**JUNE 30, 2015**

**Schedule 8**

**DESCRIPTION**

The American Recovery and Reinvestment Act ("ARRA") note from the Kentucky Infrastructure Authority was finalized on December 21, 2011 in the amount of \$1,466,459 (original loan amount of \$3,061,500 less principal forgiveness of \$1,595,041) to construct the South Main Sewer Interceptor Project - Phase 1B. The note bears interest at 2.0% per annum with the Kentucky Infrastructure Authority charging an additional 0.2% servicing fee for a total effective interest rate of 2.2% per annum. Payments of principal and interest are due each June 1 and December 1. The note is subordinated to various previous bond issues which are payable with income and revenues derived by the operation of the City's combined water and sewer system.

**DEBT SERVICE REQUIREMENTS**

Fiscal Year	December 1		June 1		Requirement For Year	Debt Outstanding at June 30
	Principal	Interest	Principal	Interest		
2015 - 2016	\$ 32,161	\$ 13,751	\$ 32,483	\$ 13,397	\$ 91,792	\$ 1,185,428
2016 - 2017	32,808	13,040	33,135	12,679	91,662	1,119,485
2017 - 2018	33,467	12,314	33,802	11,946	91,529	1,052,216
2018 - 2019	34,140	11,574	34,481	11,199	91,394	983,595
2019 - 2020	34,826	10,820	35,174	10,436	91,256	913,595
2020 - 2025	184,915	42,234	186,765	40,199	454,113	541,915
2025 - 2030	204,261	20,953	206,304	18,706	450,224	131,350
2030 - 2032	<u>87,568</u>	<u>1,931</u>	<u>43,782</u>	<u>968</u>	<u>134,249</u>	-
	<u>\$ 644,146</u>	<u>\$ 126,617</u>	<u>\$ 605,926</u>	<u>\$ 119,530</u>	<u>\$ 1,496,219</u>	



**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF NOTE PAYABLE**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**JUNE 30, 2015**

**Schedule 9**

**DESCRIPTION**

The American Recovery and Reinvestment Act ("ARRA") note from the Kentucky Infrastructure Authority was finalized on December 21, 2011 in the amount of \$353,741 (original loan amount of \$738,500 less principal forgiveness of \$384,758) to construct the South Main Sewer Interceptor Project - Phase 1B. The note bears interest at 2.0% per annum with the Kentucky Infrastructure Authority charging an additional 0.2% servicing fee for a total effective interest rate of 2.2% per annum. Payments of principal and interest are due each June 1 and December 1. The note is subordinated to various previous bond issues which are payable with income and revenues derived by the operation of the City's combined water and sewer system.

**DEBT SERVICE REQUIREMENTS**

Fiscal Year	December 1		June 1		Requirement For Year	Debt Outstanding at June 30
	Principal	Interest	Principal	Interest		
2015 - 2016	\$ 7,758	\$ 3,317	\$ 7,835	\$ 3,232	\$ 22,142	\$ 285,952
2016 - 2017	7,914	3,145	7,993	3,059	22,111	270,045
2017 - 2018	8,073	2,970	8,154	2,882	22,079	253,818
2018 - 2019	8,235	2,792	8,318	2,701	22,046	237,265
2019 - 2020	8,401	2,610	8,485	2,517	22,013	220,379
2020 - 2025	44,605	10,188	45,052	9,697	109,542	130,722
2025 - 2030	49,272	5,055	49,765	4,512	108,604	31,685
2030 - 2032	<u>21,124</u>	<u>466</u>	<u>10,561</u>	<u>233</u>	<u>32,384</u>	-
	<u>\$ 155,382</u>	<u>\$ 30,543</u>	<u>\$ 146,163</u>	<u>\$ 28,833</u>	<u>\$ 360,921</u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF CAPITAL LEASE OBLIGATION**  
**JUNE 30, 2015**

**Schedule 10**

**DESCRIPTION**

The funding from the Kentucky League of Cities funding trust program was finalized November 6, 2008 in the amount of \$1,5000,000 for the purchase of automated meter reading water meters. The lease agreement requires monthly lease payments and fees varying from \$12,032 to \$15,104 beginning December 1, 2008 and ending November 1, 2018.

**CAPITAL LEASE REQUIREMENTS**

Fiscal Year	Amount Representing Principal	Amount Representing Interest	Total Lease Requirement	Amount Outstanding at June 30
2015 - 2016	\$ 161,116	\$ 17,348	\$ 178,464	\$ 415,316
2016 - 2017	167,318	12,089	179,407	247,998
2017 - 2018	173,686	6,687	180,373	74,312
2018 - 2019	<u>74,312</u>	<u>1,138</u>	<u>75,450</u>	-
	<u>\$ 576,432</u>	<u>\$ 37,262</u>	<u>\$ 613,694</u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**WATER AND SEWER FUND**  
**SCHEDULE OF CAPITAL LEASE OBLIGATION**  
**JUNE 30, 2015**

**Schedule 11**

**DESCRIPTION**

The lease from Edgar County Bank & Trust Company was finalized August 22, 2014 in the amount of \$147,900 to lease with the option to purchase an excavator. The lease agreement requires annual lease payments of \$32,284 and bears interest at 4.5865% per annum. Payments of principal and interest are due on the 2nd day of each September.

**CAPITAL LEASE REQUIREMENTS**

Fiscal Year	Amount Representing Principal	Amount Representing Interest	Total Lease Requirement	Amount Outstanding at June 30
2015 - 2016	\$ 27,018	\$ 5,266	\$ 32,284	\$ 88,448
2016 - 2017	28,160	4,124	32,284	60,288
2017 - 2018	29,481	2,803	32,284	30,807
2018 - 2019	<u>30,807</u>	<u>1,433</u>	<u>32,240</u>	-
	<u>\$ 115,466</u>	<u>\$ 13,626</u>	<u>\$ 129,092</u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**SANITATION FUND**  
**SCHEDULE OF CAPITAL LEASE OBLIGATION**  
**JUNE 30, 2015**

**Schedule 12**

**DESCRIPTION**

The lease from Kentucky Association of Counties Leasing Trust was finalized September 9, 2014 in the amount of \$211,150 to lease with the option to purchase a 2015 Mack Front Load Truck. The lease agreement requires monthly interest only lease payments with a lump sum principal payment due at the expiration of the lease and bears interest at 4.55% per annum. Payments of amounts representing interest are due on the 20th day of each month with the lump sum principal payment due on March 20, 2016.

