

CITY OF CORBIN, KENTUCKY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

**CITY OF CORBIN, KENTUCKY
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**CITY OF CORBIN
805 S MAIN STREET
CORBIN, KENTUCKY
(606) 523-0669**

CITY OFFICIALS AND OFFICERS

MAYOR

Suzie Razmus

MEMBERS OF COUNCIL

Commissioner Allison Moore
Commissioner Brandon Shepherd
Commissioner John Baker
Commissioner James Gambrel

OFFICERS

Tori Brock
City Clerk

Robert Hammons
City Attorney

Scott Williamson
City Manager

Skye Hedrick
City Treasurer

Rusty Hedrick
Chief of Police

Barry McDonald
Fire Chief

Jeff Nantz
Public Works Director

SK LEE CPAS, P.S.C.
Certified Public Accountants

208 Pauline Drive, Suite D
Berea, Kentucky 40403
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Member of American Institute of CPA's

Member of Kentucky Society of CPA's

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council
City of Corbin
Corbin, Kentucky 41011

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Corbin, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Corbin's (hereinafter called the "City") basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to, the General Fund, the Arena Fund, the Alcohol Beverage Fund, and the Corbin City Hall Public Corporation, above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City Utility Commission or the Corbin Tourism and Convention Commission, which represent 100 percent of the assets, net position, revenues, and cash flows of the governmental and business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the governmental and business-type activities, is based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

The financial statements of the Corbin Public Library have not been audited for the year ended June 30, 2025. The financial activities have been included in the basic financial statements as a discretely presented component unit and collectively represent 1.6 percent of assets and 1.3 percent of revenues of the City and the aggregate discretely presented component units.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison General Fund, and the Pension and OPEB schedules and related notes as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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'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 City's internal control over financial reporting and compliance.

SK LEE CPAs, P.S.C.

Berea, Kentucky
March 3, 2026

City of Corbin
Corbin, KY
Management's Discussion and Analysis
June 30, 2025

As management of the City of Corbin (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. The following information is related to the City's primary government and blended component unit only and does not include information concerning aggregately discretely presented components.

Financial Highlights

The City's ending cash balance was \$10,974,871, consisting of \$676,700 in restricted cash with the balance unrestricted. This balance is exclusive to the pension trust fund.

The City's government wide combined net position increased by \$2,077,133 in FY 2025 compared to the prior year.

The general fund had approximately \$12,106,943 in revenue, which primarily consisted of tax revenue, fees for services, regulatory fees, and intergovernmental revenue. There was an overall increase in the general fund balance of approximately \$927,955 relative to the prior year. The Corbin Arena fund indicated an overall revenue decrease of \$1,424,351, due to a decrease in service revenue. The total overall decrease of governmental funds revenue was \$3,869,788 between 2024 and 2025. The increase appears to be due to the decreases in grant revenues for the general fund.

The City's total long-term liabilities decreased approximately \$1,436,097 relative to 2024 primarily due to the fluctuation of current year pension and OPEB expense and some nominal additional borrowing. The ending long-term debt balance was \$24,540,974 including the net pension, OPEB liabilities and accrued absences.

Cities participating in a defined benefit plan are subject to GASB 68 in which they are required to report an allocated share of net unfunded pension liability. Deferred outflows of resources represent a consumption of net position which are applicable to a future reporting period and have a positive effect on net position, like assets. Deferred inflows of resources are an acquisition of net assets which are applicable to a future reporting period and have a negative effect on net position, like liabilities.

Overview of the Financial Statements

The annual report includes a Management Discussion and Analysis report, the Basic Financial Statements, the Notes to the Financial Statements, and the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The financial statements report information using accounting methods like those used by private sector companies. These statements offer short-term and long-term financial information about the City's activities. The Statement of Net Position includes assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating capital structure to include assessing liquidity and financial flexibility.

The government-wide financial statements are designed to provide readers with a broad overview of the city's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

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

The government-wide financial statements outline functions of the City that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, arena, police department, fire department, fire protection, public works, recycling, building inspection, parks and recreation, main street, and special projects. Fixed asset acquisition and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found as indicated in the table of contents.

The fund financial statements is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to provide benefits for employees, and the City has one which is the Police and Firemen's Pension Fund. The City has no Proprietary funds, but the City utilities is a proprietary component unit. All other activities of the City are included in the governmental funds.

The basic governmental fund financial statements can be found as indicated in the table of contents.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found as indicated in the table of contents.

Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental assets exceeded liabilities by approximately \$21,460,503. The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City used these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position				
June 30,				
	2025	2024	Change	% of Change
Current Assets	\$ 12,100,893	\$ 7,807,604	\$ 4,293,289	54.99%
Noncurrent Assets, Net	37,870,147	38,807,117	(936,970)	-2.41%
Total Assets	\$ 49,971,040	\$ 46,614,721	\$ 3,356,319	7.20%
Deferred Outflow of Resources	\$ 3,215,421	\$ 2,680,084	\$ 535,337	19.97%
Current Liabilities	7,184,984	3,934,364	3,250,620	82.62%
Noncurrent Liabilities	19,591,582	20,382,661	(791,079)	-3.88%
Total Liabilities	\$ 26,776,566	\$ 24,317,025	\$ 2,459,541	10.11%
Deferred Inflow of Resources	\$ 4,949,392	\$ 5,594,410	\$ (645,018)	-11.53%
Net Position:				
Investment in Capital Assets	29,543,362	29,890,141	(346,779)	-1.16%
Restricted	676,700	489,316	187,384	38.30%
Unrestricted Net Position	(8,759,559)	(10,996,087)	2,236,528	-20.34%
Total Net Position	\$ 21,460,503	\$ 19,383,370	\$ 2,077,133	10.72%

Net Position

Total assets increased due to purchases of capital assets. Total liabilities increased due to accrued pension and OPEB liabilities.

Total liabilities consist of current and noncurrent payables. Current liabilities are current debts that are owed and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt. Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume current financial resources to satisfy the debt.

Total Net Position

As of June 30, 2025, the City had \$21,460,503 invested in total net position. The City has a deficit of \$8,759,559 of unrestricted net position. The remainder of \$29,543,362 represents the investment in capital assets of land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, and \$676,700 in restricted net position.

Changes in Net Position

Total revenue decreased in 2025 due to capital grant projects in progress in 2024. Total operating expenses decreased due to routine maintenance (contract costs, materials, labor, employee benefit contributions) and administrative expenses (salaries, employee benefit contributions, travel). The net effect was an increase in changes in net position.

Changes in Net Position				
For the Year Ended June 30,				
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>% of Change</u>
Revenues:				
Tax Revenues	\$ 8,637,676	\$ 8,184,512	\$ 453,164	5.54%
Licenses, permits, and other taxes	956,052	977,923	(21,871)	-2.24%
Fees for Services	3,775,721	5,419,181	(1,643,460)	-30.33%
Intergovernmental	510,921	722,006	(211,085)	-29.24%
Other Income	2,444,134	4,890,676	(2,446,542)	-50.02%
Total Revenue	<u>16,324,504</u>	<u>20,194,298</u>	<u>(3,869,794)</u>	<u>-19.16%</u>
Expenses:				
General government	1,824,354	1,715,679	108,675	6.33%
Police department	2,310,100	2,438,403	(128,303)	-5.26%
Fire department	1,795,455	1,821,989	(26,534)	-1.46%
Public works	2,436,524	2,455,046	(18,522)	-0.75%
Recycling center	499,458	449,280	50,178	11.17%
Building inspection	145,488	137,884	7,604	5.51%
Parks and recreation	1,415,525	1,269,923	145,602	11.47%
Special projects	373,648	303,710	69,938	23.03%
Downtown main street	85,422	135,664	(50,242)	-37.03%
Arena	3,361,397	5,494,507	(2,133,110)	-38.82%
Total Operating Expenses	<u>14,247,371</u>	<u>16,222,085</u>	<u>(1,974,714)</u>	<u>-12.17%</u>
Increase in Net Position	<u>\$ 2,077,133</u>	<u>\$ 3,972,213</u>	<u>\$ (1,895,080)</u>	<u>-47.71%</u>

Debt

The City's debt had a net decrease of \$809,566. Further information is reported in the notes to the accompanying financial statements.

Budgetary Implications

The City's fiscal year is July 1 – June 30; the other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the City's overall budget. Significant events that may impact the finances include expected state budget deficits that may impact grant or other revenue. The City routinely attempts to keep expenditures to a minimum because of the anticipated revenue problem.

