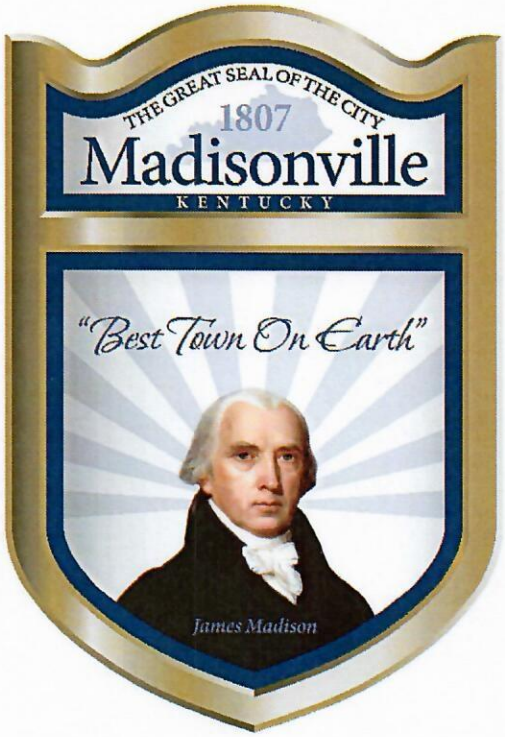
CITY OF MADISONVILLE, KENTUCKY

MADISONVILLE, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



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

CITY OF MADISONVILLE, KENTUCKY

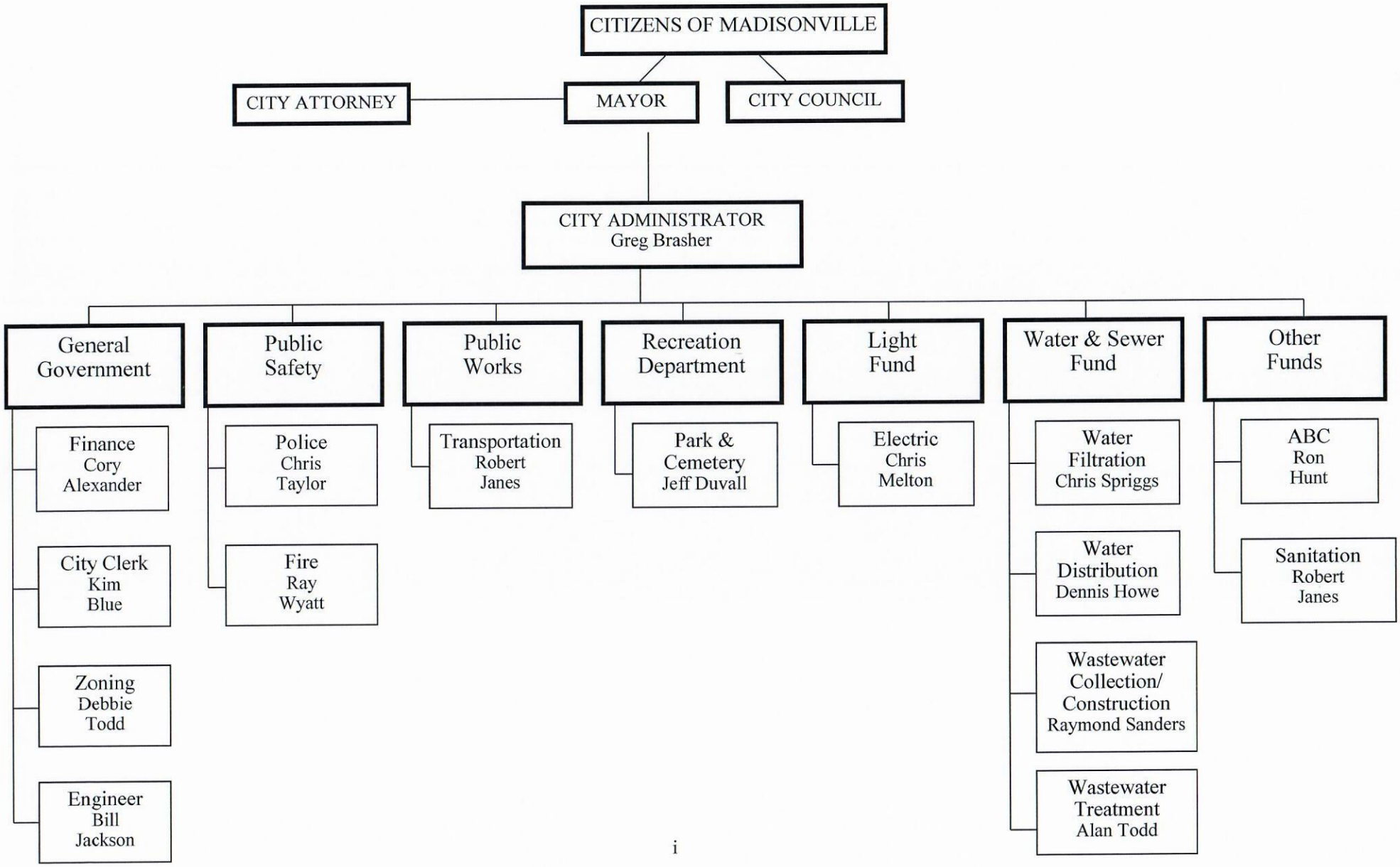
INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF MADISONVILLE, KENTUCKY

Organization Chart

As of June 30, 2018



CITY OF MADISONVILLE

PRINCIPAL OFFICIALS

Elected Officials

David W. Jackson.....Mayor

Mark Lee (Chairperson of the Council).....Council Member Ward 1

Tony Space.....Council Member Ward 2

Adam Townsend.....Council Member Ward 3

Barry McGaw.....Council Member Ward 4

Frank Stevenson.....Council Member Ward 5

Bobby Johnson.....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

Chris Taylor.....Police Chief

Greg Brasher.....City Administrator

Cory Alexander.....Finance Director/Treasurer

Kim Blue.....City Clerk

Dennis Howe.....Water Distribution

Raymond Sanders.....Wastewater Collection/Construction

Robert Janes.....Sanitation

Alan Todd.....Wastewater Treatment

Debbie Todd.....Planning & Zoning

Ray Wyatt.....Fire Chief

CITY OF MADISONVILLE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2018

Table of Contents

INTRODUCTORY SECTION Page

Organization Chart i
Principal Officials ii
Table of Contents iii
City Finance Director's Letter of Transmittal vii
Certificate of Achievement xiii

FINANCIAL SECTION Page

Independent Auditor's Report....1-3
Management's Discussion and Analysis (Unaudited)....4-14

Basic Financial Statements:

Government-wide Financial Statements:
Statement of Net Position....15
Statement of Activities....16

Governmental Fund Financial Statements:
Balance Sheet....17
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position....18
Statement of Revenues, Expenditures and Changes in Fund Balances....19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities....20

Proprietary Fund Financial Statements:
Statement of Net Position....21
Statement of Revenues, Expenses and Changes in Fund Net Position....22
Statement of Cash Flows....23

Fiduciary Fund Financial Statements:
Comparative Statements of Fiduciary Net Position....24
Comparative Statements of Changes in Fiduciary Net Position....25

