

CITY OF PIKEVILLE, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2024

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Commissioners,
City Manager and Management
City of Pikeville
Pikeville, Kentucky 41501

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky (the "City") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky as of June 30, 2024, and the respective changes in its financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 of Pikeville, Kentucky, 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 GAAS 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 GAAS 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 12, the budgetary comparison information on pages 58 and 59, and the Schedule of Proportionate Share of the Net Pension and OPEB Liability (Asset) and Schedule of Pension and OPEB Contributions on pages 60 through 69 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplemental schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024 on our consideration of the City of Pikeville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pikeville, Kentucky's internal control over financial reporting and compliance.

Kelley Galloway Smith Hooley, PSC

Ashland, Kentucky
December 20, 2024

City of Pikeville, Kentucky Management's Discussion and Analysis

Our discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. Please read in conjunction with the independent auditor's report on pages 2-4 and the accompanying basic financial statements, which begin to appear on page 13.

FINANCIAL HIGHLIGHTS

- The City's net position decreased by \$3,046,515 (2.5%). There was a increase in its governmental activities (.3%) and a decrease in business type activities (9.4%) representing a \$284,017 increase and a \$3,330,532 decrease, respectively.
- The City's combined revenues increased 1.5% (\$496,128), while combined expenses decreased 1.2% (\$412,510). Revenues increased due to an increase in interest income.
- The net pension liability required to be recorded under GASB No. 68 decreased during the year. The City's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the City's share of the pension liability was \$12,074,144 as of June 30, 2023, which represents an decrease of \$1,218,822 from the June 30, 2022 balance of \$13,292,966.
- OPEB liability (asset) was required to be recorded under GASB No. 75 during the year. The City's staff members are covered by the Kentucky County Employee Retirement System. Under this system, the City's share of the OPEB liability (asset) was (\$190,086) as of June 30, 2023 which represents a decrease of \$3,678,959 from the June 30, 2022 balance of \$3,653,182.

OVERVIEW OF THIS ANNUAL REPORT

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

In the past, the primary focus of local government financial statements has been summarized fund type information on a current financial resource basis. This approach has been modified; the City's financial statements now present two kinds of statements, each with a different snapshot of the City's finances. The new focus is both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual funds of the City, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

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

These two statements report the net position of the City and the changes in them. The difference between and changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources is an important way to measure financial health or financial position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health or position is improving or deteriorating. However, in evaluating the overall position of the City, there are other non-financial factors such as changes in economic conditions, population growth, changes in property tax rates or valuation, infrastructure asset condition, and new or changed government legislation that may have a material impact on the City's position and need to be considered.

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

Governmental activities—Most of the City's basic services are reported here, including general government, police, fire, public works-streets, recreation, Community Development, and tourism. Property taxes, licenses and permits (including occupational licenses fees, franchise and other fees), and grants finance most of these activities.

Business-type activities—Gas, water, sewer, sanitation, outside water, and outside sewer revenues are collected from utility customers by the City to cover the costs of the utility services provided by the City.

FUND FINANCIAL STATEMENTS

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

The City has two kinds of funds:

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

of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary Fund—This fund reflects the utility service charges and costs of providing those services. Since the proprietary fund is reported on the accrual basis and is the only fund reported in the business-type activities in the government-wide statements, the amounts reflected in these fund statements will be the same as the business-type activities in the government-wide statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

Our analysis begins with a summary of the City's Statement of Net Position, which is presented below. These amounts reflect the City as a whole.