**CAPITAL LEASE REQUIREMENTS**

<u>Fiscal Year</u>	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Requirement</u>	<u>Amount Outstanding at June 30</u>
2015 - 2016	\$ <u>211,150</u>	\$ <u>6,396</u>	\$ <u>217,546</u>	\$ -
	\$ <u><u>211,150</u></u>	\$ <u><u>6,396</u></u>	\$ <u><u>217,546</u></u>	

**CITY OF MADISONVILLE, KENTUCKY**  
**SANITATION FUND**  
**SCHEDULE OF CAPITAL LEASE OBLIGATION**  
**JUNE 30, 2015**

**Schedule 13**

**DESCRIPTION**

The lease from Kentucky Association of Counties Leasing Trust was finalized April 20, 2015 in the amount of \$720,642 to lease with the option to purchase a three 2015 Mack Garbage Trucks. The lease agreement requires monthly interest only lease payments with a lump sum principal payment due at the expiration of the lease and bears interest at 4.55% per annum. Payments of amounts representing interest are due on the 20th day of each month with the lump sum principal payment due on October 20, 2016.

**CAPITAL LEASE REQUIREMENTS**

<u>Fiscal Year</u>	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Requirement</u>	<u>Amount Outstanding at June 30</u>
2015 - 2016	\$ -	\$ 30,012	\$ 30,012	\$ 720,642
2016 - 2017	<u>720,642</u>	<u>10,913</u>	<u>731,555</u>	-
	<u>\$ 720,642</u>	<u>\$ 40,925</u>	<u>\$ 761,567</u>	

**CITY OF MADISONVILLE, KENTUCKY**

**STATISTICAL SECTION**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF MADISONVILLE, KENTUCKY**  
**STATISTICAL SECTION**  
**TABLE OF CONTENTS**  
**(Unaudited)**

This part of the City of Madisonville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>118</b>
-These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>122</b>
-These schedules contain information to help the reader assess the City's most significant local revenue source, sale of electricity.	
<b>Debt Capacity</b>	<b>126</b>
-These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>130</b>
-These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with the other governments.	
<b>Operating Information</b>	<b>132</b>
-These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF MADISONVILLE, KENTUCKY**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**All amounts in thousands**  
**(Unaudited)**

**Table 1**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (a)
<b>Governmental activities</b>										
Net investment in capital assets	\$ 22,607	\$ 23,040	\$ 22,544	\$ 25,403	\$ 26,863	\$ 25,880	\$ 24,470	\$ 24,919	\$ 25,342	\$ 25,769
Restricted	72	77	84	-	-	-	-	-	-	-
Unrestricted	<u>3,571</u>	<u>2,928</u>	<u>2,986</u>	<u>3,785</u>	<u>3,393</u>	<u>4,144</u>	<u>5,169</u>	<u>6,205</u>	<u>6,532</u>	<u>(13,976)</u>
Total governmental activities net position	<u>\$ 26,250</u>	<u>\$ 26,045</u>	<u>\$ 25,614</u>	<u>\$ 29,188</u>	<u>\$ 30,256</u>	<u>\$ 30,024</u>	<u>\$ 29,639</u>	<u>\$ 31,124</u>	<u>\$ 31,874</u>	<u>\$ 11,793</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 26,201	\$ 28,747	\$ 28,247	\$ 30,319	\$ 32,485	\$ 36,790	\$ 37,641	\$ 39,671	\$ 41,058	\$ 42,855
Restricted	2,453	2,809	3,344	3,513	3,465	3,662	3,641	3,756	3,040	3,103
Unrestricted	<u>1,854</u>	<u>3,213</u>	<u>3,735</u>	<u>4,048</u>	<u>7,920</u>	<u>7,909</u>	<u>11,142</u>	<u>13,073</u>	<u>14,316</u>	<u>9,765</u>
Total business-type activities net position	<u>\$ 30,508</u>	<u>\$ 34,769</u>	<u>\$ 35,326</u>	<u>\$ 37,880</u>	<u>\$ 43,870</u>	<u>\$ 48,361</u>	<u>\$ 52,424</u>	<u>\$ 56,500</u>	<u>\$ 58,414</u>	<u>\$ 55,723</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 48,808	\$ 51,787	\$ 50,791	\$ 55,722	\$ 59,348	\$ 62,670	\$ 62,111	\$ 64,590	\$ 66,400	\$ 68,624
Restricted	2,525	2,886	3,428	3,513	3,465	3,662	3,641	3,756	3,040	3,103
Unrestricted	<u>5,425</u>	<u>6,141</u>	<u>6,721</u>	<u>7,833</u>	<u>11,313</u>	<u>12,053</u>	<u>16,311</u>	<u>19,278</u>	<u>20,848</u>	<u>(4,211)</u>
Total primary government net position	<u>\$ 56,758</u>	<u>\$ 60,814</u>	<u>\$ 60,940</u>	<u>\$ 67,068</u>	<u>\$ 74,126</u>	<u>\$ 78,385</u>	<u>\$ 82,063</u>	<u>\$ 87,624</u>	<u>\$ 90,288</u>	<u>\$ 67,516</u>
<b>GMAIA Component Unit</b>										
Net investment in capital assets	\$ 1,228	\$ 1,364	\$ 1,190	\$ 1,160	\$ 1,129	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>45</u>	<u>92</u>	<u>291</u>	<u>190</u>	<u>196</u>	<u>182</u>	<u>184</u>	<u>182</u>	<u>189</u>	<u>185</u>
Total component unit net position	<u>\$ 1,273</u>	<u>\$ 1,456</u>	<u>\$ 1,481</u>	<u>\$ 1,350</u>	<u>\$ 1,325</u>	<u>\$ 182</u>	<u>\$ 184</u>	<u>\$ 182</u>	<u>\$ 189</u>	<u>\$ 185</u>

(a) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.