Notes to Financial Statements....26-65

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual:
General Fund....66

Policemen and Firefighters Pension Fund:
Schedule of Changes in the Net Pension Liability and Related Ratios....67
Schedule of Contributions....68
Schedule of Investment Returns....69

CITY OF MADISONVILLE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2018

Table of Contents

County Employees Retirement System:
Schedule of City's Proportionate Share of the Net Pension Liability....70
Schedule of City Contributions....71
Schedule of Changes in Benefits and Assumptions....72

County Employees Retirement System OPEB:
Schedule of City's Proportionate Share of the Net OPEB Liability....73
Schedule of City Contributions....74
Schedule of Changes in Benefits and Assumptions....75

Supplementary Information - Combining and Individual Fund Statements and Schedules:
Combining Financial Statements – Non-Major Governmental Funds:
Combining Balance Sheet....76
Combining Statement of Revenues, Expenditures and Changes In Fund Balances....77

Supplementary Individual Fund Financial Statements and Schedules –
General Fund:
Comparative Balance Sheets....78
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual....79
Schedule of Expenditures – Budget and Actual....80-85

Schedules of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Non-Major Governmental Funds:
Alcoholic Beverage Control Special Revenue Fund....86
Municipal Aid Special Revenue Fund....87
Coal Severance Tax Special Revenue Fund....88
Restaurant Tax Special Revenue Fund....89

Supplementary Individual Fund Financial Statements and Schedules –
Proprietary Funds:

Light Fund:
Comparative Statements of Net Position....90
Comparative Statements of Revenues, Expenses and Changes In Net Position....91
Comparative Schedules of Operating Expenses....92
Comparative Statements of Cash Flows....93
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual....94

CITY OF MADISONVILLE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2018

Table of Contents

Water and Sewer Fund:
- Comparative Statements of Net Position....95
- Comparative Statements of Revenues, Expenses and Changes In Net Position....96
- Comparative Schedules of Operating Expenses....97
- Comparative Statements of Cash Flows....98
- Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual....99

Sanitation Fund:
- Comparative Statements of Net Position....100
- Comparative Statements of Revenues, Expenses and Changes In Net Position....101
- Comparative Schedules of Operating Expenses....102
- Comparative Statements of Cash Flows....103
- Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual....104

Comparative Financial Statements – Internal Service Fund:

Self Insured Health Care Trust Fund:
- Comparative Statement of Net Position....105
- Comparative Statement of Revenues, Expenses and Changes In Net Position....106
- Comparative Statement of Cash Flows....107

Supplemental Schedules Long-term Debt:	Schedule	
Water and Sewer Fund:		
Debt Service Requirements	1	108
Schedule of Bonded Indebtedness - Water & Sewer Revenue Bonds (Series 2012)	2	109
Schedule of Note Payable - Kentucky Infrastructure Authority	3	110
Schedule of Note Payable - Kentucky Infrastructure Authority	4	111
Schedule of Capital Lease Obligation - Kentucky League of Cities	5	112
Sanitation Fund:		
Schedule of Capital Lease Obligation - Kentucky Association of Counties Leasing Trust	6	113

CITY OF MADISONVILLE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2018

Table of Contents

	Table	
STATISTICAL SECTION (Unaudited)		
Table of Contents		114
Net Position by Component – Last Ten Fiscal Years	1	115
Changes in Net Position – Last Ten Fiscal Years	2	116-117
Fund Balances, Governmental Funds – Last Ten Fiscal Years	3	118
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	4	119
Light Fund Sale of Electricity – Last Ten Fiscal Years	5	120
Number of Electric Customers by Type – Last Ten Fiscal Years	6	121
Ten Largest Electric Customers – Current Year and Ten Years Ago	7	122
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	8	123
Direct and Overlapping Governmental Activities Debt	9	124
Legal Debt Margin Information – Last Ten Fiscal Years	10	125
Pledged Revenue Coverage – Last Ten Fiscal Years	11	126
Demographic Statistics – Last Ten Fiscal Years	12	127
Principal Employers – Current Year and Ten Years Ago	13	128
Full-Time City Government Employees by Function – Last Ten Fiscal Years	14	129
Operating Indicators by Function/Program – Last Ten Fiscal Years	15	130
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	16	131
COMPLIANCE AND INTERNAL CONTROL SECTION		
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*		132-133

CITY OF MADISONVILLE

Cory C. Alexander, CPA
Finance Director/Treasurer

David W. Jackson
Mayor

December 17, 2018

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, 2018. 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, 2018. 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 unmodified ("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, 2018. The independent auditor's report can be found on page 1 of the Financial Section of this CAFR.

Additionally, Berry Kington & Utley, PSC performed an audit in accordance with *Government Auditing Standards*. These standards require the auditor to report on the internal controls over financial reporting and on compliance with legal requirements. This report can be be found in the Compliance and Internal Control Section of this CAFR.

P.O. Box 1270 • Madisonville, KY 42431 • (270) 824-2111 • Fax (270) 821-0271
Email: calexander@madisonvillegov.com • www.madisonvillegov.com

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"). The primary government represents all funds under the ultimate control of the Mayor and the City Council.

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 make 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 is 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, 2018, 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 Pennyrile 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 2018 was 5.0%.

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	
2018	2017	2018	2017	2018	2017	2018	2017
20,188	20,506	19,177	19,349	1,011	1,157	5.0%	5.6%

The statewide rate of unemployment for June 2018 was 5.0%. The Hopkins County unemployment rate of 5.0% was equal to 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. The educational component of the program focuses on reaching out to children to build an awareness of the benefits of recycling. This outreach is accomplished by providing teaching materials to schools within the City.

During the year, the City continued the development of 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 a 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. Mahr Park currently consists of natural and paved trails, the conversion of a former residence to a Welcome Center, the location for an "Artist in Residence" program, and two disc golf courses.

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 organizing and overseeing the increasingly popular Friday Night Live Summer Concert Series, Sounds Around Town, and 4th Fest. In addition, the Community Development Director helps organize other local special events that include Schools Out in Mad City, Bacon, Blues & Storytelling Festival, Kidapalooza, Mad City Zombie Walk, and Christmas in Mad City.

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 liasion 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, 2018, the Community Development Director provided grant oversight, and assistance, to the following projects:

- Innovation Station Grant
- KLC Safety Grant
- Recreational Trails Grant
- COPS Hiring Grant
- Airport Improvement Program
- Litter Abatement Grant

Economic Development Initiatives

Major recruiting efforts during this fiscal year ending June 30, 2018, 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 to 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 2018. 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.