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact the City of Corbin County Clerk, Corbin, Kentucky, 40701.

CITY OF CORBIN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government	Component Units		
	Governmental Activities	Corbin Tourism and Convention Commission	Corbin Utility Commission	Corbin Public Library
Assets				
Current Assets				
Cash and cash equivalents	\$ 6,431,179	\$ 1,231,750	\$ 2,416,339	\$ 490,007
Certificate of deposits	3,866,992	-	-	-
Investments	-	-	1,401,365	400,000
Receivables, net	1,785,509	371,883	1,927,538	-
Material and supplies inventory	-	-	917,730	-
Prepaid expenses	17,213	21,384	125,293	-
Total Current Assets	12,100,893	1,625,017	6,788,265	890,007
Non-Current Assets				
Restricted cash	676,700	120	476,406	19,049
Restricted investments	-	-	905,101	-
Other asset	-	-	-	25,050
Net OPEB Asset	127,102	-	-	-
Capital assets:				
Non-depreciable	2,700,515	208,799	1,339,708	-
Depreciable, net	34,365,830	1,067,325	37,935,479	773,020
Total Non-Current Assets	37,870,147	1,276,244	40,656,694	817,119
Total Assets	49,971,040	2,901,261	47,444,959	1,707,126
Deferred Outflows of Resources				
Deferred amounts related to pension	2,481,029	-	-	-
Deferred amounts related to OPEB	734,392	-	-	-
Total Deferred Outflows of Resources	3,215,421	-	-	-
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	544,376	270,751	1,483,230	-
Accrued compensated absences	19,353	-	103,363	-
Unearned revenues	5,677,602	222,000	-	-
Customer deposits payable	-	-	1,093,628	-
Notes and leases payable, net	943,653	-	896,689	55,258
Total Current Liabilities	7,184,984	492,751	3,576,910	55,258
Non-Current Liabilities				
Notes and leases payable, net	6,579,330	-	6,537,592	1,114,328
Compensated absences	135,092	-	-	-
Net pension liability	12,526,073	-	-	-
Net OPEB liability	351,087	-	-	-
Total Non-Current Liabilities	19,591,582	-	6,537,592	1,114,328
Total Liabilities	26,776,566	492,751	10,114,502	1,169,586
Deferred Inflows of Resources				
Deferred amounts related to pension	1,723,684	-	-	-
Deferred amounts related to OPEB	3,225,708	-	-	-
Total Deferred Inflows of Resources	4,949,392	-	-	-
Net Position (Deficit)				
Net investment in capital assets	29,543,362	1,276,124	31,840,906	-
Restricted	676,700	21,504	417,980	-
Unrestricted (deficit)	(8,759,559)	1,110,882	5,071,571	537,540
Total Net Position	\$ 21,460,503	\$ 2,408,510	\$ 37,330,457	\$ 537,540

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

**CITY OF CORBIN, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

	Program Revenues			Net (Expense) Revenue and Change in Net Position Primary Government		Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	Governmental Activities	Corbin Tourism & Conventional	Corbin Utility Convention	Corbin Public Library
Functions/Programs								
Primary government:								
Governmental activities								
General Government	\$ 1,824,354	\$ -	\$ -	\$ -	\$ (1,824,354)	\$ -	\$ -	\$ -
Police Department	2,310,100	180,212	-	-	(2,129,888)	-	-	-
Fire Department	1,795,455	70,111	-	3,500	(1,721,844)	-	-	-
Public Works Department	2,436,524	1,903,249	-	-	(533,275)	-	-	-
Recycling Center	499,458	86,628	-	-	(412,830)	-	-	-
Building Inspection	145,488	25,311	-	-	(120,177)	-	-	-
Parks and Recreation Department	1,415,525	120,571	-	729,408	(565,546)	-	-	-
Special Projects	373,648	-	-	-	(373,648)	-	-	-
Arena	3,361,397	1,389,639	-	-	(1,971,758)	-	-	-
Downtown Main Street	85,422	-	-	-	(85,422)	-	-	-
Total Primary government	\$ 14,247,371	\$ 3,775,721	\$ -	\$ 732,908	\$ (9,738,742)	\$ -	\$ -	\$ -
Component Unit Activities								
Corbin Tourism & Conventional	2,047,596	-	14,059	-	-	(2,033,537)	-	-
Corbin Utility Commission	13,209,159	13,576,285	625,873	-	-	-	992,999	-
Corbin Public Library	1,005,546	-	-	34,260	-	-	-	(971,286)
Total Component Unit	\$ 16,262,301	\$ 13,576,285	\$ 639,932	\$ 34,260	\$ -	\$ (2,033,537)	\$ 992,999	\$ (971,286)
General Revenues								
Taxes:								
Property taxes					1,495,806	-	-	375,995
Occupational taxes					3,362,831	-	-	-
Insurance premium taxes					2,395,276	-	-	-
Restaurant and hotel taxes					1,383,763	2,052,885	-	-
Licenses, permits, and other taxes					956,052	-	-	-
Intergovernmental					510,921	-	-	-
Interest income					185,452	26,845	197,699	390
Other income					618,893	12,000	75,741	45,246
Transfers, net					906,881	-	(763,458)	-
Total General Revenues					11,815,875	2,091,730	(490,018)	421,631
Change in Net Position					2,077,133	58,193	502,981	(549,655)
Net Position, Beginning					19,383,370	2,350,317	36,827,476	1,087,195
Net Position, Ending					\$ 21,460,503	\$ 2,408,510	\$ 37,330,457	\$ 537,540

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

CITY OF CORBIN, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	<u>General Fund</u>	<u>Corbin Arena Fund</u>	<u>ABC Fund</u>	<u>Corbin City Hall Public Corp.</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 4,663,180	\$ 1,712,746	\$ 55,253	\$ -	\$ 6,431,179
Certificate of deposits	3,866,992	-	-	-	3,866,992
Restricted cash	633,380	-	-	43,320	676,700
Receivables	1,701,201	29,496	54,812	-	1,785,509
Prepaid expenses	6,116	11,097	-	-	17,213
Total Assets	<u>\$ 10,870,869</u>	<u>\$ 1,753,339</u>	<u>\$ 110,065</u>	<u>\$ 43,320</u>	<u>\$ 12,777,593</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued expenses	\$ 467,347	\$ 21,776	\$ 55,253	\$ -	\$ 544,376
Accrued compensated absences	13,361	5,992	-	-	19,353
Unearned revenues	4,968,938	708,664	-	-	5,677,602
Notes and leases payable	939,748	3,905	-	-	943,653
Total Liabilities	<u>6,389,394</u>	<u>740,337</u>	<u>55,253</u>	<u>-</u>	<u>7,184,984</u>
Fund Balances					
Nonspendable	6,116	11,097	-	-	17,213
Restricted	676,700	-	-	-	676,700
Unassigned	3,841,979	1,001,905	54,812	-	4,898,696
Total Fund Balances	<u>4,524,795</u>	<u>1,013,002</u>	<u>54,812</u>	<u>-</u>	<u>5,592,609</u>
Total Liabilities and Fund Balances	<u>\$ 10,914,189</u>	<u>\$ 1,753,339</u>	<u>\$ 110,065</u>	<u>\$ 43,320</u>	<u>\$ 12,777,593</u>

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Fund balances reported above	\$ 5,592,609
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	37,066,346
Net deferred inflows/outflows related to the long-term net pension liability and long-term net OPEB liability are not reported in the funds.	(1,733,972)
All long-term liabilities are reported in the Statement of Net Position whereas in governmental funds, long-term liabilities are not due and payable in the current period and therefore are not reported.	
Notes and leases payable	(6,579,330)
Compensated absences	(135,092)
Net OPEB asset	127,102
Net pension liability	(12,526,073)
Net OPEB liability	<u>(351,087)</u>