**CITY OF MADISONVILLE, KENTUCKY**  
**CHANGES IN NET POSITON**  
**LAST TEN FISCAL YEARS**  
**All amounts in thousands**  
**(Unaudited)**

**Table 2**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (a)
<b>Expenses</b>										
Governmental activities:										
General government	\$ 4,198	\$ 5,207	\$ 5,112	\$ 4,385	\$ 6,000	\$ 6,498	\$ 5,954	\$ 5,720	\$ 5,815	\$ 4,645
Public safety	8,101	8,748	9,776	9,841	10,075	10,066	10,132	10,228	10,636	10,659
Transportation	2,670	2,803	2,903	3,142	3,188	3,275	2,747	2,697	2,626	2,201
Recreation	652	699	711	742	750	751	784	761	852	1,092
Health and welfare	1,065	682	714	758	785	810	716	835	790	889
Airport	-	-	-	-	-	-	-	-	-	855
Cemetery	245	260	271	290	309	299	309	310	319	337
Interest on long-term debt	18	26	68	64	57	75	58	56	33	26
Total governmental activities expenses	<u>16,949</u>	<u>18,425</u>	<u>19,555</u>	<u>19,222</u>	<u>21,164</u>	<u>21,774</u>	<u>20,700</u>	<u>20,607</u>	<u>21,071</u>	<u>20,704</u>
Business-type activities:										
Electric distribution	16,931	17,112	18,523	19,459	19,304	21,864	21,240	22,165	23,214	22,110
Water and sewer services	7,306	7,377	8,378	8,372	8,406	8,522	8,364	8,213	8,396	8,251
Sanitation services	2,177	2,178	2,146	2,152	1,933	1,918	1,930	2,360	2,229	2,389
Total business-type activities	<u>26,414</u>	<u>26,667</u>	<u>29,047</u>	<u>29,983</u>	<u>29,643</u>	<u>32,304</u>	<u>31,534</u>	<u>32,738</u>	<u>33,839</u>	<u>32,750</u>
Total primary government expenses	<u>\$ 43,363</u>	<u>\$ 45,092</u>	<u>\$ 48,602</u>	<u>\$ 49,205</u>	<u>\$ 50,807</u>	<u>\$ 54,078</u>	<u>\$ 52,234</u>	<u>\$ 53,345</u>	<u>\$ 54,910</u>	<u>\$ 53,454</u>
Component unit activities (GMAIA):										
Expenses	<u>\$ 165</u>	<u>\$ 41</u>	<u>\$ 43</u>	<u>\$ 53</u>	<u>\$ 45</u>	<u>\$ 1,237</u>	<u>\$ 99</u>	<u>\$ 104</u>	<u>\$ 94</u>	<u>\$ 105</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 87	\$ 136	\$ 162	\$ 121	\$ 112	\$ 138	\$ 119	\$ 130	\$ 114	\$ 161
Recreation	193	193	194	191	189	154	162	151	147	135
Cemetery	54	48	44	62	69	57	77	81	79	78
Airport	-	-	-	-	-	-	-	-	-	249
Other activities	1,905	2,617	2,563	2,332	2,906	2,817	2,642	2,443	2,443	1,936
Operating grants and contributions	1,035	558	709	1,051	571	543	544	496	589	650
Capital grants and contributions	2,946	1,004	755	4,499	3,354	1,981	1,077	2,700	1,215	1,573
Total governmental activities program revenues	<u>6,220</u>	<u>4,556</u>	<u>4,427</u>	<u>8,256</u>	<u>7,201</u>	<u>5,690</u>	<u>4,621</u>	<u>6,001</u>	<u>4,587</u>	<u>4,782</u>
Business-type activities:										
Charges for services:										
Electric distribution	20,012	20,541	20,712	20,998	23,707	25,878	25,174	26,110	27,152	26,204
Water and sewer services	8,908	9,073	8,996	9,976	10,266	10,499	10,517	10,239	9,996	9,935
Sanitation services	2,205	2,167	2,142	2,171	2,154	2,135	2,093	2,175	2,179	2,316
Operating grants and contributions	-	-	-	2,013	215	100	1	1	184	1
Capital grants and contributions	771	634	370	229	2,125	1,325	483	1,049	158	170
Total business-type activities program revenues	<u>31,896</u>	<u>32,415</u>	<u>32,220</u>	<u>35,387</u>	<u>38,467</u>	<u>39,937</u>	<u>38,268</u>	<u>39,574</u>	<u>39,669</u>	<u>38,626</u>
Total primary government program revenues	<u>\$ 38,116</u>	<u>\$ 36,971</u>	<u>\$ 36,647</u>	<u>\$ 43,643</u>	<u>\$ 45,668</u>	<u>\$ 45,627</u>	<u>\$ 42,889</u>	<u>\$ 45,575</u>	<u>\$ 44,256</u>	<u>\$ 43,408</u>
Component unit activities (GMAIA):										
Revenues	<u>\$ 51</u>	<u>\$ 68</u>	<u>\$ 102</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>
Capital Grants and Contributions	<u>-</u>	<u>154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component unit activities (GMAIA)	<u>\$ 51</u>	<u>\$ 222</u>	<u>\$ 102</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>	<u>\$ 101</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**CHANGES IN NET POSITON**  
**LAST TEN FISCAL YEARS**  
**All amounts in thousands**  
**(Unaudited)**