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>
Current and Other Assets	\$ 26,236,162	\$ 24,723,100	\$ 10,208,114	\$ 9,534,192	\$ 36,444,276	\$ 34,257,292
Noncurrent assets	1,141,114	1,034,735	4,400	-	1,145,514	1,034,735
Capital Assets	91,182,627	93,797,466	40,826,800	45,490,600	132,009,427	139,288,066
Deferred Outflows	<u>3,265,132</u>	<u>3,581,955</u>	<u>63,557</u>	<u>71,771</u>	<u>3,328,689</u>	<u>3,653,726</u>
Total Assets & Def Outflows	<u>121,825,035</u>	<u>123,137,256</u>	<u>51,102,871</u>	<u>55,096,563</u>	<u>172,927,906</u>	<u>178,233,819</u>
Long-Term Liabilities	12,599,175	12,853,329	17,451,333	18,172,754	30,050,508	31,026,083
Net Pension & OPEB Liability	12,033,955	16,641,898	204,498	304,250	12,238,453	16,946,148
Current and Other Liabilities	1,895,052	2,390,544	1,317,787	1,225,796	3,212,839	3,616,340
Deferred Inflows	<u>10,270,118</u>	<u>6,508,767</u>	<u>91,619</u>	<u>25,597</u>	<u>10,361,737</u>	<u>6,534,364</u>
Total Liabilities & Def Inflows	<u>36,798,300</u>	<u>38,394,538</u>	<u>19,065,237</u>	<u>19,728,397</u>	<u>55,863,537</u>	<u>58,122,935</u>
Net Position:						
Net Investment in Capital Asset	77,562,102	79,725,763	22,656,470	26,613,057	100,218,572	106,338,820
Restricted	1,512,348	1,327,130	1,369,540	1,241,501	2,881,888	2,568,631
Unrestricted	<u>5,952,285</u>	<u>3,689,825</u>	<u>8,011,624</u>	<u>7,513,608</u>	<u>13,963,909</u>	<u>11,203,433</u>
Total Net Position	<u>\$ 85,026,735</u>	<u>\$ 84,742,718</u>	<u>\$ 32,037,634</u>	<u>\$ 35,368,166</u>	<u>\$ 117,064,369</u>	<u>\$ 120,110,884</u>

The City's net position in the governmental activities increased by \$284,017 compared to slight decrease in the prior year. The business-type net position decreased by \$3,330,532 (9.4%), compared to a 2.6% decrease in the prior year. Governmental activities included an increase of \$120,985 in taxes and license fees and an increase in interest income of \$286,816 in the current year which resulted in the overall increase in total governmental revenue. The net position from one activity generally cannot be used to make up for any deficits in the other activities.

Table A-2**Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 893,922	\$ 783,673	\$10,174,011	\$10,359,798	\$ 11,067,933	\$ 11,143,471
Operating Grants, Contributions	248,448	502,515	-	-	248,448	502,515
Capital Grants, Contributions	-	-	711,234	107,096	711,234	107,096
<u>General Revenue</u>						
Property Taxes	1,066,939	1,025,798	-	-	1,066,939	1,025,798
Other Taxes & License Fees	16,113,007	16,033,163	-	-	16,113,007	16,033,163
Investment Earnings	950,088	663,272	356,266	230,081	1,306,354	893,353
Other Revenues	<u>3,392,726</u>	<u>3,705,117</u>	<u>-</u>	<u>-</u>	<u>3,392,726</u>	<u>3,705,117</u>
Total Revenue	<u>22,665,130</u>	<u>22,713,538</u>	<u>11,241,511</u>	<u>10,696,975</u>	<u>33,906,641</u>	<u>33,410,513</u>
Program Expenses						
General Government	6,276,511	6,086,850	-	-	6,276,511	6,086,850
Public Safety	7,323,935	7,779,253	-	-	7,323,935	7,779,253
Streets	2,690,928	3,198,250	-	-	2,690,928	3,198,250
Parking Garage	67,246	58,714	-	-	67,246	58,714
Tourism/Community Dev.	3,143,376	2,865,623	-	-	3,143,376	2,865,623
Economic Development	758,013	656,009	-	-	758,013	656,009
Recreation	1,214,664	1,114,508	-	-	1,214,664	1,114,508
Events	-	18,407	-	-	-	18,407
Ridge Cliff	309,781	435,587	-	-	309,781	435,587
Other Expenses	205,272	280,959	-	-	205,272	280,959
Interest on long-term debt	391,387	287,287	470,934	497,315	862,321	784,602
Gas, Water, Sewer & Sanitation	<u>-</u>	<u>-</u>	<u>11,142,572</u>	<u>11,128,367</u>	<u>11,142,572</u>	<u>11,128,367</u>
Total Program Expenses	<u>22,381,113</u>	<u>22,781,447</u>	<u>11,613,506</u>	<u>11,625,682</u>	<u>33,994,619</u>	<u>34,407,129</u>
Loss on disposal	<u>-</u>	<u>-</u>	<u>(2,958,537)</u>	<u>-</u>	<u>(2,958,537)</u>	<u>-</u>
Net Change In Net Position	<u>\$ 284,017</u>	<u>\$ (67,909)</u>	<u>\$ (3,330,532)</u>	<u>\$ (928,707)</u>	<u>\$ (3,046,515)</u>	<u>\$ (996,616)</u>