Net Position of Governmental Activities **\$ 21,460,503**

CITY OF CORBIN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Corbin Arena Fund	ABC Fund	Corbin City Hall Public Corp.	Total Governmental Funds
Revenues					
Taxes	\$ 7,253,913	\$ 1,383,763	\$ -	\$ -	\$ 8,637,676
Licenses, permits and fees	319,982	-	636,070	-	956,052
Intergovernmental	510,921	-	-	-	510,921
Service charges and fees	2,386,082	1,389,639	-	-	3,775,721
Grants	732,908	-	-	-	732,908
Interest income	171,834	13,386	139	93	185,452
Other	193,505	406,788	-	18,600	618,893
Total Revenues	11,569,145	3,193,576	636,209	18,693	15,417,623
Expenditures					
General government	1,314,737	-	-	51,319	1,366,056
Police department	2,517,721	-	85	-	2,517,806
Fire department	2,146,376	-	-	-	2,146,376
Public works department	2,380,137	-	-	-	2,380,137
Recycling center	535,267	-	-	-	535,267
Building inspection	146,673	-	-	-	146,673
Park and recreation department	1,002,179	-	-	-	1,002,179
Special projects	373,648	-	-	-	373,648
Arena	-	2,791,016	-	-	2,791,016
Downtown main street	72,587	-	-	-	72,587
Debt service	468,878	663,231	-	-	1,132,109
Capital outlay	630,598	-	-	-	630,598
Total Expenditures	11,588,801	3,454,247	85	51,319	15,094,452
Excess (deficit) of revenues over (under) expenditures	(19,656)	(260,671)	636,124	(32,626)	323,171
Other financing sources (uses)					
Proceeds from financing	-	-	-	-	-
Transfer in	1,576,449	562,489	-	-	2,138,938
Transfer out	(596,212)	-	(635,845)	-	(1,232,057)
Total other financing sources (uses)	980,237	562,489	(635,845)	-	906,881
Net Change in Fund Balance	960,581	301,818	279	(32,626)	1,230,052
Fund Balance, Beginning	3,520,894	711,184	54,533	75,946	4,362,557
Fund Balance, Ending	\$ 4,481,475	\$ 1,013,002	\$ 54,812	\$ 43,320	\$ 5,592,609

**CITY OF CORBIN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,230,052
<p>Amounts reported for <i>government activities</i> in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is reduced by depreciation in the current period.</p>	(1,156,345)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in notes and capital lease liability of governmental activities</p>	809,566
<p>Some revenues reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as revenues in governmental funds.</p>	9,472
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. Change in pension liability and OPEB liability of governmental activities</p>	<u>1,184,388</u>
Change in Net Position of Governmental Activities	<u>\$ 2,077,133</u>

**CITY OF CORBIN, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

	<u>FIDUCIARY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 1,434,637
Investments	1,920,855
Receivables	
Interest	<u>38,578</u>
Total Assets	<u><u>\$ 3,394,070</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 3,394,070</u></u>

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

CITY OF CORBIN, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2025

	FIDUCIARY FUNDS
Additions	
Tax revenue	583,859
Interest	53,578
Total Additions	637,437
Deductions	
Benefits	287,268
Plan administration	-
GASB adjustment	-
Other	-
Total Deductions	287,268
Change in Net Position	350,169
Net Position, beginning of year	3,043,901
Net Position, end of year	\$ 3,394,070

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

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Corbin, Kentucky (hereinafter called the “City”) is a home rule city under the laws of the Commonwealth of Kentucky and operates under a City Manager/Commission form of government. The City’s major operations include public safety, fire protection, public works, recreation and parks, and general administrative services.

Reporting Entity

As defined by accounting principles generally accepted in United States of America (GAAP) that are established by Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit’s board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. To be complete, the financial statements of the reporting entity should include primary government and its component units. With the exception of the City of Corbin Public Library, the City has included a summary of the opinions of the most recent audits of its component units in these primary government financial statements for the year ended June 30, 2025. Under Kentucky law the library requires an audit only every four years.

Based on the above criteria, the component units of the City are the Corbin Public Library, the City of Corbin Tourist and Convention Commission, and the Corbin City Utilities Commission. Component units of the City, issue separately audited Component Unit Financial Statements (CUFS). Copies of the CUFS may be obtained from the City Clerk at Corbin City Hall.

The Corbin City Hall Public Corporation is governed by a board that is substantially the same as the City Commission, the Corbin City Hall Public Corporation and the City have a financial benefit and burden relationship and management of the City has operational responsibility for the activities of the Corbin City Hall Public Corporation. Although it is legally separate from the City, it is reported as if it was a part of the primary government. The activity of the Corbin City Hall Public Corporation is blended with the City’s financial statements. All component units except for City Hall Public Corporation issue separate audited financial statements which can be obtained from the City Clerk at City of Corbin City Hall.

Related organizations not determined to be component units include the Corbin Industrial Commission, Corbin City School City, and the Corbin Housing Authority. Neither organization meets the criteria to be considered a component unit.

Basis of Presentation

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and user charges.

Government-wide financial statements report on the City and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, if any, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resource measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from activities of the fiscal period. Generally, the effect of interfund activity has been removed from government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities, if any, are shown in the government-wide financial statements.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Statement of Net Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity.

Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or function. The City does not charge indirect expense to programs or functions. Interest on general long-term bonded debt is not allocated to the various functions, and interest on capital leases may be allocated to various functions. Program revenues include: 1) charges paid by the recipients of the goods, services, or privileges offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenue support the net costs of the functions and programs not covered by program revenues.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City does not have any proprietary funds. The focus on the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category) and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the business-type activities/enterprise funds and the general fund. Charges are allocated as reimbursement for services provided by the general fund in support of those functions based on levels or services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

The City reports the following governmental funds:

- General Fund is a major fund and the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. City Hall Public Corporation is blended with the general fund.
- Corbin Arena Fund accounts for all the activity of the Arena including debt service. The Arena fund is considered a special revenue fund and major fund by the City.
- ABC Fund accounts for alcohol regulatory fees and licenses revenue. All revenue is transferred to the City's general fund as management determines the revenue has been properly expensed. The City has mandated this to be a major fund.
- Corbin City Hall Public Corp accounts for activities in the city hall itself. Being a separate legal entity, the City classifies this as a separate fund.

Additionally, the City reports the following fund types:

- Police and Firefighters' Pension Fund accounts for assets held on behalf of former City employees. The Pension Fund is a fiduciary type of fund.
- Agency Funds account for tax revenues held or transferred by the City that is used to support the Corbin City School and the Corbin Library. The agency funds should net to zero and are not discretely presented.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

The government-wide financial statements are presented on a *full accrual* basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (net position) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental fund financial statements are presented on a modified accrual basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. *Measurable* means the amount of the transaction can be determined and revenues are considered *available* when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues taxes and fees, franchise fees, intergovernmental grants, and interest income.

Unavailable revenue, a deferred inflow of resources, arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This *unavailable* revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the balance sheets of the governmental funds for unavailable revenue is recognized as revenue in the Statement of Activities. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when resources are received before there is legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as funds liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long-term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgeting

The City follows procedures pursuant to KRS 91A.030 in establishing the budgetary data reflected in the financial statements as follows:

1. Prior to May 1 of each year, the Mayor submits to the Corbin City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between categories within each department; however, any revisions that alter the total expenditures of any fund must be approved by the Corbin City Commission.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. Formal Budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Operating transfers required for debt service are accounted for in the budget of the City's general fund.
6. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Actual expenditures may not exceed the legally adopted budget for any given fund.
7. The budget for the fiscal year ending June 30, 2024, was amended during the year as in accordance with the law. The amendment was approved in the same manner as the original budget was adopted.

Cash and Certificates of Deposit

The City considers demand deposits, money market funds, and other deposits with an original maturity of 90 days or less, to be cash equivalents. The City considers all cash, both restricted and unrestricted, as cash and cash equivalents for purposes of the Statement of Cash Flows. The City has restricted cash and or certificates of deposits to satisfy bond issue requirements, including cash restricted for bond payments. Certificates of deposit are reported at cost which approximates fair value. These funds are invested for periods that comply with cash flow requirements of bond ordinances and general government services.

Receivables

Recorded property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Other receivables consist of amounts due at year end from other state, local and federal governments. Interest revenue receivable in all funds consist of revenue due on each certificate of deposit. Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

Internal Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Tax Calendar

Property taxes for fiscal year 2025 were levied in September 2024, respectively, on the assessed property located in the City of Corbin as of the preceding January 1. The rate for real estate was 28.2 cents per one hundred dollars of assessed value. The rate for auto and boats was 24.2 cents and other tangible property was 30.7 cents per one hundred dollars, respectively. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

- | | |
|---|------------------------------|
| 1. Due date for payment of taxes, 2% discount | November 30 |
| 2. Face value payment period | December 1 to December 31 |
| 3. Past due date, 10% penalty | January 1 |
| 4. Interest charge | 12% per annum from January 1 |

These taxes are collected by the City Clerk. Vehicle taxes are collected by the County Clerks of Whitley and Knox Counties and are due and collected in the birth month of the licensee.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Cash and certificates of deposit which may only be used for construction of capital assets or debt service principal and interest payments in accordance with applicable laws and regulations have been reported as restricted cash and certificates of deposit on the Government-Wide Statement of Net Position.