**Table 2 - Continued**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (a)
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (10,729)	\$ (13,869)	\$ (15,128)	\$ (10,966)	\$ (13,963)	\$ (16,084)	\$ (16,079)	\$ (14,606)	\$ (16,484)	\$ (15,922)
Business-type activities	5,482	5,748	3,173	5,404	8,824	7,633	6,734	6,836	5,830	5,876
<b>Total primary government net expense</b>	<b>\$ (5,247)</b>	<b>\$ (8,121)</b>	<b>\$ (11,955)</b>	<b>\$ (5,562)</b>	<b>\$ (5,139)</b>	<b>\$ (8,451)</b>	<b>\$ (9,345)</b>	<b>\$ (7,770)</b>	<b>\$ (10,654)</b>	<b>\$ (10,046)</b>
Total component unit net expense	\$ (114)	\$ 181	\$ 59	\$ 48	\$ 56	\$ (1,136)	\$ 2	\$ (3)	\$ 7	\$ (4)
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Occupational	\$ 6,539	\$ 6,855	\$ 7,317	\$ 6,622	\$ 6,739	\$ 7,005	\$ 7,131	\$ 7,069	\$ 7,410	\$ 7,361
Property	1,332	1,464	1,470	1,527	1,593	1,584	1,660	1,651	1,680	1,772
Insurance premium	2,134	2,298	2,134	1,986	2,157	2,344	2,614	2,800	2,715	2,771
Alcoholic beverage	244	254	268	282	274	280	401	400	388	393
Emergency telephone	-	-	-	230	254	233	234	228	240	221
Franchise and other	406	238	293	495	455	471	396	402	426	420
Investment income	67	112	56	17	11	17	10	9	8	9
Gain on sale of capital assets	71	14	-	(35)	5	23	(1)	9	-	-
Miscellaneous	179	229	160	236	463	796	399	673	516	448
Transfers	3,346	2,200	3,000	3,180	3,080	3,100	2,850	2,850	3,850	2,850
<b>Total governmental activities</b>	<b>14,318</b>	<b>13,664</b>	<b>14,698</b>	<b>14,540</b>	<b>15,031</b>	<b>15,853</b>	<b>15,694</b>	<b>16,091</b>	<b>17,233</b>	<b>16,245</b>
Business-type activities:										
Investment earnings	689	713	384	142	125	77	176	86	62	41
Gain on sale of capital assets	-	-	-	8	41	(119)	2	4	42	-
Miscellaneous	-	-	-	176	176	-	-	-	-	25
Transfers	(3,345)	(2,200)	(3,000)	(3,000)	(3,000)	(3,100)	(2,850)	(2,850)	(3,850)	(2,850)
<b>Total business-type activities</b>	<b>(2,656)</b>	<b>(1,487)</b>	<b>(2,616)</b>	<b>(2,674)</b>	<b>(2,658)</b>	<b>(3,142)</b>	<b>(2,672)</b>	<b>(2,760)</b>	<b>(3,746)</b>	<b>(2,784)</b>
<b>Total primary government</b>	<b>\$ 11,662</b>	<b>\$ 12,177</b>	<b>\$ 12,082</b>	<b>\$ 11,866</b>	<b>\$ 12,373</b>	<b>\$ 12,711</b>	<b>\$ 13,022</b>	<b>\$ 13,331</b>	<b>\$ 13,487</b>	<b>\$ 13,461</b>
Component unit activities (GMAIA):										
Investment income	\$ 1	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	1	1	-	-	-	-	-	-	-	-
Loss on sale of capital assets	-	-	(35)	-	-	(7)	-	-	-	-
Transfers	-	-	-	(180)	(80)	-	-	-	-	-
<b>Total component unit activities</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ (34)</b>	<b>\$ (180)</b>	<b>\$ (80)</b>	<b>\$ (7)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 3,589	\$ (205)	\$ (430)	\$ 3,574	\$ 1,068	\$ (231)	\$ (385)	\$ 1,485	\$ 749	\$ 323
Business-type activities	2,826	4,261	557	2,730	6,166	4,491	4,062	4,076	2,084	3,092
<b>Total primary government</b>	<b>\$ 6,415</b>	<b>\$ 4,056</b>	<b>\$ 127</b>	<b>\$ 6,304</b>	<b>\$ 7,234</b>	<b>\$ 4,260</b>	<b>\$ 3,677</b>	<b>\$ 5,561</b>	<b>\$ 2,833</b>	<b>\$ 3,415</b>
Component unit	\$ (112)	\$ 183	\$ 25	\$ (132)	\$ (24)	\$ (1,143)	\$ 2	\$ (3)	\$ 7	\$ (4)

(a) In 2015, the City implemented GASB 68 and 71 which changed how governments measure and report pension liabilities.

**CITY OF MADISONVILLE, KENTUCKY**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 3**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	\$ 144,828	\$ 126,510	\$ 143,727	\$ 132,196	\$ 58,078	\$ 609,393	\$ 622,005	\$ 662,308	\$ 748,605	\$ 925,204
Unassigned	<u>3,507,630</u>	<u>2,890,760</u>	<u>2,936,305</u>	<u>3,403,676</u>	<u>3,343,869</u>	<u>3,802,176</u>	<u>4,844,699</u>	<u>5,520,127</u>	<u>5,609,890</u>	<u>5,673,276</u>
Total general fund	<u>\$ 3,652,458</u>	<u>\$ 3,017,270</u>	<u>\$ 3,080,032</u>	<u>\$ 3,535,872</u>	<u>\$ 3,401,947</u>	<u>\$ 4,411,569</u>	<u>\$ 5,466,704</u>	<u>\$ 6,182,435</u>	<u>\$ 6,358,495</u>	<u>\$ 6,598,480</u>
All Other Governmental Funds										
Nonspendable	\$ 8,481	\$ 8,372	\$ 9,163	\$ 53,303	\$ 41,900	\$ 42,603	\$ 81,613	\$ 77,681	\$ 92,710	\$ 11,935
Restricted	369,069	465,245	490,512	416,161	255,805	362,481	535,472	614,416	558,006	435,659
Committed	243,987	356,436	395,640	478,809	462,122	436,200	436,127	404,054	37,786	29,531
Unassigned	<u>-</u>	<u>(57,297)</u>	<u>(139,675)</u>	<u>(181,690)</u>	<u>(187,906)</u>	<u>(221,222)</u>	<u>(267,545)</u>	<u>(310,899)</u>	<u>5,142</u>	<u>(154,970)</u>
Total all other governmental funds	<u>\$ 621,537</u>	<u>\$ 772,756</u>	<u>\$ 755,640</u>	<u>\$ 766,583</u>	<u>\$ 571,921</u>	<u>\$ 620,062</u>	<u>\$ 785,667</u>	<u>\$ 785,252</u>	<u>\$ 693,644</u>	<u>\$ 322,155</u>

**CITY OF MADISONVILLE, KENTUCKY**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**All amounts in thousands**  
**(Unaudited)**