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, 2019, are as follows:

- North Pressure Zone Project
- Brown Road Interceptor Wastewater Collection Project
- Noel Avenue Interceptor Wastewater Collection 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, 2017. This was the 35th 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,

Cory C. Alexander, CPA
Finance Director/Treasurer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Madisonville

Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

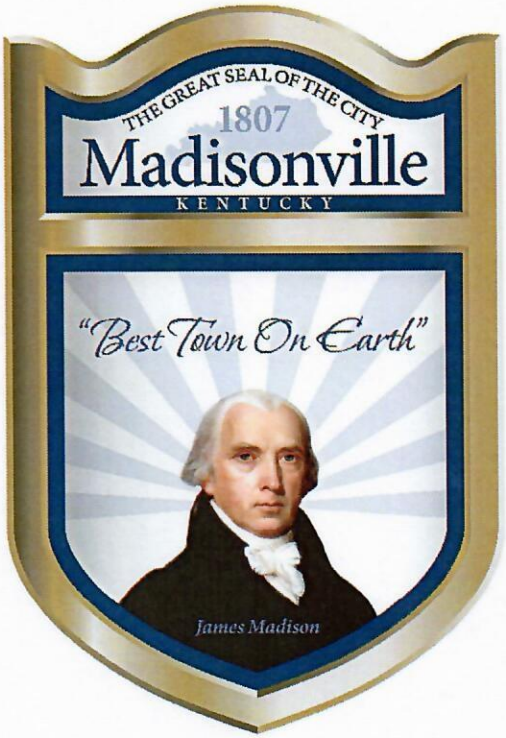
June 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF MADISONVILLE, KENTUCKY

FINANCIAL SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Berry Kington & Utley PSC
Certified Public Accountants

2822 North Main Street ■ Madisonville, KY 42431
Phone 270-821-3355 ■ Fax 270-821-0101

INDEPENDENT AUDITORS' REPORT

To the 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, each major fund, and the aggregate remaining fund information of the City of Madisonville, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Madisonville, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madisonville, Kentucky, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the City has implemented Governmental Accounting Standards Board (GASB) No. 75 during the year ended June 30, 2018. This standard requires measuring the other post-employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the plan, OPEB expense, including information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position within the financial statements. The cumulative effect of applying GASB No. 75 is presented as a restatement of beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14, budgetary comparison information on page 66 and pension and OPEB schedules on pages 67-75, 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 combining and individual nonmajor fund financial statements, budgetary comparison and other schedules 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 and schedules, budgetary comparison and other schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 17, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Madisonville, Kentucky's internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering the City of Madisonville, Kentucky's internal control over financial reporting and compliance.

Berry, Kington & Utley PSC

Madisonville, Kentucky
December 17, 2018

CITY OF MADISONVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
(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, 2018 and 2017. 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, 2018:

- 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 2018 fiscal year by $59,871,964 (Net position). A deficit total of $19,617,687 of resources was unrestricted net position due to GASB 68 Accounting and Financial Reporting for Pensions, which was implemented during Fiscal Year 2015, and GASB 75 Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), which was implemented in Fiscal Year 2018.

- The City's total net position decreased by $3,141,641 this year after the restatement of beginning net position due to the change in accounting principle related to OPEB GASB 75 implementation. The restatement resulted in a decrease to beginning governmental activities net position of $6,530,421 and a decrease to beginning business-type actvities net position of $2,603,797. After the restatement, governmental activities decreased the City's net position by $2,762,196 and business-type activities decreased the City's net position by $379,445.

- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of $7,168,252, a decrease of $171,868 from the prior year. Of the total fund balance amount, $4,488,407 or 63% is unassigned and available for spending at the City's discretion.

- As of June 30, 2018, unassigned fund balance for the General Fund was $4,488,407 or 23% of total general fund expenditures.

- The City's total long-term bond, note liabilities and capital lease obligations decreased by $1,471,012 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 15-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 five 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 four 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 17-20.

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, Water and Sewer Fund, and Sanitation Fund since they are considered to be major funds of the City. The internal service fund is presented in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 21-23 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 24-25 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 26-65 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 66-75. 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 76-107 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 $59,871,964 as of June 30, 2018. 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	
	2018	2017	2018	2017	2018	2017
Assets and Deferred Outflows of Resources						
Current and other assets	$ 10,795,627	$ 10,542,847	$ 26,125,564	$ 25,907,570	$ 36,921,191	$ 36,450,417
Capital assets	29,444,880	28,813,167	56,841,186	56,214,433	86,286,066	85,027,600
Total Assets	40,240,507	39,356,014	82,966,750	82,122,003	123,207,257	121,478,017
Deferred outflows of resources	16,049,395	5,283,234	6,066,415	2,521,280	22,115,810	7,804,514
Total Assets and Deferred Outflows of Resources	56,289,902	44,639,248	89,033,165	84,643,283	145,323,067	129,282,531
Liabilties and Deferred Inflows of Resources						
Current and other liabilities	2,588,682	2,003,659	8,990,780	8,801,831	11,579,462	10,805,490
Long-term liabilities	46,650,710	28,315,849	22,689,439	16,645,668	69,340,149	44,961,517
Total Liabilities	49,239,392	30,319,508	31,680,219	25,447,499	80,919,611	55,767,007
Deferred inflows of resources	3,196,799	1,173,412	1,334,693	194,289	4,531,492	1,367,701
Total Liabilities and Deferred Inflows of Resources	52,436,191	31,492,920	33,014,912	25,641,788	85,451,103	57,134,708
Net Position						
Net investment in capital assets	29,444,880	28,813,167	47,253,732	46,338,792	76,698,612	75,151,959
Restricted	-	-	2,791,039	2,912,975	2,791,039	2,912,975
Unrestricted (deficit)	(25,591,169)	(15,666,839)	5,973,482	9,749,728	(19,617,687)	(5,917,111)
Total Net Position	$ 3,853,711	$ 13,146,328	$ 56,018,253	$ 59,001,495	$ 59,871,964	$ 72,147,823

The City reported assets and deferred outflows of resources greater than liabilities and deferred inflows of resources by $59,871,964, a decrease of $12,275,859 from the prior year. The decrease in net position is primarily a result of the implementation of GASB 75 for OPEB reporting that increased deferred outflows of resources, long-term liabilities, and deferred inflows of resources by a total of $10,255,075, of which $7,359,344 was for governmental activities and $2,895,732 was for business-type activities.

The largest portion of the City's net position (130%) 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. 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 (deficit) is $(19,617,687).

Analysis of the Changes in Net Position

The City's total net position decreased by $3,141,641 and increased by $393,130 during the fiscal years ended June 30, 2018 and 2017, 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	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	$ 2,572,401	$ 2,681,204	$ 42,915,660	$ 40,178,386	$ 45,488,061	$ 42,859,590
Operating grants and contributions	669,120	778,624	-	-	669,120	778,624
Capital grants and contributions	875,229	1,136,984	308,996	198,465	1,184,225	1,335,449
General Revenues:						
Occupational taxes	7,467,030	7,523,507	-	-	7,467,030	7,523,507
Property taxes	1,833,797	1,708,278	-	-	1,833,797	1,708,278
Insurance premium tax	2,914,536	2,955,010	-	-	2,914,536	2,955,010
Alcoholic beverage tax	380,518	401,639	-	-	380,518	401,639
Emergency telephone	346,671	254,286	-	-	346,671	254,286
Restaurant	1,487,798	1,514,010	-	-	1,487,798	1,514,010
Franchise and other taxes	422,767	403,944	-	-	422,767	403,944
Investment income	33,455	16,195	210,270	112,056	243,725	128,251
Miscellaneous	707,788	500,722	-	-	707,788	500,722
Gain (loss) on disposal of capital assets	22,104	39,874	-	35,000	22,104	74,874
Total Revenues	19,733,214	19,914,277	43,434,926	40,523,907	63,168,140	60,438,184
Expenses:						
General government	5,339,856	5,254,278	-	-	5,339,856	5,254,278
Public safety	14,294,889	11,558,278	-	-	14,294,889	11,558,278
Transportation	2,483,701	2,776,638	-	-	2,483,701	2,776,638
Recreation	1,476,496	1,334,649	-	-	1,476,496	1,334,649
Health and welfare	1,148,432	1,668,026	-	-	1,148,432	1,668,026
Airport	904,763	810,300	-	-	904,763	810,300
Cemetery	277,273	315,106	-	-	277,273	315,106
Electric distribution	-	-	25,890,466	24,164,443	25,890,466	24,164,443
Water and sewer services	-	-	9,979,057	8,801,695	9,979,057	8,801,695
Sanitation services	-	-	4,514,848	3,361,641	4,514,848	3,361,641
Total Expenses	25,925,410	23,717,275	40,384,371	36,327,779	66,309,781	60,045,054
Increase (decrease) in net position before transfers	(6,192,196)	(3,802,998)	3,050,555	4,196,128	(3,141,641)	393,130
Transfers	3,430,000	3,910,000	(3,430,000)	(3,910,000)	-	-
Change in net position	(2,762,196)	107,002	(379,445)	286,128	(3,141,641)	393,130
Net position - July 1	13,146,328	13,039,326	59,001,495	58,715,367	72,147,823	71,754,693
Net effect of accounting change	(6,530,421)	-	(2,603,797)	-	(9,134,218)	-
Net position - July 1 restated	6,615,907	13,039,326	56,397,698	58,715,367	63,013,605	71,754,693
Net position - June 30	$ 3,853,711	$ 13,146,328	$ 56,018,253	$ 59,001,495	$ 59,871,964	$ 72,147,823