Capital Assets

Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The City defines capital assets as assets with an individual cost of more than \$5,000, and an estimated useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized. When assets are retired or otherwise disposed of, the costs are removed from the asset accounts and a gain or loss is recorded. In the fund financial statements, capital assets used in government fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	5-50 years
Equipment	3-20 years
Improvements	10-50 years

Compensated Absences

Compensated absences, vacation, and sick pay, for all City employees are paid by the City's general fund. It is the policy of the City to pay all accumulated vacation pay when an employee retires or terminates. Vested vacation and sick pay benefits are accrued when incurred.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Liabilities and Long-Term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has two items that meets this criterion, as related to pensions and other postemployment benefits (OPEB) reported in the Statement of Net Position. This represents the effect of the net change in the City's proportion of the collective net pension and OPEB liabilities and difference during the measurement period between the City's contributions and its proportion share of total contributions to the pension systems not included in pension expense. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category as related to pensions and OPEB reported in the Statement of Net Position.

Pensions and Other Postemployment Benefits

The City participates in a cost-sharing multiple-employer plan to provide pension and OPEB benefits to employees. Each cost-sharing government reports its proportionate share of the cumulative net pension and OPEB liability. For the purposes of measuring the net pension and OPEB liability, deferred outflows or inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the Kentucky "County Employer Retirement System" (CERS), have been determined by the same basis as they are reported by CERS. Former employees are also members of the Police and Firefighters' Pension Fund. The City funds the Police and Firefighters' Pension Fund through allocation of tax collections.

Lease Obligations

The City may have various assets under lease agreements. The lease standard has changed for the current year. In the government-wide financial statements, which will be under the primary lease note. Capital leases are now called financing leases, and the related lease obligations are reported as liabilities in the governmental activities of the statement of net assets.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position/Fund Balances

Net position in government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute. In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed – Portion of fund balance that can only be used for specific purposes imposed by majority vote of the City Council Members. Any changes or removal of specific purposes requires majority action by them.

Assigned – Portion of fund balance that has been budgeted by the City Council.

Unassigned – Portion of fund balance that has not been restricted, committed or assigned for specific purpose.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with the enterprise funds. Operating expenses include administrative expenses, supplies, personnel costs, utilities, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and may include interest, grants, and gain or loss on disposition of capital assets.

Special Projects

They City uses its General Fund, Arena Fund, and Alcohol Beverage Fund to account for all governmental activity. In lieu of establishing a special revenue fund for capital projects, the City reflects acquisition and significant construction activities financed by governmental grants or general government funds as “special projects” within the general fund. These may also include “flow through” projects for other organizations. These projects may or may not be depreciated.

Use of Estimates

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

**CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025**

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT

Deposits, both restricted and unrestricted at June 30, 2025 consisted of the following:

<u>Account</u>	<u>Interest Bearing</u>	<u>Governmental</u>
Operating	Yes	\$ 437,755
Payroll	Yes	11,588
PD Special Operations	Yes	-
Mainstreet Lighting	Yes	14,479
PD Federal Forfeiture	Yes	25,651
FD Special Account	Yes	33,321
PD State Forfeiture	Yes	11,796
PD Special Events	Yes	11,870
Colonel Sanders Half Marathon	Yes	3,737
PD Seizure Account	Yes	73,674
L&N Regular Savings	Yes	-
Corbin Center Special Project	Yes	2,471,377
Opioid Litigation Fund	Yes	219,473
City of Corbin- Hotel	Yes	1,015,085
Premier MMA	Yes	331,334
Arena-General	Yes	639,069
Arena- Box Office	Yes	411,879
CVNB Arena Checking	Yes	660,651
ABC Checking Account	Yes	55,253
City Hall Public Corp	Yes	43,320
LGEA Checking Account	Yes	56,778
M/A Checking	Yes	195,680
BNY Sinking Funds	Yes	380,922
Petty Cash	No	3,187
Total		<u>\$ 7,107,879</u>

Certificates of deposit at June 30, 2025 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Total</u>
Certificate of deposit-General	3.250%	10/4/2025	\$ 366,992
Certificate of deposit-General	3.850%	11/25/2025	3,500,000
Total			<u>\$ 3,866,992</u>

Credit Risk

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency. As of June 30, 2025, \$234,520 of the City's deposits were subject to credit risk.

**CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025**

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT – CONTINUED

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the deposits that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

City funds are considered to be public funds, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investments funds as provided by KRS 66.480. At June 30, 2025, the City holds long term certificate of deposits in agency for the City of Corbin Police and Firefighters’ Pension Fund that does not bear material interest rate risk. The City also holds one long-term certificate of deposit in the General Fund subject to interest rate risk; however, the City does not bear material investment related credit risk or interest rate risk. The City has not adopted a formal investment policy.

The City’s bank deposits were entirely covered by federal depository insurance or by collateral held by the custodial bank in the City’s name. The carrying amount of the City’s deposits and certificates of deposit totaled \$7,474,871 and the bank balances totaled \$6,986,843. At June 30, 2025, the City was not fully covered by \$562,102 FDIC insurance, and securities held by the pledging financial institutions.

NOTE 3 – RECEIVABLES

Receivables as of fiscal year-end for the City’s individual major and non-major funds in the aggregate, including applicable allowances for doubtful accounts are as follows:

	<u>General</u>	<u>Arena</u>	<u>ABC</u>	<u>Total</u>
Accounts receivables				
Taxes	\$ 1,714,201	\$ -	\$ 54,812	\$ 1,769,013
Customers	-	-	-	-
Other	-	29,496	-	29,496
Interest	-	-	-	-
Gross receivables	<u>1,714,201</u>	<u>29,496</u>	<u>54,812</u>	<u>1,798,509</u>
Less allowance for bad debt	13,000	-	-	13,000
Net total receivables	<u>\$ 1,701,201</u>	<u>\$ 29,496</u>	<u>\$ 54,812</u>	<u>\$ 1,785,509</u>

NOTE 4 – INTER-FUND RECEIVABLE/PAYABLE AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Such inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Reallocation of resources between funds of the reporting entity is classified as inter-fund transfers. Such inter-fund transfers between funds are eliminated in the Statement of Activities.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 5 – CAPITAL ASSETS

Capital assets for the governmental activities during the year ended June 30, 2025 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance 7/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2025</u>
Capital assets, not being depreciated:				
Land	\$ 2,700,515	\$ -	\$ -	\$ 2,700,515
Construction in process	719,408	-	719,408	-
Total capital assets, not being depreciated:	3,419,923	-	719,408	2,700,515
Capital assets, being depreciated:				
Arena	28,396,410	63,100	-	28,459,510
Building Inspector	40,324	-	-	40,324
Corbin Recycling Center	223,559	-	-	223,559
Downtown Main Street	354,546	-	-	354,546
Fire	1,985,928	5,000	-	1,990,928
Miller Park Fund 7	-	-	-	-
General	19,610,745	991,032	-	20,601,777
Parks and Recreation	10,640,246	94,188	-	10,734,434
Police	1,528,611	23,534	-	1,552,145
Public Works	4,027,358	15,009	-	4,042,367
ROU Asset - Vehicles	1,547,643	158,143	-	1,705,786
ROU Asset - Copier	41,880	-	-	41,880
Total capital assets, being depreciated:	68,397,250	1,350,006	-	69,747,256
Less accumulated depreciation for:				
Arena	9,637,809	574,333	-	10,212,142
Building Inspector	39,695	630	-	40,325
Corbin Recycling Center	222,149	660	-	222,809
Downtown Main Street	210,994	12,835	-	223,829
Fire	1,527,023	57,486	-	1,584,509
Miller Park Fund 7	-	-	-	-
General	12,934,777	341,952	-	13,276,729
Parks and Recreation	3,510,931	422,209	-	3,933,140
Police	1,424,421	18,449	-	1,442,870
Public Works	3,343,845	79,136	-	3,422,981
ROU Asset - Vehicles	710,034	270,877	-	980,911
ROU Asset - Copier	32,805	8,376	-	41,181
Total accumulated depreciation:	33,594,483	1,786,943	-	35,381,426
Total capital assets, being depreciated, net:	34,802,767			34,365,830
Government activities capital assets, net:	\$ 38,222,690			\$ 37,066,345

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 5 – CAPITAL ASSETS – CONTINUED

Depreciation expense for governmental activities is charged to functions as follows:

	2025
Arena	\$ 580,296
Building Inspector	8,407
Corbin Recycling Center	6,111
Downtown Main Street	12,835
Fire	67,535
General	351,990
Parks and Recreation	423,116
Police	159,758
Public Works	176,895
Total	<u>\$ 1,786,943</u>

NOTE 6 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2025:

	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025	Due Within One Year
Governmental-type					
Net Pension Liability	\$ 11,782,037	\$ 744,036	\$ -	\$ 12,526,073	\$ -
Net OPEB Liability	278,249	-	54,264	223,985	-
Compensated Absences	141,682	12,763	-	154,445	19,353
Right of Use Liability	846,684	158,143	279,253	725,574	263,083
Lease Payable	217,147	-	33,871	183,276	33,487
Bonds Payable	6,814,583	-	635,333	6,179,250	647,083
Notes Payable	454,135	-	19,252	434,883	-
Total	<u>\$ 20,534,517</u>	<u>\$ 914,942</u>	<u>\$ 1,021,973</u>	<u>\$ 20,427,486</u>	<u>\$ 963,006</u>

Revenue Bonds and Covenants

Refinancing Bonds 2020D–Arena General Obligation Bonds – In August 2020, the City issued a General Obligation Capital Lease to refinance the City’s 2010 General Obligation Bond. The total refinancing amount was \$3,225,000, which refinanced \$3,480,000 principal of the Series 2010 General Obligation Bond. In addition, there was \$90,297 in cost of issuance. The lease bears variable interest rate in range from 2.0% to 4.0%. The bond maturities and interest as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total Annual Requirements
2026	\$ 387,083	\$ 28,492	\$ 415,575
2027	394,167	20,750	414,917
2028	404,167	12,867	417,034
2029	239,166	4,783	243,949
	<u>\$ 1,424,583</u>	<u>\$ 66,892</u>	<u>\$ 1,491,475</u>

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 6 – LONG-TERM DEBT – CONTINUED

Revenue Bonds and Covenants – Continued

Refinancing Bonds Series 2021F–Arena – In June 2022, the City entered into an advance refunding of bond series issued previously as a refunding bond by the Kentucky Bond Corporation. Proceeds from the debt were \$3,180,000 to provide escrow funds refund the existing lease and the balance to debt cost. The effective rate is 2.0%. The bond maturities and interest as of June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2026	\$ 195,000	\$ 50,975	\$ 245,975
2027	199,167	47,075	246,242
2028	205,000	43,092	248,092
2029	207,083	38,992	246,075
2030	212,083	34,850	246,933
2031-2035	1,140,417	108,483	1,248,900
2036-2037	388,000	10,717	398,717
	<u>\$ 2,546,750</u>	<u>\$ 334,184</u>	<u>\$ 2,880,934</u>

Bond Series 2021-Miller Park – In March 2021, the City issued Financing Program Revenue Bonds 2021A to finance the City's Miller Park project. The total financing amount was \$2,450,000. In addition, there was a premium of \$11,501 and \$61,501 in cost of issuance. The issuance bears variable interest in range from 2.0% to 2.125%. The bond maturities and interest as of June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
2026	\$ 65,000	\$ 45,546	\$ 110,546
2027	65,000	44,246	109,246
2028	67,083	42,946	110,029
2029	70,000	41,604	111,604
2030	70,000	40,204	110,204
2031-2035	379,167	173,213	552,380
2036-2040	419,167	164,258	583,425
2041-2045	474,167	94,332	568,499
2046-2050	531,250	41,464	572,714
2051	67,083	1,426	68,509
	<u>\$ 2,207,917</u>	<u>\$ 689,239</u>	<u>\$ 2,897,156</u>

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 6 – LONG-TERM DEBT – CONTINUED

Capital Leases

The City entered into a long-term financing lease with Musco Finance, LLC in the principal amount of \$330,000 during the fiscal year ended June 30, 2020 for the purchase of lighting upgrades to Rotary Park. The lease qualifies as a financing lease for accounting purposes as defined under the Financial Accounting Standards Board Topic ASC 840, *Leases* and therefore has been recorded at the present value of future minimum lease payments at the inception of the lease. The City will pay annual payments including an amount representing interest of 4.95% to Musco Finance, LLC with the final payment due on July 29, 2029. The payments will be made through the City's general fund. The present value of lease payments at June 30, 2025 was \$183,276. Minimum required rental payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2025 are:

Year Ending June 30,	Principal	Interest	Total Annual Requirements
2026	\$ 33,487	\$ 9,382	\$ 42,869
2027	35,183	7,686	42,869
2028	36,965	5,905	42,870
2029	38,836	4,033	42,869
2030	38,805	2,066	40,871
	\$ 183,276	\$ 29,072	\$ 212,348

The City entered into a long-term financing lease with Enterprise FM Trust during the fiscal year ended June 30, 2020 for the leasing of multiple vehicles. The lease qualifies as a financing lease for accounting purposes as defined under the Financial Accounting Standards Board Topic ASC 840, *Leases* and therefore has been recorded at the present value of future minimum lease payments at the inception of the lease. The payments will be made through the City's general fund. The present value of lease payments at June 30, 2025 was \$724,876. Minimum required rental payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2025 are:

Enterprise Leases

Year Ending June 30,	Principal	Interest	Total Annual Requirements
2025	\$ 262,385	\$ -	\$ 262,385
2026	179,143	-	179,143
2027	151,911	-	151,911
2028	103,495	-	103,495
2029	27,942	-	27,942
	\$ 724,876	\$ -	\$ 724,876

**CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025**

NOTE 6 – LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

The City entered into a long-term financing lease with Xerox Financial Services, LLC during the fiscal year ended June 30, 2021 for the leasing of multiple copiers. The lease qualifies as a financing lease for accounting purposes as defined under the Financial Accounting Standards Board Topic ASC 840, *Leases* and therefore has been recorded at the present value of future minimum lease payments at the inception of the lease. The payments will be made through the City’s general fund. The present value of lease payments at June 30, 2025 was \$698. Minimum required rental payments under this capital lease, together with the net present value of the minimum lease payments as of June 30, 2025 are:

Xerox Lease

Year Ending June 30,	Principal	Interest	Total Annual Requirements
2026	\$ 698	\$ -	\$ 698
	\$ 698	\$ -	\$ 698

Capital assets under financing leases included in the depreciation schedule at June 30, 2025 consist of roll back and Rotary Park Lighting improvements. The City’s management believes that all debt covenants are being complied with.

Short-Term Line of Credit

The city maintains a short-term line of credit totaling \$300,000. The purpose of the loan is to meet short-term commitments if needed.

NOTE 7 – RETIREMENT PLAN

The City of Corbin has two pension plans. The City is a participating employer of the County Employees’ Retirement System (CERS). Under the provisions of Kentucky Revised Statutes (KRS) Chapter 78, the Board of Trustees of County Employees’ Retirement System administers the CERS. CERS was separated from the former Kentucky Retirement Systems (now known as the Kentucky Public Pensions Authority) effective July 1, 2021. The plan issues publicly available financial statements which may be obtained from the County Employees Retirement System. The City also contributes to a defined benefit plan, the Corbin Police and Firefighters’ Fund.

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

Contributions – Plan members were required to contribute 5% of their annual creditable compensation for non-hazardous job classifications, and 8% of wages for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined, on the basis of a subsequent actuarial valuation that amended contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2025, participating employers contributed 19.71% (non-hazardous) and 38.61% (hazardous) of each employee’s wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025**

NOTE 7 – RETIREMENT PLAN – CONTINUED

Plan members who began participating on, or after, January 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account for non-hazardous job classifications and 8% of wages to their own account for hazardous job classifications. Plan members also contribute 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each members' salary. Each member's account is credited with a 4% employer pay credit for non-hazardous members. The employer pay credit represents a portion of the employer contribution. For the fiscal year ended June 30, 2025, the contributions for hazardous and non-hazardous positions were \$807,653 and \$464,857 respectively.