**Table 4**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 10,825	\$ 11,307	\$ 11,722	\$ 11,142	\$ 11,471	\$ 11,917	\$ 12,436	\$ 12,550	\$ 12,859	\$ 12,939
Intergovernmental	3,999	1,565	1,465	5,149	2,383	1,631	1,621	1,695	1,799	1,820
Fuel sales	-	-	-	55	213	293	400	279	273	217
Recreation	192	193	194	191	189	153	162	151	147	135
Police fines and base court	87	136	162	121	112	138	119	130	114	161
Fees	23	25	26	20	23	21	25	29	28	22
Miscellaneous	137	229	160	173	226	477	399	673	515	811
Contributions	-	-	-	401	1,543	893	-	1,502	6	41
Cemetery	54	49	43	63	69	57	77	81	79	78
Rental income	31	47	80	89	44	50	48	46	69	72
Investment income	47	84	40	12	2	2	2	3	4	5
<b>Total Revenues</b>	<b>15,395</b>	<b>13,635</b>	<b>13,892</b>	<b>17,416</b>	<b>16,275</b>	<b>15,632</b>	<b>15,289</b>	<b>17,139</b>	<b>15,893</b>	<b>16,301</b>
<b>Expenditures</b>										
Public safety	7,876	8,346	9,328	8,981	9,361	9,501	9,653	10,157	10,490	10,223
Transportation	1,724	1,752	1,792	1,775	1,806	1,859	1,348	1,495	1,661	1,712
General government/other	2,069	2,242	2,383	2,471	2,766	2,883	2,959	2,852	3,016	2,673
Recreation	573	595	615	627	645	653	681	678	763	911
Health and welfare	1,065	682	714	758	785	810	716	835	790	889
Cemetery	244	251	259	273	299	295	305	310	314	302
Airport	-	-	-	-	-	-	-	-	-	343
Debt service:										
Interest	17	24	65	66	57	57	58	56	33	26
Principal	323	265	135	211	163	255	111	127	163	161
Capital outlay	3,388	3,195	2,052	5,082	4,374	1,418	1,111	2,775	2,491	2,069
<b>Total Expenditures</b>	<b>17,279</b>	<b>17,352</b>	<b>17,343</b>	<b>20,244</b>	<b>20,256</b>	<b>17,731</b>	<b>16,942</b>	<b>19,285</b>	<b>19,721</b>	<b>19,309</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,884)</b>	<b>(3,717)</b>	<b>(3,451)</b>	<b>(2,828)</b>	<b>(3,981)</b>	<b>(2,099)</b>	<b>(1,653)</b>	<b>(2,146)</b>	<b>(3,828)</b>	<b>(3,008)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from debt issues	81	1,008	497	-	560	-	14	-	-	-
Proceeds from sale of capital assets	118	25	-	115	12	57	10	11	63	27
Transfers in	3,835	2,555	3,451	3,790	3,573	3,520	3,511	3,507	5,000	3,758
Transfers out	(489)	(355)	(451)	(610)	(493)	(420)	(661)	(657)	(1,150)	(908)
<b>Total Other Financing Sources (Uses)</b>	<b>3,545</b>	<b>3,233</b>	<b>3,497</b>	<b>3,295</b>	<b>3,652</b>	<b>3,157</b>	<b>2,874</b>	<b>2,861</b>	<b>3,913</b>	<b>2,877</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,661</b>	<b>\$ (484)</b>	<b>\$ 46</b>	<b>\$ 467</b>	<b>\$ (329)</b>	<b>\$ 1,058</b>	<b>\$ 1,221</b>	<b>\$ 715</b>	<b>\$ 85</b>	<b>\$ (131)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>2.5 %</b>	<b>2.0 %</b>	<b>1.3 %</b>	<b>1.8 %</b>	<b>1.4 %</b>	<b>1.9 %</b>	<b>1.1 %</b>	<b>1.1 %</b>	<b>1.1 %</b>	<b>1.1 %</b>

**CITY OF MADISONVILLE, KENTUCKY**  
**LIGHT FUND SALE OF ELECTRICITY**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 5**

Fiscal Year	Kilowatt Hours Sold	Residential Charges	Commercial Charges	Commercial KW Demand Charges	Residential Rates		Commercial Rates		
					Customer Charge	Energy Rate (per KWH)	Customer Charge	Energy Rate (per KWH)	Demand Charge (per KWH)
2006	357,835,823	\$ 5,611,505	\$ 9,084,492	\$ 4,428,584	\$ 5.52	\$ 0.0752	\$ 16.57	\$ 0.0314	\$ 9.98
2007	358,322,726	5,756,750	9,687,110	4,362,787	5.52	0.0752	16.57	0.0314	9.98
2008	363,447,602	6,218,154	10,236,332	4,312,867	5.52	0.0593	16.57	0.0314	9.98
2009	329,831,529	6,040,817	10,059,672	4,273,957	6.00	0.0697	18.01	0.0369	11.74
2010	310,165,619	6,892,827	10,977,150	4,804,222	6.00	0.0697	18.01	0.0369	11.74
2011	328,821,831	7,626,954	12,303,683	5,203,936	6.00	0.0697	18.01	0.0369	11.74
2012	316,681,683	7,252,590	12,076,985	5,106,800	6.00	0.0697	18.01	0.0369	11.74
2013	316,543,448	7,344,327	12,792,793	5,221,454	6.00	0.0697	18.01	0.0369	11.74
2014	308,941,340	7,870,054	13,414,902	5,156,410	6.00	0.0697	18.01	0.0369	11.74
2015	298,445,857	7,550,746	12,915,824	5,073,190	6.00	0.0697	18.01	0.0369	11.74

Data Source: City of Madisonville Municipal Utilities Billing Office

**CITY OF MADISONVILLE, KENTUCKY**  
**NUMBER OF ELECTRIC CUSTOMERS BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 6**

<b><u>Fiscal Year</u></b>	<b><u>Residential</u></b>	<b><u>Commercial</u></b>	<b><u>Security Lights</u></b>	<b><u>Total</u></b>
2006	7,104	1,487	533	9,124
2007	7,070	1,492	538	9,100
2008	7,068	1,520	546	9,134
2009	7,007	1,509	546	9,062
2010	6,929	1,478	560	8,967
2011	6,958	1,478	555	8,991
2012	6,919	1,487	560	8,966
2013	6,949	1,489	568	9,006
2014	6,888	1,481	576	8,945
2015	6,924	1,483	570	8,977

Data Source: City of Madisonville Municipal Utilities Billing Office

**CITY OF MADISONVILLE, KENTUCKY**  
**TEN LARGEST ELECTRIC CUSTOMERS**  
**CURRENT YEAR AND TEN YEARS AGO**  
**(Unaudited)**