Effective July 1, 2017, the City implemented GASB Statement No. 75 which is an accounting change that requires the recording of a net OPEB liability to be reported in the financial statements of state and local governmental employers. For the year ended June 30, 2018, the first year of the accounting change, the impact of GASB 75 on the City's financial statements was a total of $10,039,751 being recorded as a net OPEB liability and $905,533 being recorded as a deferred outflow of resources related to OPEB.

Governmental Activities

In fiscal year ended June 30, 2018, governmental activities decreased the net position by $2,762,196. Governmental activities accounted for 87.92% of the total decline in net position of the City. For governmental activities overall occupational taxes (37.84%), are the largest single source of funds, followed by insurance premium taxes (14.77%), charges for services (13.04%), and property taxes (9.29%).

Total expenses increased from the prior fiscal year by $2,208,135 whereas total revenues for governmental activities decreased from the prior year by $181,063. Expenses exceeded revenues resulting in a decrease in net position before transfers. Charges for services decreased $108,803 primarily due to the City's self-insured health care trust fund. The trust fund had revenues of $1,820,461 for the current year. Capital grants and contributions decreased $261,755 from the prior year. Total tax revenue increased by $92,443 over the prior fiscal year primarily due to increased property tax and emergency telephone receipts.

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, 2018, the City primarily relied upon tax revenues and transfers for funding governmental activities.

Business-type Activities

Business-type activities decreased the City's net position by $379,445 in the fiscal year ended June 30, 2018 and accounted for 12.08% of the total decline in the City's net position. The decline is attributable to transfers made in excess of remaining income. Charges for services provided the largest share of revenues (98.79%) followed by capital grants and contributions (0.71%). The largest of Madisonville's business-type activities, Light Fund had expenses of $25,890,466, followed by Water and Sewer Fund with expenses of $9,979,057 and Sanitation Fund of $4,514,848.

Total revenues for business-type activities increased from the prior year by $2,911,019. Service revenues had an increase of $2,737,274 due to increases in electric and sanitation revenues. The primary reason for the increase in electric revenues can be attributed to increases in residential and commercial charges. The primary reason for the increase in sanitation revenues is due to increased commercial charges and service and miscellaneous income. Program revenues experienced a $110,531 increase in grant and contribution revenues over the prior year. The increase in grant and contribution income is attributable to funds received by the Water and Wastewater Collection Department for work performed on the Highway 41A Utility Relocation Project. Investment income increased $98,214 primarily due to an increase in the amount of cash invested 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, 2018, 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, 2018, the City's governmental funds reported combined ending fund balances of $7,168,252, a decrease of $171,868 in comparison to the balance at June 30, 2017 of $7,340,120. Approximately 63% of this total amount $4,488,407 constitutes unassigned fund balance which is available for spending at the City's discretion. Nonspendable fund balance of $1,070,925 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 $369,767 is restricted and $1,239,153 is commited at June 30, 2018.

Major Governmental Fund

The General Fund is the general operating fund of the City. As of June 30, 2018, the unassigned fund balance in the General Fund was $4,488,407. The City's fund balance in the General Fund decreased by $516,061.

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

	2018		2017		Increase/(Decrease)	
Revenues by Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Taxes						
Occupational	$ 7,467,030	39.17	$ 7,523,507	38.26	$ (56,477)	(0.75)
Insurance premiums	2,914,536	15.30	2,955,010	15.02	(40,474)	(1.37)
Property	1,833,797	9.63	1,708,278	8.68	125,519	7.35
Franchise	422,767	2.22	403,944	2.05	18,823	4.66
Emergency telephone	346,671	1.82	254,286	1.29	92,385	36.33
Police/Fire incentive	537,421	2.82	537,094	2.73	327	0.06
Grant income	261,019	1.37	397,436	2.02	(136,417)	(34.32)
Fuel sales	272,180	1.43	195,832	1.00	76,348	38.99
Miscellaneous	635,876	3.34	440,722	2.24	195,154	44.28
Contributions	228,637	1.20	479,759	2.44	(251,122)	(52.34)
Recreational fees	120,332	0.63	120,938	0.61	(606)	(0.50)
Cemetery revenues	70,000	0.37	68,350	0.35	1,650	2.41
Police fines and base court	171,050	0.90	201,567	1.02	(30,517)	(15.14)
Rental income	92,578	0.49	88,702	0.45	3,876	4.37
Investment income	28,702	0.15	11,639	0.06	17,063	146.60
Total revenues	15,402,596	80.84	15,387,064	78.22	15,532	0.10
Transfers in	3,627,500	19.04	4,250,000	21.61	(622,500)	(14.65)
Sale of capital assets	22,104	0.12	32,546	0.17	(10,442)	(32.08)
Total revenues and other financing sources	$ 19,052,200	100.00	$ 19,669,610	100.00	$ (617,410)	(3.14)

- Grant income decreased by $136,417 or 34.32% due to the prior year receipt of grant funds from the Greater Madisonville Area Industrial Authority. Grant revenues fluctuate from year-to-year.
- Emergency telephone increased by $92,385 or 36.33% due to an increase in the amount of cell phone revenues received in the current year.
- Contributions decreased by $251,122 or 52.34% due to a decrease in current year donations for park development.
- Miscellaneous revenues increased by $195,154 or 44.28% due to an increase in building permits and dispatch reimbursements.