The City's change in net position above appears to be the same as the long-standing concept of net revenues, but under the full accrual basis utilized by the Governmental Activities under GASB 34, these numbers include dollars of "paper" depreciation expenses that represent the use or deterioration of the capital assets, but have no relationship to the amounts spent in the current year for capital outlay. Therefore, these "paper" bookkeeping entries are never considered as part of the City's budget process. Additionally, the principal portions of debt obligations are excluded from the above but are reflected as debt service expenditures along with capital outlay expenditures in the City's budget for governmental activities. The business-type activities have always been on the

full accrual basis and accordingly, have always included depreciation in the expenses.

This year's governmental activities revenues were \$22,665,130 as compared to \$22,713,538 in the prior year. The year's governmental activities cost was \$22,381,113 as compared to \$22,781,447 in the prior year.

This year's business-type activities revenues were \$11,241,511 as compared to \$10,696,975 in the prior year. This year's business-type activities costs were \$11,613,506 as compared to \$11,625,682 in the prior year.

GOVERNMENTAL ACTIVITIES – FUND FINANCIAL STATEMENTS

Condensed Governmental Activities - Expenditures by Programs

	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>Change</u>
General administration	\$ 3,894,521	\$ 3,817,193	\$ 77,328
Public safety	7,318,140	7,240,912	77,228
Streets	2,036,244	2,590,827	(554,583)
Parking Garage	67,246	58,714	8,532
Tourism/Community Development	217,313	162,698	54,615
Economic Development	758,013	647,523	110,490
Recreation	765,385	786,053	(20,668)
Fiber	-	46,723	(46,723)
Events	-	7,013	(7,013)
Lake cleanup	59,888	57,431	2,457
Landscape	133,247	129,846	3,401
Ridge Cliff	309,781	435,587	(125,806)
Capital Outlay	2,323,073	9,055,331	(6,732,258)
Debt Service	1,776,963	1,067,414	709,549
Other	2,636,063	2,648,196	(12,133)
Total Expenditures	<u>\$ 22,295,877</u>	<u>\$ 28,751,461</u>	<u>\$ (6,455,584)</u>

The capital outlay decrease of \$6,732,258 is mostly from construction in progress from grant funded projects of a new fire station and radio system and the fiber buildout and new turf at Hambley Athletic Park in the prior year.

BUDGET HIGHLIGHTS

The City amended the General Fund budget due to unexpected circumstances or unusual events that occurred during the year. The total budgeted revenues were increased by \$576,000 (mostly occupational license fees) while expenditures (including other financing uses) budgeted were increased by \$1,085,276 most of which (\$194,975) was due to an increase in general government operations and (\$251,700) on fire. Actual revenues for the year reflected a negative variance of \$220,160.

The favorable variance in total actual expenditures (including other financing uses) is \$3,905,791 due to certain project timing (fiber) and a positive variance in general government expense. The budget contains proposed expenditures and expected revenues based on the modified accrual basis of accounting as further explained in the Notes to the Financial Statements. Accordingly, the budget and actual comparison reflects expenditures for capital outlay and debt service but does not reflect depreciation as an expense. A comparison of the final amended budget to actual amounts for governmental activities is presented in the table below only for the General Fund.