**Table 7**

<b><u>Customer</u></b>	<b><u>Year Ended June 30, 2015</u></b>	
	<b><u>Amount</u></b>	<b><u>%</u></b>
GE Aircraft Engines	\$ 2,080,287	8.12 %
Baptist Health Madisonville	1,901,691	7.42 %
Ahlstrom Filtration	1,497,288	5.85 %
IAC Madisonville	1,435,898	5.61 %
Electrocycle	1,115,635	4.36 %
City of Madisonville	789,531	3.08 %
Hopkins County Board of Education	461,235	1.80 %
Madisonville Community College	415,088	1.62 %
Integrated Metal Solutions	260,266	1.02 %
Madisonville Marketplace	225,283	0.88 %
Subtotal (10 largest)	10,182,202	39.75 %
Balance from other customers	15,432,808	60.25 %
Grand totals	<u>\$ 25,615,010</u>	<u>100.00 %</u>

<b><u>Customer</u></b>	<b><u>Year Ended June 30, 2006</u></b>	
	<b><u>Amount</u></b>	<b><u>%</u></b>
GE Aircraft Engines	\$ 2,170,278	11.33 %
Trover Foundation	1,332,985	6.96 %
Automotive Industries	1,264,372	6.60 %
Ahlstrom Filtration	905,094	4.73 %
Electrocycle	549,414	2.87 %
Gemtron	236,718	1.24 %
Madisonville Community College	223,214	1.17 %
UC Milk Company	205,200	1.07 %
Madisonville Marketplace	163,790	0.86 %
Millennium Plastics	153,232	0.80 %
Subtotal (10 largest)	7,204,297	37.62 %
Balance from other customers	11,946,588	62.38 %
Grand totals	<u>\$ 19,150,885</u>	<u>100.00 %</u>

Data Source: City of Madisonville Municipal Utilities Billing Office

**CITY OF MADISONVILLE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 8**

Fiscal Year	Governmental Activities			Business Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	Term Loan	Capital Leases	Revenue Bonds	Water & Sewer Fund		Sanitation Fund		Light Fund				
				Capital Leases	Term Loan	Capital Leases	Capital Lcases	Term Loan				
2006	\$ 250,000	\$ 81,288	\$ 24,070,000	\$ 98,450	\$ 9,378,728	\$ 402,938	\$ -	\$ 1,662,335	\$ 35,943,739	7.25 %	\$ 1,864	
2007	955,000	119,744	22,570,000	80,633	8,596,053	308,990	-	1,395,272	34,025,692	6.45 %	1,763	
2008	155,000	1,281,230	19,870,000	135,840	7,787,297	211,029	-	1,468,131	30,908,527	5.74 %	1,620	
2009	105,000	1,120,503	18,005,000	1,518,773	6,957,375	475,612	991,998	1,528,565	30,702,826	5.33 %	1,607	
2010	55,000	1,567,953	15,865,000	1,344,828	6,105,736	431,869	661,611	212,565	26,244,562	4.44 %	1,383	
2011	-	1,385,495	14,495,000	1,152,458	6,605,212	343,562	401,719	140,565	24,524,011	4.07 %	1,252	
2012	-	1,288,225	14,540,000	1,025,224	6,117,980	-	155,293	68,565	23,195,287	3.64 %	1,167	
2013	-	1,161,003	13,470,000	881,161	5,122,129	-	-	-	20,634,293	3.11 %	1,042	
2014	-	998,427	12,370,000	731,653	4,100,676	708,516	-	-	18,909,272	2.76 %	955	
2015	-	836,933	11,230,000	691,898	3,052,961	931,792	-	-	16,743,584	(1)	(1)	

(1) Not Available

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.



**CITY OF MADISONVILLE, KENTUCKY**  
**DIRECT AND OVERLAPPING**  
**GOVERNMENTAL ACTIVITIES DEBT**  
**JUNE 30, 2015**  
**(Unaudited)**

**Table 9**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Madisonville</u>	<u>Amount Applicable to City of Madisonville</u>
<b>Direct Debt:</b>			
City of Madisonville	\$ <u>836,933</u>	100.00 %	\$ <u>836,933</u>
Total Direct Debt	<u>836,933</u>		<u>836,933</u>
<b>Overlapping Debt:</b>			
Hopkins County School Board	<u>50,773,266</u>	56.03 %	<u>28,448,261</u>
Total Overlapping Debt	<u>50,773,266</u>		<u>28,448,261</u>
Total Direct and Overlapping Debt	\$ <u>51,610,199</u>		\$ <u>29,285,194</u>

Note: The percentage used for the Hopkins County School Board is based upon the percentage of school facilities located within the City of Madisonville compared to Hopkins County as a whole.

Data Source: Hopkins County Board of Education and Council minutes.

**CITY OF MADISONVILLE, KENTUCKY**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 10**

<b><u>Fiscal Year</u></b>	<b><u>Net Assessed Value *</u></b>	<b><u>Less: Exempt Property</u></b>	<b><u>Total Assessed Value</u></b>	<b><u>Debt Limit (1)</u></b>	<b><u>Amount of Debt Applicable</u></b>	<b><u>Legal Debt Margin</u></b>
2006	\$ 733,079,044	\$ 51,927,500	\$ 681,151,544	\$ 34,057,577	\$ 331,228	\$ 33,726,349
2007	803,728,654	55,936,300	747,792,354	37,388,268	1,074,744	36,313,524
2008	842,280,782	56,164,080	786,116,702	39,305,835	1,436,230	37,869,605
2009	866,680,774	60,294,550	806,386,224	40,319,311	1,225,503	39,093,808
2010	882,348,486	59,385,825	822,962,661	41,148,133	1,622,953	39,525,180
2011	888,179,303	60,187,075	827,992,228	41,399,611	1,385,495	40,014,116
2012	898,303,287	59,933,775	838,369,512	41,918,476	1,288,225	40,630,251
2013	910,444,989	62,861,975	847,583,014	42,379,151	1,161,003	41,218,148
2014	924,219,641	63,925,775	860,293,866	43,014,693	998,427	42,016,266
2015	922,303,963	65,393,000	856,910,963	42,845,548	836,933	42,008,615

(1) Section 158 of the Commonwealth of Kentucky Constitution States:  
"Cities shall not be authorized or permitted to incur indebtedness to an amount, including existing indebtedness in the aggregate exceeding the following named maximum percentage on the value of the taxable property therein, to be estimated by the assessment next before Cities and towns of the fourth class 5 per centum."