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

Expenditures by Function
General Fund - Expenditures by Function

	2018		2017		Increase/(Decrease)	
Expenditures by Function	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Public safety	$ 10,743,093	54.90	$ 10,309,740	52.17	$ 433,353	4.20
General government	2,197,434	11.23	2,411,165	12.20	(213,731)	(8.86)
Transportation	1,978,942	10.11	1,908,429	9.66	70,513	3.69
Health and welfare	1,148,432	5.87	1,668,026	8.44	(519,594)	(31.15)
Parks and recreation	1,061,256	5.42	1,025,045	5.19	36,211	3.53
Airport	375,174	1.92	314,250	1.59	60,924	19.39
Cemetery	254,572	1.30	299,329	1.51	(44,757)	(14.95)
Capital outlay	1,809,358	9.25	1,569,349	7.94	240,009	15.29
Total expenditures	19,568,261	100.00	19,505,333	98.70	62,928	0.32
Transfers out	-	-	256,956	1.30	(256,956)	(100.00)
Total expenditures and other financing uses	$ 19,568,261	100.00	$ 19,762,289	100.00	$ (194,028)	(0.98)

- Airport expenditures increased by $60,924 or 19.39% due to increased expenditures for fuel related to increased fuel sales during the current year.
- Health and welfare expenditures decreased by $519,594 or 31.15% due to paying two payments to Madisonville Community College of a $1,000,000 pledge for the construction of a regional post-secondary educational center during the prior year.
- Cemetery expenditures decreased by $44,757 or 14.95% due to decreased expenditures for salaries, payroll related items, and maintenance expenditures.
- Capital outlay expenditures increased by $240,009 or 15.29% due to an increase construction projects at the Airport and design work on a connector road in the current year.

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 $4,963,584 as of June 30, 2018. A decrease of total net position for all proprietary funds during the year equaled $258,092 resulting from current year operations. The following table shows actual revenues, expenses and results from operations for the fiscal year:

	2018			
	Light	Water and Sewer	Sanitation	Total
Operating revenues	$ 28,761,185	$ 9,928,247	$ 4,226,228	$ 42,915,660
Operating expenses	25,862,344	9,636,688	4,401,761	39,900,793
Operating income (loss)	2,898,841	291,559	(175,533)	3,014,867
Non-operating revenues (expenses), net	75,763	(149,802)	(77,916)	(151,955)
Income (loss) before contributions and transfers	2,974,604	141,757	(253,449)	2,862,912
Contributions and transfers	(2,998,074)	230,070	(353,000)	(3,121,004)
Change in net position	$ (23,470)	$ 371,827	$ (606,449)	$ (258,092)

	2017			
	Light	Water and Sewer	Sanitation	Total
Operating revenues	$ 26,685,528	$ 9,937,731	$ 3,555,127	$ 40,178,386
Operating expenses	24,162,448	8,461,871	3,310,899	35,935,218
Operating income (loss)	2,523,080	1,475,860	244,228	4,243,168
Non-operating revenues (expenses), net	74,987	(266,791)	(45,056)	(236,860)
Income (loss) before contributions and transfers	2,598,067	1,209,069	199,172	4,006,308
Contributions and transfers	(3,761,535)	110,000	(60,000)	(3,711,535)
Change in net position	$ (1,163,468)	$ 1,319,069	$ 139,172	$ 294,773

Major Proprietary Funds

The Light Fund accounts for the provision of electricity service to the residents of the City. The Light Fund had a decrease in net position of $23,470 for 2018 compared to a decrease of $1,163,468 for 2017. The operating revenues increased by $2,075,657 and expenses increased by $1,699,896, respectfully over the prior year. The increase in operating revenues is due primarily to the increase in residential and commercial charges in the current year. The increase in operating expenses is due an increase in the cost of power purchased from Kentucky Utilities. The net position as of June 30, 2018, for the Light Fund was $14,883,751.

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 increase in net position of $371,827 for 2018 compared to $1,319,069 for 2017. The operating revenues decreased by $9,484 over the prior year due to a slight decrease in consumption. Operating expenses increased by $1,174,817 mainly due to an increase in purification, wastewater collection and distribution maintenance costs. The net position as of June 30, 2018, for the Water and Sewer Fund was $40,280,613.

The Sanitation Fund accounts for the collection and disposal of the residential and commercial refuse of the City. The Sanitation Fund had a decrease in net position of $606,449 for 2018 compared to an increase of $139,172 for 2017. Operating revenues increased by $671,101 and operating expenses increased by $1,090,862 over the prior year. The increase in operating revenues is due an increase in commercial sanitation services and service repair income. The increase in operating expenses is due to increases in payroll expenses and equipment maintenance. The net position (deficit) as of June 30, 2018, for the Sanitation Fund was $(156,009).

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made 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 $8,759 and expenditures and other uses were $36,010 less than final budgetary estimates, resulting in a positive variance of revenues over expenditures of $44,769.

General Fund revenues and other sources were more than budgetary amounts due to increases in fuel sales, contributions, miscellaneous and police fines and base court receipts. General Fund expenditures and other uses were less than budgetary estimates due to decreased public safety expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of June 30, 2018 amounts to $86,286,066 (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 1.48% (a 2.19% increase for governmental activities and a 1.11% increase for business-type activities).

City of Madisonville
Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and construction in progress	$ 5,182,508	$ 4,712,661	$ 1,964,368	$ 2,316,892	$ 7,146,876	$ 7,029,553
Buildings, plants and facilities	15,186,416	14,506,383	50,424,150	49,632,566	65,610,566	64,138,949
Machinery and equipment	3,785,680	4,014,772	4,185,024	3,942,143	7,970,704	7,956,915
System studies and mapping	-	-	267,644	322,832	267,644	322,832
Infrastructure	5,290,276	5,579,351	-	-	5,290,276	5,579,351
Total Capital Assets	$ 29,444,880	$ 28,813,167	$ 56,841,186	$ 56,214,433	$ 86,286,066	$ 85,027,600

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

- Construction and improvements at Mahr Park totaling $260,355.
- Renovations to the Innovation Station of $393,682.
- Renovations to the Soccer Complex of $161,107.
- Parking lot improvements for the YAA Complex of $209,950.
- Design work for the Midtown Boulevard Connector Road of $400,000.
- Construction of a 250,000 gallon elevated water tank for $393,075.
- Purchase of $455,743 of water filtration membranes for the Filter Plant.
- Refurbished the Grampian Hills Water Tank for $579,184.
- Construction on the Madison Square Sewer Extension of $434,134.
- Purchase of Sanitation department vehicles totaling $1,385,188.
- Purchase of Light department vehicles totaling $317,302.

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 39-40 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 $10,238,264. Of this amount, $7,472,730 comprises debt backed by revenues of the water and sewer system. The notes payable of $1,306,034 pertain primarily to water and sewer system facilities and infrastructure. The remaining debt of $1,459,500 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	
	2018	2017	2018	2017	2018	2017
Revenue Bonds Payable	$ -	$ -	$ 7,472,730	$ 8,715,412	$ 7,472,730	$ 8,715,412
Notes Payable	-	-	1,306,034	1,389,529	1,306,034	1,389,529
Capital Lease Obligations	-	-	1,459,500	1,604,335	1,459,500	1,604,335
Total	$ -	$ -	$ 10,238,264	$ 11,709,276	$ 10,238,264	$ 11,709,276

The City maintained an 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, 11 and 12 on pages 58-61 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the fiscal year 2018-2019 budget, General Fund revenues and transfers in are budgeted to increase by 0.34% from the 2017-2018 budget year with occupational license tax revenues making up about 39.95% of the general fund budgeted revenues and transfers in. General fund expenditures are budgeted to decrease by 0.18%. The Light Fund revenues are budgeted to increase by 0.84% with expenditures budgeted to increase by 1.11%. Water and Sewer Fund revenues are budgeted to increase by 3.03% and expenditures are budgeted to increase by 2.76%. Sanitation Fund revenues are budgeted to decrease by 3.95% and expenditures are budgeted to decrease by 4.04%.