Benefits – CERS provides retirement, health insurance, death and disability benefits to plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

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

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

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2025 the City reported a liability of \$11,832,268 and for its proportionate share of the net pension liability. The net pension liability is based on an actuarial valuation as of June 30, 2023, and the total pension liability used to calculate the net pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2024 using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024, was .073406 percent for non-hazardous and .289357 percent for hazardous. For the year ended June 30, 2025, the City recognized pension expenses of \$776,372.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 7 – RETIREMENT PLAN – CONTINUED

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 696,064	\$ -
Changes of assumptions	-	618,370
Net difference between projected and actual earnings on plan investments	-	679,465
Changes in proportion and differences between employer contribution and proportionate share of contribution	512,455	425,849
City's contributions subsequent to the measurement date	1,272,510	-
Total	\$ 2,481,029	\$ 1,723,684

The \$1,272,510 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2025	(390,644)
2026	132,570
2027	(121,653)
2028	(135,439)
2029	-
Thereafter	-

Actuarial Methods and Assumptions for determining the Total Pension Liability and Net Pension Liability – The total pension liability, net pension liability, and sensitivity information as of June 30, 2024, were based on an actuarial valuation date of June 30, 2023, and was performed by Gabriel Roeder Smith (GRS). The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2025:

Non-Hazardous

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increases:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Amortization Period:	30-year closed period at June 30, 2019

Hazardous

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increases:	3.55% to 19.05%, varies by service
Investment Rate of Return:	6.25%
Amortization Period:	30-year closed period at June 30, 2019

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 7 – RETIREMENT PLAN – CONTINUED

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2014. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The actuarial assumptions used in June 30, 2022, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2024.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighing the expected future real rate of return by the target asset allocation percentage. The current long-term inflation assumption is 2.50% per annum non-hazardous. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	2.50%
Expected Real Return	100.00%	4.69%
Long Term Nominal Return for Portfolio		2.50%
Expected Nominal Return for Portfolio		7.19%

Discount Rate – The projection of cash flows used to determine the discount rate of 6.50% for Non-Hazardous and Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the new pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	<u>Discount Rate</u>	<u>City's Proportionate Share of Net Pension Liability</u>
1% Decrease	5.50%	\$ 15,240,570
Current discount rate	6.50%	\$ 11,832,268
1% Increase	7.50%	\$ 9,032,704

Payable to the Pension Plan – At June 30, 2025, the City reported a payable of \$126,217 for the outstanding amount of contributions to the pension and OPEB plans required for the year. The payable includes both the pension and insurance contribution allocation.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 7 – RETIREMENT PLAN – CONTINUED

Police and Firefighters' Pension Fund

The City contributes to a defined benefit plan, the Corbin Police and Firefighters' Pension Fund, which is a single-employer pension employee retirement system (PERS). It is the responsibility of the Corbin PERS to function as an investment and administrative agent for the City of Corbin with respect to the pension plan. The plan is included in the financial statements as a fiduciary fund.

Plan Description – Based on state statutes, all full-time employees must participate in city or municipality pension plans. Under the provisions of the City's pension plan, pension benefits vest after twenty years of full-time employment. An employee may retire after twenty years of service and receive annual pension benefits equal to half of the employee's salary, including incentive pay, earned during the last year of employment. Also, the pension plan provides for death and disability benefits. All pension, death, and disability benefits are determined by state statutes. The Fund is closed to new participants, and there are no active employees in the plan.

The plan uses the accrual basis of accounting. Investment income is recognized when incurred and contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan. The Plan does not issue stand-alone financial statements; however, it is presented in the City's financial statements as the Pension Fund. Two investments represented more than 5% of the net assets available for benefit, a long-term certificate of deposit in the amount of \$3,057,038 represented 100% of total investment holdings.

The remaining assets are held in an interest-bearing checking account and interest receivable. The checking account represents 9% of total holdings with interest receivable representing the balance. The cost of administering the plan is financed by the Pension Fund. There are no related party transactions. According to KRS 95.629, if there are insufficient funds, the City will be held responsible for the monthly payment of the pensions after the entire proceeds of the pension fund have been transferred to the general fund of the City. Required contributions are determined by an actuarial valuation report but must be approved by the City Commission.

Funding Policy – The City contributions are determined by City ordinance. For the year ended June 30, 2025, 36% of all property taxes collected by the City will be contributed. Historically, the funding policy has been less than the actuarially determined contribution requirement, resulting in a net position obligation; however, in recent years, contributions have exceeded benefits paid. Membership in the plan as of the actuarial valuation date is 14 participants. The population is made up of retired or terminated participants, (or the spouse if the primary beneficiary is deceased) with deferred vested accounts.

Benefits Provided – The Police and Firefighters' Pension Fund provides retirement, and death and disability benefits to Plan participants and beneficiaries. There are no active employees in the Plan and the Plan is closed to new participants. As of the valuation date of July 1, 2024 there were 8 retired employees and 5 spousal beneficiaries in the Plan. All participants in the Plan are fully vested. The net pension liability for the Plan was measured as of July 1, 2024. The amount was determined by actuarial valuation as of that date. The City has not updated the liability amount of performed another actuarial valuation for June 30, 2025.

For the year ended June 30, 2025 the City did not recognize pension expense related to the Police and Firefighters' Pension Fund beyond fiduciary benefits paid. No deferred outflows of resources or deferred inflows of resources were calculated by the actuary based on differences between actual and expected experience, changes of assumption, net difference between projected and actual earnings on pension investments, and there were no changes in proportions. The only deferred outflows are presumed to be contributions after the measurement date, in the amount of \$0 over the period of a year since the most recent actuarial report, which will be applied to the subsequent year.

Actuarial Assumption – There is no assumption for salary increases since there are no longer any active employees in the plan. Mortality rates are based on the RP-2000 Mortality Table projected to 2021 without collar adjustment (separate tables for Male and Female lives).

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 7 – RETIREMENT PLAN – CONTINUED

Police and Firefighters' Pension Fund – Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The City would calculate the Net Pension Liability based on a discount rate of 1% over and 1% under that used in order to demonstrate the sensitivity of the contributions. The net pension liability is \$693,805. The gross liability used was \$3,729,708 (not inclusive of Fiduciary Net Position). A discount rate 1% lower would make the liability \$4,081,826, and a rate 1% higher would make the liability \$3,426,030. The Plan net position is available from the City of Corbin and presented in the fiduciary portion of this report.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description – Employees of the City are provided hospital and medical insurance through the County Employees' Retirement System (CERS) Insurance Fund, a cost-sharing multiple-employer defined benefit OPEB plan. The CERS Insurance Fund is administered in accordance with Kentucky Revised Statutes (KRS) Chapter 78 by the County Employees' Retirement System Board of Trustees. CERS was separated from the former Kentucky Retirement Systems (now known as the Kentucky Public Pensions Authority) effective July 1, 2021. The CERS Insurance Fund issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained from the County Employees Retirement System.

Benefits Provided – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. Because of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned services without regard to a maximum dollar amount.

Contributions – Contribution requirements of the participating employers are established and may be amended by the County Employees Retirement System Board of Trustees. For the years ended June 30, 2025, participating employers were not required to contribute to non-hazardous but contributed 2.12% to hazardous of covered payroll. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). For the fiscal year ended June 30, 2025 the contributions for hazardous and non-hazardous positions were \$49,817 and \$0, respectively.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025 the City reported a net OPEB asset of \$127,102 and a net OPEB liability of \$351,087 for its proportionate share of the net OPEB liability. The net OPEB liability is based on an actuarial valuation as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2024 using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2024, was .073478 percent for non-hazardous and .289431 percent for hazardous. For the year ended June 30, 2025, the City recognized OPEB expenses of \$(618,014) with an implicit subsidy of \$29,625.

**CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 165,587	\$ 2,285,105
Changes of assumptions	353,309	398,663
Net difference between projected and actual earnings on plan investments	-	336,608
Changes in proportion and differences between employer contribution and proportionate share of contribution	165,679	205,332
City's contributions subsequent to the measurement date	49,817	-
Total	\$ 734,392	\$ 3,225,708

The \$49,817 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2025	(390,644)
2026	132,570
2027	(121,653)
2028	(135,439)
2029	-
Thereafter	-

Actuarial Assumptions – The total OPEB liability reported at June 30, 2024, with an actuarial valuation of June 30, 2023, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-Hazardous

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increase:	3.30% to 10.30%, varies by service
Investment Rate of Return:	6.25%
Healthcare Trend Rates:	
Pre - 65	Initial trend starting at 6.20% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 9.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions - Continued

Hazardous

Inflation:	2.30%
Payroll Growth Rate:	2.00%
Salary Increase:	3.55% to 19.05%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates:	
Pre - 65	Initial trend starting at 6.20% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 9.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2014. The Mortality Table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 Mortality Improvement Scale using a base year of 2019. The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2024. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long Term Nominal Return for Portfolio		2.50%
Expected Nominal Return for Portfolio		7.19%

CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount Rate – The discount rate used to measure the total OPEB liability was 5.99% for non-hazardous classifications, and 6.02% for hazardous classifications. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20- Year Municipal GO AA Index” as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members.

Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate for June 30, 2025

Nonhazardous – The net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.99%) or one percentage point higher (6.99%) follows:

	Discount Rate		City's Proportionate Share of Net OPEB Liability
1% Decrease	4.99%	\$	171,857
Current discount rate	5.99%	\$	(127,102)
1% Increase	6.99%	\$	(378,468)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate for June 30, 2025

Hazardous – The net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.02%) or one percentage point higher (7.02%) follows:

	Discount Rate		City's Proportionate Share of Net OPEB Liability
1% Decrease	5.02%	\$	970,241
Current discount rate	6.02%	\$	351,087
1% Increase	7.02%	\$	(166,336)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates for June 30, 2025

Nonhazardous – The net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.99%) or one percentage point higher (6.99%) than current healthcare cost trend rates follows:

City's Net OPEB Liability		
Healthcare Cost		
Trend Rate -1%	Trend Rate	Trend Rate +1%
4.99%	5.99%	6.99%
\$ (305,793)	\$ (127,102)	\$ 81,059

**CITY OF CORBIN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
JUNE 30, 2025**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates for June 30, 2025 – Continued

Hazardous – The net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.02%) or one percentage point higher (7.02%) than current healthcare cost trend rates follows:

City's Net OPEB Liability		
Healthcare Cost		
Trend Rate -1%	Trend Rate	Trend Rate +1%
5.02%	6.02%	7.02%
<u><u>\$ (54,426)</u></u>	<u><u>\$ 351,087</u></u>	<u><u>\$ 825,044</u></u>

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2025 several number of claims and suits are pending against the City for alleged damages to persons and/or property and for other alleged liabilities arising out of the matters usually incident to the operations of a city. In the opinion of City management, the City has strong defenses against such claims, and thus the ultimate loss, if any, relating to these claims and suits not covered by insurance, will not materially affect the financial position of the City.

The City is not involved in lawsuits or matters which require disclosure with the ABA Statement policy regarding Lawyer’s Responses to Auditor’s Request per the opinion of counsel.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various forms of asset losses associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. As of June 30, 2025, the City was sufficiently insured.

NOTE 11 – DATE OF MANAGEMENT’S REVIEW

Subsequent events were evaluated through March 3, 2026, which is the date the financial statements were available to be issued.

**CITY OF CORBIN, KENTUCKY
REQUIRED SUPPLEMENTAL
BUDGETARY COMPARISON GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,122,000	\$ 7,122,000	\$ 7,253,913	\$ 131,913
Licenses, permits and fees	379,350	379,350	319,982	(59,368)
Intergovernmental	419,032	419,032	510,921	91,889
Service charges and fees	2,126,300	2,126,300	2,386,082	259,782
Grants	7,591,359	7,591,359	732,908	(6,858,451)
Interest Income	125,000	125,000	171,927	46,927
Other	376,050	376,050	212,105	(163,945)
Total Revenues	18,139,091	18,139,091	11,587,838	(6,551,253)
Expenditures				
General and administrative	1,209,671	1,209,671	1,366,056	(156,385)
Police	2,653,070	2,653,070	2,517,721	135,349
Fire	2,020,958	2,020,958	2,146,376	(125,418)
Public works department	2,688,700	2,688,700	2,380,137	308,563
Recycling	610,086	610,086	535,267	74,819
Building Inspection	228,986	228,986	146,673	82,313
Parks and recreation department	1,663,123	1,663,123	1,002,179	660,944
Special Projects	7,716,097	7,716,097	373,648	7,342,449
Downtown main street	60,100	60,100	72,587	(12,487)
Debt service	370,500	370,500	468,878	(98,378)
Capital outlay	-	-	630,598	(630,598)
Total Expenditures	19,221,291	19,221,291	11,640,120	7,581,171
Excess (deficit) of revenues over (under) expenditures	(1,082,200)	(1,082,200)	(52,282)	(14,132,424)
Other financing sources (uses)				
Proceeds from financing	-	-	-	-
Transfer In	1,132,200	1,132,200	1,576,449	444,249
Transfer Out	(50,000)	(50,000)	(596,212)	(546,212)
Total other financing sources (uses)	1,082,200	1,082,200	980,237	(101,963)
Net Change in Fund Balance	-	-	927,955	927,955
Fund Balance, Beginning	3,596,840	3,596,840	3,596,840	-
Fund Balance, Ending	\$ 3,596,840	\$ 3,596,840	\$ 4,524,795	\$ 927,955

**CITY OF CORBIN, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>HAZARDOUS</u>										
City's proportion of the net pension liability (asset)	0.29%	0.33%	0.31%	0.31%	0.32%	0.31%	0.31%	0.29%	0.27%	0.29%
City's proportionate share of the net pension liability (asset)	\$ 4,387,259	\$ 5,744,189	\$ 6,886,612	\$ 7,787,722	\$ 8,719,241	\$ 9,456,335	\$ 8,231,663	\$ 8,826,493	\$ 7,361,576	\$ 7,442,278
City's covered-employee payroll	\$ 1,689,510	\$ 1,719,485	\$ 1,894,922	\$ 1,796,188	\$ 1,830,837	\$ 1,751,308	\$ 1,843,143	\$ 1,912,028	\$ 2,184,473	\$ 2,217,117
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	259.68%	334.06%	363.42%	433.57%	476.24%	539.96%	446.61%	461.63%	337.00%	335.67%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	53.95%	49.78%	49.26%	46.63%	44.11%	52.26%	47.11%	52.96%	57.05%
<u>NON-HAZARDOUS</u>										
City's proportion of the net pension liability (asset)	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
City's proportionate share of the net pension liability (asset)	\$ 2,992,950	\$ 3,386,273	\$ 3,981,829	\$ 4,025,448	\$ 4,783,877	\$ 5,148,355	\$ 4,365,882	\$ 4,898,090	\$ 4,420,461	\$ 4,389,990
City's covered-employee payroll	\$ 1,633,089	\$ 1,658,635	\$ 1,540,402	\$ 1,721,863	\$ 1,716,438	\$ 1,866,207	\$ 1,751,308	\$ 1,991,543	\$ 2,289,098	\$ 2,344,502
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	183.27%	204.16%	258.49%	233.78%	278.71%	275.87%	249.29%	245.94%	193.11%	187.25%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	61.61%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF CORBIN, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>HAZARDOUS</u>										
Contractually required contribution	\$ 342,311	\$ 373,300	\$ 416,883	\$ 446,712	\$ 550,350	\$ 616,874	\$ 624,087	\$ 820,873	\$ 901,372	\$ 807,653
Contributions in relation to the contractually required contribution	<u>(342,311)</u>	<u>(373,300)</u>	<u>(416,883)</u>	<u>(446,712)</u>	<u>(550,350)</u>	<u>(616,874)</u>	<u>(624,087)</u>	<u>(820,873)</u>	<u>(901,372)</u>	<u>(807,653)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,689,510	\$ 1,719,485	\$ 1,894,922	\$ 1,796,188	\$ 1,830,837	\$ 1,751,308	\$ 1,843,143	\$ 1,912,028	\$ 2,184,473	\$2,217,117
Contributions as a percentage of covered-employee payroll	20.26%	21.71%	22.00%	24.87%	30.06%	35.22%	33.86%	42.93%	41.26%	36.43%
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>NON-HAZARDOUS</u>										
Contractually required contribution	\$ 202,825	\$ 231,379	\$ 222,998	\$ 279,286	\$ 331,273	\$ 360,177	\$ 370,752	\$ 467,753	\$ 539,490	\$ 464,857
Contributions in relation to the contractually required contribution	<u>(202,825)</u>	<u>(231,379)</u>	<u>(222,998)</u>	<u>(279,286)</u>	<u>(331,273)</u>	<u>(360,177)</u>	<u>(370,752)</u>	<u>(467,753)</u>	<u>(539,490)</u>	<u>(464,857)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,633,089	\$ 1,658,635	\$ 1,540,402	\$ 1,721,863	\$ 1,716,438	\$ 1,866,207	\$ 1,751,308	\$ 1,991,543	\$ 2,289,098	\$2,344,502
Contributions as a percentage of covered-employee payroll	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.49%	23.57%	19.83%

Note: The above schedules will present 10 years of historical data, once available.