\* Source: PVA Certified Assessment

**CITY OF MADISONVILLE, KENTUCKY**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 11**

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Net Revenue Available For Debt Service</b>	<b>Debt Service Requirements</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2006	\$ 9,578,471	\$ 4,281,168	\$ 5,297,303	\$ 1,981,895	\$ 1,360,880	\$ 3,342,775	1.58
2007	9,756,449	4,193,741	5,562,708	1,500,000	931,035	2,431,035	2.29
2008	9,360,137	4,868,990	4,491,147	2,015,000	853,338	2,868,338	1.57
2009	10,174,785	5,217,006	4,957,779	1,938,815	717,414	2,656,229	1.87
2010	10,389,781	5,208,150	5,181,631	1,370,000	601,195	1,971,195	2.63
2011	10,574,260	5,265,755	5,308,505	900,000	563,730	1,463,730	3.63
2012	10,690,185	5,037,576	5,652,609	1,070,000	364,015	1,434,015	3.94
2013	10,321,590	5,148,646	5,172,944	1,100,000	331,003	1,431,003	3.61
2014	10,053,073	5,360,040	4,693,033	1,140,000	292,925	1,432,925	3.28
2015	9,971,881	5,306,778	4,665,103	1,185,000	252,502	1,437,502	3.25

**CITY OF MADISONVILLE, KENTUCKY**  
**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 12**

<b>Fiscal Year</b>	<b>(1) Population</b>	<b>(2) Per Capita Income</b>	<b>(2) Personal Income</b>	<b>(3) School Enrollment</b>	<b>(4) Unemployment Rate</b>
2006	19,273	\$ 25,706	\$ 495,431,738	7,617	6.6 %
2007	19,303	27,323	527,415,869	8,019	6.1 %
2008	19,076	28,220	538,324,720	8,017	6.1 %
2009	19,106	30,170	576,428,020	8,549	10.4 %
2010	18,971	31,151	590,965,621	8,965	8.7 %
2011	19,591	30,729	602,011,839	8,612	8.5 %
2012	19,877	32,099	638,031,823	8,567	7.8 %
2013	19,798	33,467	662,579,666	9,173	8.8 %
2014	19,791	34,670	686,153,970	8,906	7.4 %
2015	(5)	35,657	(5)	8,772	5.8 %

Data Sources: (1) Census Data  
(2) Bureau of Economic Analysis  
(3) Kentucky Department of Education  
(4) Kentucky Department For Employment Services  
(5) Not Available

**CITY OF MADISONVILLE, KENTUCKY**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND TEN YEARS AGO**  
**(Unaudited)**

**Table 13**

<b>2015</b>				
<b>Employer</b>	<b>Taxable Wages</b>	<b>Occupational Tax</b>	<b>Rank</b>	<b>% of Total Occupational Tax</b>
Baptist Health Madisonville	\$ 79,975,615	\$ 1,194,871	1	16.13 %
General Electric Company	49,911,438	748,864	2	10.11 %
Hopkins County Board of Education	21,947,705	329,218	3	4.45 %
Baptist Medical Associates	12,637,477	189,560	4	2.56 %
City of Madisonville	12,555,072	188,326	5	2.54 %
Ahlstrom Engine Filtration, LLC	11,188,256	167,824	6	2.27 %
Kentucky Community and Technical College	10,767,552	161,513	7	2.18 %
Commonwealth of Kentucky	9,746,904	146,204	8	1.97 %
Walmart Assoicates, Inc.	7,792,608	116,889	9	1.58 %
Owensboro Medical Health System	6,096,361	91,445	10	1.23 %

<b>2006</b>				
<b>Employer</b>	<b>Taxable Wages</b>	<b>Occupational Tax</b>	<b>Rank</b>	<b>% of Total Occupational Tax</b>
Trover Clinic Foundation	\$ 76,016,560	\$ 1,140,873	1	17.45 %
General Electric Company	51,153,539	767,303	2	11.73 %
Hopkins County Board of Education	13,330,129	199,952	3	3.06 %
City of Madisonville	11,253,634	168,805	4	2.58 %
Autoliv ASP, Inc.	11,073,291	166,099	5	2.54 %
Kentucky Community and Technical College	9,568,776	143,369	6	2.19 %
Walmart Associates, Inc.	9,000,421	135,007	7	2.06 %
Ahlstrom Engine Filtration, LLC	8,872,712	133,091	8	2.04 %
Commonwealth of Kentucky	8,326,925	122,473	9	1.87 %
Multicare Specialists, PSC	4,268,862	64,034	10	0.98 %

Data Source: City of Madisonville Tax and Finance Office

Tax Rate: Occupational taxes are calculated at 1.5% of all taxable wages earned inside the City of Madisonville

**CITY OF MADISONVILLE, KENTUCKY**  
**FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 14**

**Full-Time Equivalent Employees**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Function/Program:</b>										
General government	22	24	23	23	23	25	23	24	24	21
Police	51	45	54	51	53	51	52	55	52	52
Emergency telephone	-	-	-	2	2	2	2	2	2	3
Fire	59	55	57	59	56	58	53	56	56	58
Transportation	26	25	22	19	19	20	18	18	19	14
Recreation	9	8	8	9	9	8	9	9	9	10
Airport	-	-	-	1	1	1	1	1	1	2
Cemetery	9	9	9	8	7	5	5	4	4	4
Electric distribution	30	32	30	29	29	31	30	27	29	32
Water and sewer services	57	59	53	56	55	55	54	52	55	52
Sanitation services	24	29	27	24	21	19	18	18	18	16
Totals	<u>287</u>	<u>286</u>	<u>283</u>	<u>281</u>	<u>275</u>	<u>275</u>	<u>265</u>	<u>266</u>	<u>269</u>	<u>264</u>