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.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Assets			
Cash equivalents	$ 6,605,081	$ 15,142,592	$ 21,747,673
Investments, at fair value	486,932	470,138	957,070
Accounts receivable (net)	2,829,683	4,765,307	7,594,990
Internal balances	(60,060)	60,060	-
Materials and supplies	58,670	1,578,518	1,637,188
Real estate held for resale	565,873	-	565,873
Interest receivable	178	7,762	7,940
Prepayments	298,688	63,075	361,763
Restricted assets:			
Cash and cash equivalents	10,582	17,811	28,393
Investments	-	4,020,301	4,020,301
Capital assets (net of accumulated depreciation):			
Non-depreciable	5,182,508	1,964,368	7,146,876
Depreciable	24,262,372	54,876,818	79,139,190
Total Assets	40,240,507	82,966,750	123,207,257
Deferred Outflows of Resources			
Related to pensions and other post employment benefits	16,049,395	5,390,172	21,439,567
Related to refunding debt	-	676,243	676,243
Total Deferred Outflows of Resources	16,049,395	6,066,415	22,115,810
Liabilities			
Trade accounts payable	1,258,651	4,940,596	6,199,247
Construction accounts payable	6,810	339,975	346,785
Accrued interest payable	-	61,444	61,444
Accrued payroll and payroll taxes	935,081	146,758	1,081,839
Unearned revenue	119,759	197,125	316,884
Customer deposits and related interest	-	717,770	717,770
Noncurrent liabilities:			
Due within one year			
Compensated absences	268,381	167,438	435,819
Revenue bonds payable	-	875,000	875,000
Notes payable	-	85,174	85,174
Capital lease obligations	-	1,459,500	1,459,500
Due in more than one year			
Net pension and other post employment benefit liabilities	46,650,710	14,870,849	61,521,559
Revenue bonds payable	-	6,597,730	6,597,730
Notes payable	-	1,220,860	1,220,860
Total Liabilities	49,239,392	31,680,219	80,919,611
Deferred Inflows of Resources			
Related to property taxes and rent	43,449	-	43,449
Related to pensions and other post employment benefits	3,153,350	1,334,693	4,488,043
Total Deferred Inflows of Resources	3,196,799	1,334,693	4,531,492
Net Position			
Net investment in capital assets	29,444,880	47,253,732	76,698,612
Restricted for:			
Debt service	-	2,773,414	2,773,414
Customer deposits	-	17,625	17,625
Unrestricted (deficit)	(25,591,169)	5,973,482	(19,617,687)
Total Net Position	$ 3,853,711	$ 56,018,253	$ 59,871,964

See accompanying notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental Activities:							
General government	$ 5,339,856	$ 1,894,991	$ 63,817	$ 4,000	$ (3,377,048)	$ -	$ (3,377,048)
Public safety	14,294,889	171,050	571,011	-	(13,552,828)	-	(13,552,828)
Transportation	2,483,701	-	-	592,229	(1,891,472)	-	(1,891,472)
Recreation	1,476,496	120,332	34,292	109,723	(1,212,149)	-	(1,212,149)
Health and welfare	1,148,432	-	-	45,418	(1,103,014)	-	(1,103,014)
Airport	904,763	316,028	-	123,859	(464,876)	-	(464,876)
Cemetery	277,273	70,000	-	-	(207,273)	-	(207,273)
Total governmental activities	25,925,410	2,572,401	669,120	875,229	(21,808,660)	-	(21,808,660)
Business-type activities:							
Electric distribution	25,890,466	28,761,185	-	51,926	-	2,922,645	2,922,645
Water and sewer services	9,979,057	9,928,247	-	230,070	-	179,260	179,260
Sanitation services	4,514,848	4,226,228	-	27,000	-	(261,620)	(261,620)
Total business-type activities	40,384,371	42,915,660	-	308,996	-	2,840,285	2,840,285
Total Primary Government	$ 66,309,781	$ 45,488,061	$ 669,120	$ 1,184,225	(21,808,660)	2,840,285	(18,968,375)
General Revenues							
Taxes:							
Occupational					7,467,030	-	7,467,030
Property					1,833,797	-	1,833,797
Insurance premium					2,914,536	-	2,914,536
Alcoholic beverage					380,518	-	380,518
Emergency telephone					346,671	-	346,671
Restaurant					1,487,798	-	1,487,798
Franchise and other					422,767	-	422,767
Investment income					33,455	210,270	243,725
Gain (loss) on sale of capital assets					22,104	-	22,104
Miscellaneous					707,788	-	707,788
Transfers					3,430,000	(3,430,000)	-
Total General Revenues and Transfers					19,046,464	(3,219,730)	15,826,734
Change in Net Position					(2,762,196)	(379,445)	(3,141,641)
Net Position - Beginning of Year					13,146,328	59,001,495	72,147,823
Change in Accounting Principle (see Note 21)					(6,530,421)	(2,603,797)	(9,134,218)
Net Position - Beginning of Year as Restated					6,615,907	56,397,698	63,013,605
Net Position - End of Year					$ 3,853,711	$ 56,018,253	$ 59,871,964

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash equivalents	$ 4,204,608	$ 1,561,511	$ 5,766,119
Investments, at fair value	17,041	-	17,041
Receivables (Net where applicable of allowances for uncollectibles):			
Taxpayer assessed revenues	1,879,349	31,643	1,910,992
Property taxes	98,644	-	98,644
Grants receivable	201,689	-	201,689
Other accounts	335,575	275,112	610,687
Materials and supplies	58,670	-	58,670
Real estate held for resale	565,873	-	565,873
Interest receivable	35	-	35
Prepayments	123,485	175,203	298,688
Due from other funds	100,519	39,900	140,419
Restricted assets:			
Cash equivalents	10,582	-	10,582
Total Assets	$ 7,596,070	$ 2,083,369	$ 9,679,439
Liabilities, Deferred Inflows and Fund Balances			
Liabilities			
Trade accounts payable	$ 962,501	$ 243,491	$ 1,205,992
Construction accounts payable	6,810	-	6,810
Due to other funds	144,341	55,755	200,096
Unearned revenue	119,759	-	119,759
Accruals	935,081	-	935,081
Total Liabilities	2,168,492	299,246	2,467,738
Deferred Inflows of Resources			
Related to property taxes and rent	43,449	-	43,449
Fund Balances			
Nonspendable:			
Real estate held for resale	565,873	-	565,873
Materials and supplies	58,670	-	58,670
Prepaid items	123,485	175,203	298,688
Long-term receivables	147,694	-	147,694
Restricted for:			
Municipal aid	-	365,931	365,931
Coal severance	-	3,836	3,836
Committed for:			
Alcoholic beverage control	-	81,114	81,114
Restaurant tax	-	1,158,039	1,158,039
Unassigned	4,488,407	-	4,488,407
Total Fund Balances	5,384,129	1,784,123	7,168,252
Total Liabilities, Deferred Inflows and Fund Balances	$ 7,596,070	$ 2,083,369	$ 9,679,439