Condensed General Fund - Revenues

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Taxes	\$ 4,827,100	\$ 4,946,803	\$ 119,703
Licenses	12,045,100	12,330,777	285,677
Intergovernmental	2,131,628	896,276	(1,235,352)
Charges for Services	650,000	796,288	146,288
Other Revenues	2,424,088	3,007,911	583,823
Capital Financing	<u>1,025,500</u>	<u>528,548</u>	<u>(496,952)</u>
Total Revenues	<u>\$23,103,416</u>	<u>\$ 22,506,603</u>	<u>\$ (596,813)</u>

Condensed General Fund - Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
General Government	\$ 4,325,625	\$ 3,894,521	\$ 431,104
Public Safety	8,223,430	7,318,140	905,290
Streets	2,610,751	2,036,244	574,507
Recreation	955,269	735,385	219,884
Other	2,920,812	1,545,488	1,375,324
Capital Outlay	1,702,391	1,091,803	610,588
Debt Service	1,135,274	1,002,050	133,224
Transfers	<u>4,053,574</u>	<u>4,021,051</u>	<u>32,523</u>
Total Expenditures	<u>\$25,927,126</u>	<u>\$ 21,644,682</u>	<u>\$ 4,282,444</u>

CAPITAL ASSETS

Table below shows summary totals for a broad range of capital assets, including land and depreciated value of land improvements, buildings, equipment and utility plant. This table reflects the breakdown of capital assets before depreciation for both governmental and business-type activities.

Capital Assets at Year End With Depreciation						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>
Land & Improvements	\$ 15,905,394	\$15,752,994	\$ 138,000	\$ 138,000	\$ 16,043,394	\$ 15,890,994
Bldgs & Improvements	69,234,688	69,900,355	-	-	69,234,688	69,900,355
Vehicles & Equipment	5,690,663	4,988,131	2,174,079	2,308,605	7,864,742	7,296,736
Construction in progress	351,882	3,155,986	38,132	-	390,014	3,155,986
Water, Gas & Sewer System	-	-	38,476,589	43,043,995	38,476,589	43,043,995
Total Capital Assets	<u>\$ 91,182,627</u>	<u>\$93,797,466</u>	<u>\$40,826,800</u>	<u>\$ 45,490,600</u>	<u>\$132,009,427</u>	<u>\$139,288,066</u>

Significant capital expenditures during fiscal year 2024 included the additional broadband fiber project of approximately \$405,850 and fire station construction of approximately \$648,000.

DEBT

Table below provides a summary of all of the City's outstanding indebtedness. In addition to the amounts listed below, liabilities for unpaid compensated absences in the amounts of \$274,376 are outstanding at June 30, 2024 as compared to \$281,713 outstanding at June 30, 2023.

Table A-7

Debt Outstanding at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>FYE 2023</u>
Bonds Payable	\$ 6,248,481	\$ 6,653,456	\$ 18,089,399	\$ 18,770,017	\$ 24,337,880	\$ 25,423,473
Other financing	6,243,234	6,356,947	-	-	6,243,234	6,356,947
Lease Obligations	1,128,810	1,061,300	80,931	107,526	1,209,741	1,168,826
Total Year End Debt	<u>\$13,620,525</u>	<u>\$ 14,071,703</u>	<u>\$ 18,170,330</u>	<u>\$ 18,877,543</u>	<u>\$ 31,790,855</u>	<u>\$ 32,949,246</u>

New leases in the amount of \$528,548 and \$-0- were entered into during the year ending June 30, 2024 for Governmental and Business-Type Activities, respectively. New debt in the amount of \$405,850 was issued during the year for a fiber project. Governmental Activities debt and leases payable had principal payments, net of premiums and discounts, of \$1,385,576. No new bonds were issued in Business-Type Activities and existing debt and leases payable had principal payments, net of premiums and discounts, of \$707,213.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

City public officials consider many factors when setting the annual budget. The 2024-25 fiscal year budget reflects anticipated changes in the local economy, expected grant money, and anticipated tax revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens of the City, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

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Finance Director
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Pikeville, KY 41501
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Tonya.taylor@pikevilleky.gov