Data Source: City of Madisonville Human Resources Department

**CITY OF MADISONVILLE, KENTUCKY**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

**Table 15**

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Building permits issued	208	254	239	231	204	192	215	194	194	202
Police										
Physical arrests	3,036	2,570	4,039	4,056	3,994	3,451	3,625	3,927	3,910	3,764
Traffic violations and warnings	3,987	5,481	8,620	7,135	6,939	5,959	6,112	10,548	9,250	7,380
Fire										
Emergency responses	412	400	502	654	497	531	481	467	478	489
Fires extinguished	146	124	121	158	127	142	157	123	144	144
Water										
Number of water consumers	10,142	10,179	10,222	10,196	10,095	10,131	10,121	10,161	10,128	10,149
Annual consumption (in 1,000 gallons)	1,039,505	1,038,850	1,046,376	1,024,043	987,194	1,046,522	1,037,355	1,016,999	1,010,423	986,022
Sewer										
Number of sewer consumers	8,621	8,622	8,670	8,642	8,535	8,898	8,985	9,017	9,014	9,054
Electric										
Number of electric consumers	8,591	8,562	8,588	8,516	8,407	8,436	8,406	8,438	8,369	8,407
Annual consumption (in 1,000 kwh)	357,836	358,323	363,448	329,832	310,166	328,822	316,682	316,543	308,941	298,446
Sanitation										
Number of sanitation customers	8,159	8,202	8,225	8,164	8,103	8,080	8,075	8,061	8,007	8,054

Data Source: City of Madisonville Planning & Zoning, Police, Fire Departments and Municipal Utilities Billing Office

**CITY OF MADISONVILLE, KENTUCKY**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

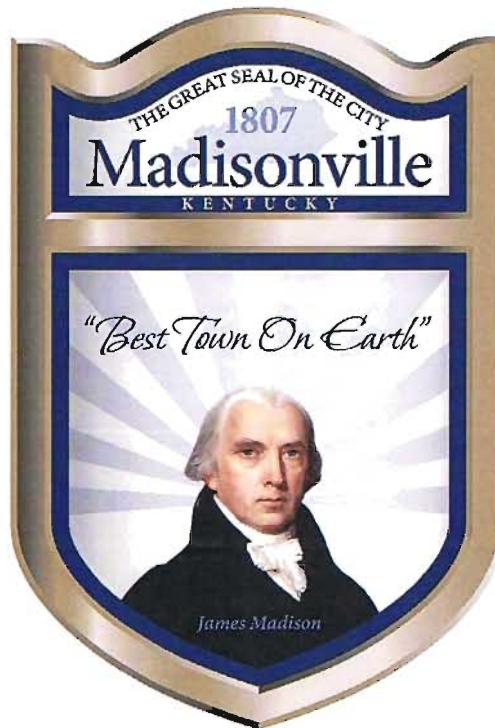
**Table 16**

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General										
Number of municipal airports	1	1	1	1	1	1	1	1	1	1
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations	4	4	4	4	4	4	4	4	4	4
Parks & recreation										
Number of parks	5	5	5	5	6	6	6	6	6	6
Number of lakes	1	1	1	3	3	3	3	3	3	3
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Sewer										
Number of miles of lines	130	135	138	160	160	160	160	160	160	160
Number of lift stations	54	54	57	57	50	50	50	50	50	50

Data Source: City of Madisonville Clerk's Office, Parks & Recreation, Police, Fire and Wastewater Collection Departments.



**CITY OF MADISONVILLE, KENTUCKY**  
**COMPLIANCE AND INTERNAL CONTROL SECTION**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



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

Honorable Mayor David W. Jackson  
and Members of the City Council  
City of Madisonville, Kentucky  
Madisonville, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madisonville, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Madisonville, Kentucky's basic financial statements, and have issued our report thereon dated December 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Madisonville, 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 Madisonville, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Madisonville, 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.

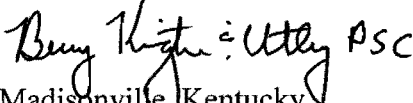
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Madisonville, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Madisonville, Kentucky, in a separate letter dated December 15, 2015.

### **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. However, this report is a matter of public record and its distribution is not limited.

  
Madisonville, Kentucky  
December 15, 2015

**CITY OF MADISONVILLE, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity - Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation Airport Improvement Program			
T-Hangar Project	20.106	3-21-0033-25	\$ 424,860
Runway Approach Lighting	20.106	3-21-0033-24	14,219
U.S. Department of Transportation Kentucky Transportation Cabinet			
Sugg Street Rehabilitation	20.205	STPE 3009(011)	58,327
U.S. Department of Transportation Kentucky Transportation Cabinet			
Highway Safety Grant	20.600	MS-15-24	7,264
Highway Safety Grant	20.600	AL-14-18	1,676
U.S. Department of Justice Bureau of Justice Assistance			
Bulletproof Vest	16.580	2013	<u>1,510</u>
Total Expenditures of Federal Awards			\$ <u><u>507,856</u></u>

**Note 1 - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Madisonville and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**  
**FOR EACH MAJOR PROGRAM AND ON**  
**INTERNAL CONTROL OVER COMPLIANCE REQUIRED**  
**BY OMB CIRCULAR A-133**

Honorable Mayor David W. Jackson  
and Members of the City Council  
City of Madisonville, Kentucky  
Madisonville, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the City of Madisonville, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Madisonville, Kentucky's major federal programs for the year ended June 30, 2015. City of Madisonville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Madisonville, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Madisonville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major

federal program. However, our audit does not provide a legal determination of the City of Madisonville, Kentucky's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Madisonville, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

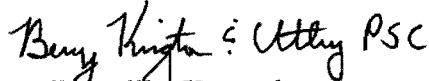
### **Report on Internal Control Over Compliance**

Management of the City of Madisonville, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Madisonville, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Madisonville, Kentucky's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

  
Madisonville, Kentucky  
December 15, 2015

**CITY OF MADISONVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified	
Considered to be material weakness(es)	None
Noncompliance material to financial statements noted?	None

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified	
Considered to be material weakness(es)	None
Type of auditor's report issued on compliance	
For major programs:	Unqualified
Any audit findings disclosed that are required	
To be reported in accordance with	
Circular A-133, Section 510(a)	No
Identification of major programs:	
U.S. Department of Transportation	20.106
Airport Improvement Program	
Dollar threshold used to distinguish	
Between Type A and Type B programs:	\$300,000
Auditee qualified a low-risk auditee?	No

**CITY OF MADISONVILLE, KENTUCKY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Section II – Financial Statement Findings and Questioned Costs**

Financial statement findings identify the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

We noted no matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

**Section III – Federal Award Findings and Questioned Costs**

Federal Award Findings and Questioned Costs identify the audit findings required to be reported by Circular A-133, Section 510(a). We noted no matters representing an instance of noncompliance required to be reported for the year ended June 30, 2015.