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2018

Fund Balances - Total Governmental Funds		$ 7,168,252
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	$ 76,211,589	
Less accumulated depreciation	(46,766,709)	29,444,880
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Net pension and other post employment benefit liabilities and related deferred outflows and inflows of resources	(33,754,665)	
Compensated absences	(268,381)	(34,023,046)
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	2,368,957	
Current liabilities	(95,434)	
Net amount allocated to business-type activities	(1,009,898)	1,263,625
Net Position of Governmental Activities		$ 3,853,711

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Occupational	$ 7,467,030	$ -	$ 7,467,030
Insurance premiums	2,914,536	-	2,914,536
Property	1,833,797	-	1,833,797
Franchise	422,767	-	422,767
Alcoholic beverage control	-	380,518	380,518
Emergency telephone	346,671	-	346,671
Restaurant	-	1,487,798	1,487,798
Intergovernmental:			
Grant income	261,019	-	261,019
Police/Fire incentive	537,421	-	537,421
Kentucky gas tax	-	395,192	395,192
Kentucky severance tax	-	72,037	72,037
Fuel sales	272,180	-	272,180
Miscellaneous	635,876	71,912	707,788
Contributions	228,637	50,043	278,680
Recreation	120,332	-	120,332
Fees	-	25,800	25,800
Police fines and base court	171,050	-	171,050
Cemetery	70,000	-	70,000
Rental income	92,578	-	92,578
Investment income	28,702	478	29,180
Total Revenues	15,402,596	2,483,778	17,886,374
Expenditures			
Current:			
Public safety	10,743,093	-	10,743,093
General government/other	2,197,434	986,635	3,184,069
Transportation	1,978,942	-	1,978,942
Health and welfare	1,148,432	-	1,148,432
Recreation	1,061,256	-	1,061,256
Airport	375,174	-	375,174
Cemetery	254,572	-	254,572
Capital outlay	1,809,358	955,450	2,764,808
Total Expenditures	19,568,261	1,942,085	21,510,346
Excess (Deficiency) of Revenues Over Expenditures	(4,165,665)	541,693	(3,623,972)
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	22,104	-	22,104
Transfers in	3,627,500	21,611	3,649,111
Transfers out	-	(219,111)	(219,111)
Total Other Financing Sources (Uses)	3,649,604	(197,500)	3,452,104
Net Change in Fund Balances	(516,061)	344,193	(171,868)
Fund Balances - Beginning of Year	5,900,190	1,439,930	7,340,120
Fund Balances - End of Year	$ 5,384,129	$ 1,784,123	$ 7,168,252

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, 2018

Net Change in Fund Balance - Total Governmental Funds		$ (171,868)
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.		(13,329)
The net pension and other post employment benefit liabilities 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.		(3,038,973)
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	$ 2,764,808	
Less current year depreciation	(2,133,095)	631,713
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	(291,092)	
Net amount allocated to business-type activities	121,353	(169,739)
Change in Net Position of Governmental Activities		$ (2,762,196)

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities				Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation	Totals	
ASSETS					
Current Assets					
Cash equivalents	$ 6,630,327	$ 7,066,106	$ 775,654	$ 14,472,087	$ 1,509,467
Investments, at fair value	-	94,597	-	94,597	845,432
Accounts receivable:					
Customers (less allowance for uncollectible accounts of $951,000)	3,014,183	974,760	224,083	4,213,026	-
Others	292,109	129,573	124,469	546,151	13,801
Due from other funds	140,290	106,059	-	246,349	-
Materials and supplies inventory	899,678	594,439	84,401	1,578,518	-
Interest receivable	-	7,648	-	7,648	257
Prepayments	26,678	26,949	9,448	63,075	-
Restricted assets:					
Cash equivalents	17,625	186	-	17,811	-
Investments, at fair value	-	4,020,301	-	4,020,301	-
Total Current Assets	11,020,890	13,020,618	1,218,055	25,259,563	2,368,957
Noncurrent Assets					
Capital assets	23,729,692	86,898,148	4,759,343	115,387,183	-
Accumulated depreciation	(11,199,727)	(45,292,843)	(2,053,427)	(58,545,997)	-
Total Noncurrent Assets	12,529,965	41,605,305	2,705,916	56,841,186	-
Total Assets	23,550,855	54,625,923	3,923,971	82,100,749	2,368,957
DEFERRED OUTFLOWS OF RESOURCES					
Related to refunding debt	-	676,243	-	676,243	-
Related to pensions and other post employment benefits	1,789,908	2,409,210	1,191,054	5,390,172	-
Total Deferred Outflows of Resources	1,789,908	3,085,453	1,191,054	6,066,415	-
LIABILITIES					
Current Liabilities					
Trade accounts payable	4,216,507	512,436	169,567	4,898,510	94,745
Construction accounts payable	-	339,975	-	339,975	-
Due to other funds	36,504	104,071	45,408	185,983	689
Unearned revenue	-	165,000	32,125	197,125	-
Accrued interest payable	-	59,887	1,557	61,444	-
Accrued payroll and payroll taxes	45,929	72,376	28,453	146,758	-
Compensated absences	58,946	80,658	27,834	167,438	-
Customer deposits payable	697,331	-	-	697,331	-
Customer deposit interest payable	20,439	-	-	20,439	-
Current portion of debt	-	1,034,486	1,385,188	2,419,674	-
Total Current Liabilities	5,075,656	2,368,889	1,690,132	9,134,677	95,434
Long-Term Liabilities Due After One Year					
Long-term portion of debt	-	7,818,590	-	7,818,590	-
Net pension and other post employment benefit liabilities	4,938,146	6,646,725	3,285,978	14,870,849	-
Total Long-Term Liabilties	4,938,146	14,465,315	3,285,978	22,689,439	-
Total Liabilities	10,013,802	16,834,204	4,976,110	31,824,116	95,434
DEFERRED INFLOWS OF RESOURCES					
Related to pensions and other post employment benefits	443,210	596,559	294,924	1,334,693	-
NET POSITION					
Net investment in capital assets	12,529,965	33,403,039	1,320,728	47,253,732	-
Restricted for debt service	-	2,773,414	-	2,773,414	-
Restricted for customer deposits	17,625	-	-	17,625	-
Unrestricted (deficit)	2,336,161	4,104,160	(1,476,737)	4,963,584	2,273,523
Total Net Position	$ 14,883,751	$ 40,280,613	$ (156,009)	55,008,355	$ 2,273,523
Reconciliation to government-wide statement of net position:					
Adjustment to reflect the consolidation of Internal Service Fund's activities related to Enterprise Funds				1,009,898	
Net position of business-type activities				$ 56,018,253	