**CITY OF CORBIN, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST EIGHT FISCAL YEARS**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>HAZARDOUS</u>								
City's proportion of the net OPEB liability	0.31%	0.32%	0.32%	0.31%	0.31%	0.29%	0.27%	0.29%
City's proportionate share of the net OPEB liability	\$ 2,544,594	\$ 2,295,950	\$ 2,335,723	\$ 2,897,450	\$ 2,500,138	\$ 2,462,589	\$ 373,360	\$ 351,087
City's covered-employee payroll	\$ 1,894,922	\$ 1,796,188	\$ 1,830,837	\$ 2,052,144	\$ 1,843,142	\$ 1,912,028	\$ 2,184,473	\$ 2,217,117
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	134.28%	127.82%	127.58%	141.19%	135.65%	128.79%	17.09%	15.84%
Plan fiduciary net position as a percentage of the total OPEB liability	58.99%	64.24%	64.44%	58.84%	66.81%	64.13%	92.27%	93.53%
<u>NON-HAZARDOUS</u>								
City's proportion of the net OPEB liability	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
City's proportionate share of the net OPEB liability	\$ 1,367,575	\$ 1,173,592	\$ 1,144,066	\$ 1,620,696	\$ 1,310,632	\$ 1,336,957	\$ (95,111)	\$ (127,102)
City's covered-employee payroll	\$ 1,540,402	\$ 1,721,863	\$ 1,716,438	\$ 1,866,206	\$ 1,751,308	\$ 1,991,543	\$ 2,289,098	\$ 2,344,502
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	88.78%	68.16%	66.65%	86.84%	74.84%	67.13%	-4.15%	-5.42%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%

Note: The above schedules will present 10 years of historical data, once available

**CITY OF CORBIN, KENTUCKY
SCHEDULE OF CONTRIBUTIONS TO THE
OTHER POST EMPLOYMENT BENEFITS
LAST EIGHT FISCAL YEARS**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>HAZARDOUS</u>								
Contractually required contribution	\$ 177,175	\$ 188,060	\$ 174,296	\$ 195,364	\$ 192,977	\$ 130,005	\$ 56,569	\$ 49,817
Contributions in relation to the contractually required contribution	<u>(177,175)</u>	<u>(188,060)</u>	<u>(174,296)</u>	<u>(195,364)</u>	<u>(192,977)</u>	<u>(130,005)</u>	<u>(56,569)</u>	<u>(49,817)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,894,922	\$ 1,796,188	\$ 1,830,837	\$ 2,052,144	\$ 1,843,142	\$ 1,912,028	\$ 2,184,473	\$ 2,217,117
Contributions as a percentage of covered-employee payroll	9.35%	10.47%	9.52%	9.52%	10.47%	6.80%	2.59%	2.25%
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>NON-HAZARDOUS</u>								
Contractually required contribution	\$ 72,382	\$ 90,570	\$ 81,702	\$ 88,831	\$ 101,226	\$ 67,764	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(72,382)</u>	<u>(90,570)</u>	<u>(81,702)</u>	<u>(88,831)</u>	<u>(101,226)</u>	<u>(67,764)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,540,402	\$ 1,721,863	\$ 1,716,438	\$ 1,866,206	\$ 1,751,308	\$ 1,991,543	\$ 2,289,098	\$ 2,344,502
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.40%	0.00%	0.00%

Note: The above schedules will present 10 years of historical data, once available

**CITY OF CORBIN, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
POLICE AND FIREFIGHTER'S PENSION FUND
LAST EIGHT FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
City's proportion of the net pension liability (asset)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
City's proportionate share of the net pension liability (asset)	\$ 5,235,262	\$ 5,235,262	\$ 5,235,262	\$ 3,419,339	\$ 3,419,339	\$ 3,419,339	\$ 2,163,617	\$ 2,163,617	\$ 693,805	\$ 693,805
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	20.00%	23.10%	27.20%	47.25%	54.07%	47.25%	25.91%	25.10%	25.10%	25.10%

Note: The above schedules will present 10 years of historical data, once available

**CITY OF CORBIN, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
POLICE AND FIREFIGHTER'S PENSION FUND
LAST EIGHT FISCAL YEARS**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributor	\$ 495,095	\$ 482,850	\$ 525,960	\$ 507,850	\$ 534,436	\$ 537,866	\$ 559,870	\$ 614,126	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(495,095)</u>	<u>(482,850)</u>	<u>(525,960)</u>	<u>(507,850)</u>	<u>(534,436)</u>	<u>(537,866)</u>	<u>(559,870)</u>	<u>(614,126)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: The above schedules will present 10 years of historical data, once available

CITY OF CORBIN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The City annually prepares a budget under the provisions of Kentucky Revised Statute (KRS) 91A.030. In accordance with the Statute, the following process is used to adopt the annual budget:

- The budget proposal is the responsibility of the Mayor and the City and shall be submitted to the legislative body not later than thirty days prior to the beginning of the fiscal year it covers.
- The legislative body shall adopt a budget ordinance making appropriations for the fiscal year in such sums as the legislative body finds sufficient and proper, whether greater or less than the sums recommended in the budget proposal. The budget ordinance may be in any form that the legislative body finds most efficient in enabling it to make the necessary fiscal policy decisions.
- No budget ordinance shall be adopted that provides for appropriations to exceed available resources in any one fiscal year, which would also violate section 157 of the Kentucky Constitution.
- The City legislative body may amend the budget ordinance after the ordinances' adoption if the amended ordinance continues to satisfy the requirements of KRS 91A.030.
- Immediately following the adoption of an annual budget, the clerk shall cause a summary of the budget or the text of the budget ordinance to be advertised by publication in a newspaper.

Budgetary Accounting

The annual operation budgets of governmental and proprietary funds are prepared and presented on the modified accrual basis of accounting. The City does not use an encumbrance accounting system; thus, the budgetary and GAAP presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance, Budgetary and Actual are the same.

NOTE 2 – CERS

General Information

Contributions: Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll: The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

Changes of Assumptions

June 30, 2024 - Pension and OPEB Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2024, for OPEB:

- The single discount rate increased from 5.93% to 5.99% for non-hazardous and from 5.97% to 6.02% for hazardous. The assumed increase in future health care costs, or trend assumption, was updated to better reflect plan's long-term healthcare cost increases.

CITY OF CORBIN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION—CONTINUED
JUNE 30, 2025

NOTE 2 – CERS – CONTINUED

Changes of Assumptions – Continued

June 30, 2023 - Pension and OPEB Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for pension:

- The single discount rate increased from 6.25% to 6.50% for non-hazardous and from 6.25% to 6.50% for hazardous.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2023, for OPEB:

- The single discount rate increased from 5.70% to 5.93% for non-hazardous and from 5.05% to 5.97% for hazardous. The municipal bond rate increased from 3.39% to 3.86%.

June 30, 2022 – Pension and OPEB Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for OPEB:

- The single discount rate increased from 5.20% to 5.70% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate increased from 1.92% to 3.39%

June 30, 2021 – Pension and OPEB Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for pension.

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for OPEB:

- The single discount rate decreased from 5.34% to 5.20% for non-hazardous and from 5.30% to 5.05% for hazardous. The municipal bond rate decreased from 3.13% to 1.92%

June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%, which gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023 and then gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years.

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for pension.

CITY OF CORBIN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION—CONTINUED
JUNE 30, 2025

NOTE 2 – CERS – CONTINUED

Changes of Assumptions – Continued

June 30, 2019 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2018 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2016 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

June 30, 2015 – Pension – Hazardous and Nonhazardous

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

CITY OF CORBIN, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION—CONTINUED
JUNE 30, 2025

NOTE 3 – Police and Firemen’s Fund

Changes of Assumptions

June 30, 2025 – Police and Firemen's Fund

There were no changes in assumptions made by The City and reflected in the valuation performed as of July 1, 2024.

June 30, 2024 – Police and Firemen's Fund

There were no changes in assumptions made by The City and reflected in the valuation performed as of July 1, 2023.

June 30, 2023 – Police and Firemen's Fund

There were no changes in assumptions made by The City and reflected in the valuation performed as of July 1, 2022.

June 30, 2022 – Police and Firemen's Fund

There were no changes in assumptions made by The City and reflected in the valuation performed as of July 1, 2021.

June 30, 2021 – Police and Firemen's Fund

There were no changes in assumptions made by The City and reflected in the valuation performed as of July 1, 2020.

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

To the Mayor and Members of the City Council
City of Corbin
Corbin, Kentucky 41011

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Corbin (hereinafter called the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 3, 2026. Our report includes a reference to other auditors who audited the financial statements of the City Utility Commission and the Corbin Tourism and Convention Commission governmental and business-type activities as described in our report on the City of Corbin's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SK LEE CPAs, P.S.C.

Berea, Kentucky
March 3, 2026