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, 2018

	Business-type Activities- Enterprise Funds				Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation	Totals	
Operating Revenues					
Sale of electricity	$ 28,261,974	$ -	$ -	$ 28,261,974	$ -
Sewer revenues	-	5,144,724	-	5,144,724	-
Water revenues	-	4,783,523	-	4,783,523	-
Sanitation fees	-	-	3,506,994	3,506,994	-
Recycling income	-	-	389,192	389,192	-
Service and miscellaneous	499,211	-	330,042	829,253	1,820,461
Total Operating Revenues	28,761,185	9,928,247	4,226,228	42,915,660	1,820,461
Operating Expenses					
Electricity purchased	21,221,274	-	-	21,221,274	-
Depreciation	895,270	2,673,604	273,953	3,842,827	-
Maintenance	2,328,377	1,315,088	440,278	4,083,743	-
Sanitation collection and disposal	-	-	3,520,639	3,520,639	-
Wastewater collection	-	1,970,975	-	1,970,975	-
Purification	-	1,583,989	-	1,583,989	-
Wasterwater treatment	-	1,312,098	-	1,312,098	-
Other	803,986	411,652	166,891	1,382,529	2,115,828
Commercial office operations	613,437	-	-	613,437	-
Power purchased	-	369,282	-	369,282	-
Total Operating Expenses	25,862,344	9,636,688	4,401,761	39,900,793	2,115,828
Income (Loss) from Operations	2,898,841	291,559	(175,533)	3,014,867	(295,367)
Nonoperating Revenues (Expenses)					
Investment income	75,763	122,523	11,984	210,270	4,275
Gain (loss) on disposal of assets	-	-	(48,051)	(48,051)	-
Interest expense and fees	-	(272,325)	(41,849)	(314,174)	-
Total Nonoperating Revenues (Expenses)	75,763	(149,802)	(77,916)	(151,955)	4,275
Income (Loss) Before Contributions and Transfers	2,974,604	141,757	(253,449)	2,862,912	(291,092)
Capital contributions	51,926	230,070	27,000	308,996	-
Transfers out	(3,050,000)	-	(380,000)	(3,430,000)	-
Change in Net Position	(23,470)	371,827	(606,449)	(258,092)	(291,092)
Net Position - Beginning of Year as Restated	14,907,221	39,908,786	450,440		2,564,615
Net Position - End of Year	$ 14,883,751	$ 40,280,613	$ (156,009)		$ 2,273,523
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of Internal Service Fund's activities related to Enterprise Funds				(121,353)	
Change in net position of business-type activities				$ (379,445)	

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Fund
	Light	Water and Sewer	Sanitation	Total	
Cash Flows From Operating Activities					
Cash received from customers	$ 28,013,028	$ 9,664,696	$ 4,015,836	$ 41,693,560	$ 1,809,943
Cash received from interfund services provided	199,810	41,142	220,954	461,906	-
Cash payments to suppliers for goods and services	(22,404,265)	(3,534,379)	(2,059,450)	(27,998,094)	(2,106,242)
Cash payments to employees for services	(1,770,619)	(2,475,042)	(1,301,126)	(5,546,787)	-
Net Cash Provided (Used) By Operating Activities	4,037,954	3,696,417	876,214	8,610,585	(296,299)
Cash Flows From Noncapital Financing Activities					
Transfers out	(3,050,000)	-	(380,000)	(3,430,000)	-
Net decrease (increase) in amounts due from other funds	40,382	39,784	-	80,166	-
Net increase (decrease) in amounts due to other funds	33,396	104,071	44,766	182,233	(621)
Net Cash Provided (Used) By Noncapital Financing Activities	(2,976,222)	143,855	(335,234)	(3,167,601)	(621)
Cash Flows from Capital and Related Financing Activities					
Proceeds from issuance of debt	-	-	1,385,188	1,385,188	-
Principal paid on debt	-	(1,451,026)	(1,356,337)	(2,807,363)	-
Contributed capital	51,926	230,070	27,000	308,996	-
Proceeds from the sale of capital assets	-	-	1,204,475	1,204,475	-
Acquisition of property, plant and equipment	(989,710)	(3,118,698)	(1,613,698)	(5,722,106)	-
Interest paid on debt	-	(282,151)	(40,292)	(322,443)	-
Net Cash Provided (Used) By Capital and Related Financing Activities	(937,784)	(4,621,805)	(393,664)	(5,953,253)	-
Cash Flows from Investing Activities					
Purchase of investments	-	(4,684,912)	-	(4,684,912)	(2,454)
Sale of investments	-	5,025,347	-	5,025,347	-
Income received on investments	75,763	124,235	11,984	211,982	4,098
Net Cash Provided (Used) By Investing Activities	75,763	464,670	11,984	552,417	1,644
Net Increase (Decrease) in Cash and Cash Equivalents	199,711	(316,863)	159,300	42,148	(295,276)
Cash and Cash Equivalents - Beginning of Year	6,448,241	7,383,155	616,354	14,447,750	1,804,743
Cash and Cash Equivalents - End of Year	$ 6,647,952	$ 7,066,292	$ 775,654	$ 14,489,898	$ 1,509,467
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	$ 2,898,841	$ 291,559	$ (175,533)	$ 3,014,867	$ (295,367)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	895,270	2,673,604	273,953	3,842,827	-
Customer deposit interest accrued	(6,000)	-	-	(6,000)	-
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(548,347)	(222,409)	10,562	(760,194)	(10,518)
Decrease (increase) in materials and supplies	(4,248)	(132,131)	(16,365)	(152,744)	-
Decrease (increase) in prepayments	2,068	8,139	5,508	15,715	-
Decrease (increase) in deferred outflows	(1,062,167)	(1,501,143)	(821,905)	(3,385,215)	-
Increase (decrease) in accounts payable	410,127	221,196	20,726	652,049	9,586
Increase (decrease) in unearned revenue	-	(7,317)	(15,958)	(23,275)	-
Increase (decrease) in customer deposits	(11,628)	-	-	(11,628)	-
Increase (decrease) in accrued expenses	5,218	16,134	4,043	25,395	-
Increase (decrease) in net pension and opeb liabilities	1,086,131	1,840,222	1,332,031	4,258,384	-
Increase (decrease) in deferred inflows	372,689	508,563	259,152	1,140,404	-
Net Cash Provided (Used) by Operating Activities	$ 4,037,954	$ 3,696,417	$ 876,214	$ 8,610,585	$ (296,299)
Reconciliation of Total Cash					
Current Assets - Cash	$ 6,630,327	$ 7,066,106	$ 775,654	$ 14,472,087	$ 1,509,467
Restricted Assets - Cash	17,625	186	-	17,811	-
Total Cash	$ 6,647,952	$ 7,066,292	$ 775,654	$ 14,489,898	$ 1,509,467
Noncash Investing, Capital and Related Financing Activities					
Increase (decrease) in fair value of investments	$ -	$ (3,448)	$ -	$ (3,448)	$ -
Net Noncash Investing, Capital and Related Financing Activities	$ -	$ (3,448)	$ -	$ (3,448)	$ -

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
POLICEMEN AND FIREFIGHTERS PENSION FUND
COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
Assets		
Cash equivalents	$ 51,907	$ 46,986
Total Assets	51,907	46,986
Liabilities		
Other accounts payable	-	-
Net Position		
Net position restricted for pensions	$ 51,907	$ 46,986

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, 2018 AND 2017

	2018	2017
Additions		
Contributions:		
Employer	$ 432,000	$ 445,000
Investment earnings:		
Dividends	218	16
Interest	181	61
Other	-	640
Net investment earnings	399	717
Total Additions	432,399	445,717
Deductions		
Benefits paid	427,478	440,226
Total Deductions	427,478	440,226
Net Increase (Decrease) in Net Position	4,921	5,491
Net Position - Beginning of Year	46,986	41,495
Net Position - End of Year	$ 51,907	$ 46,986

See accompanying notes to financial statements.