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 18,355,321	\$ 7,197,400	\$ 25,552,721	\$ 1,340,024
Investments	4,090,949	-	4,090,949	-
Accounts receivable:				
Taxes & licenses	16,463	-	16,463	-
Intergovernmental	261,728	-	261,728	-
Customers, net	-	1,443,191	1,443,191	260,971
Lease receivable	111,542	-	111,542	106,817
Interfund receivables (payables)	(165,214)	165,214	-	-
Inventory	-	-	-	125,024
Prepaid expenses	89,144	32,769	121,913	70,322
Restricted assets -				
Cash and cash equivalents	3,476,229	1,369,540	4,845,769	-
Lease receivable, net of current portion	955,428	-	955,428	499,644
Net OPEB asset	185,686	4,400	190,086	-
Nondepreciable capital assets	16,257,276	154,002	16,411,278	-
Depreciable capital assets	141,436,110	81,469,361	222,905,471	1,390,717
Accumulated depreciation	(66,510,759)	(40,796,563)	(107,307,322)	(679,520)
Total assets	<u>118,559,903</u>	<u>51,039,314</u>	<u>169,599,217</u>	<u>3,113,999</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension related	2,307,602	44,308	2,351,910	-
Deferred OPEB related	957,530	19,249	976,779	-
Total deferred outflows of resources	<u>3,265,132</u>	<u>63,557</u>	<u>3,328,689</u>	<u>-</u>
LIABILITIES				
Accounts payable	476,112	261,561	737,673	160,729
Accrued expenses	123,214	15,194	138,408	203,408
Accrued interest payable	-	207,987	207,987	-
Customer deposits	-	114,048	114,048	-
Current portion of long-term debt	1,295,726	718,997	2,014,723	22,398
Accrued compensated absences, non-current	274,376	-	274,376	-
Unearned revenues	-	-	-	1,108,340
Bonds and notes payable, non-current	11,512,402	17,397,399	28,909,801	-
Lease obligations, non-current	812,397	53,934	866,331	-
Net pension liability	11,869,646	204,498	12,074,144	-
Net OPEB liability	164,309	-	164,309	-
Total liabilities	<u>26,528,182</u>	<u>18,973,618</u>	<u>45,501,800</u>	<u>1,494,875</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected real estate taxes	16,463	-	16,463	-
Deferred inflows leases	1,022,128	-	1,022,128	-
Other deferred revenues	2,432,664	-	2,432,664	-
Deferred pension related	2,475,487	22,087	2,497,574	-
Deferred OPEB related	4,323,376	69,532	4,392,908	-
Total deferred outflows of resources	<u>10,270,118</u>	<u>91,619</u>	<u>10,361,737</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	77,562,102	22,656,470	100,218,572	688,799
Restricted	1,512,348	1,369,540	2,881,888	136,944
Unrestricted	5,952,285	8,011,624	13,963,909	793,381
Total net position	<u>\$ 85,026,735</u>	<u>\$ 32,037,634</u>	<u>\$ 117,064,369</u>	<u>\$ 1,619,124</u>

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General government	\$ 6,276,511	\$ 97,634	\$ 20,469	\$ -	\$ (6,158,408)	\$ -	\$ (6,158,408)	\$ -
Public safety	7,323,935	796,288	13,503	-	(6,514,144)	-	(6,514,144)	-
Streets	2,690,928	-	188,826	-	(2,502,102)	-	(2,502,102)	-
Parking garage	67,246	-	-	-	(67,246)	-	(67,246)	-
Tourism	3,143,376	-	25,650	-	(3,117,726)	-	(3,117,726)	-
Economic development	758,013	-	-	-	(758,013)	-	(758,013)	-
Recreation	1,214,664	-	-	-	(1,214,664)	-	(1,214,664)	-
Fiber	-	-	-	-	-	-	-	-
Lake cleanup	72,025	-	-	-	(72,025)	-	(72,025)	-
Landscape	133,247	-	-	-	(133,247)	-	(133,247)	-
Ridge Cliff	309,781	-	-	-	(309,781)	-	(309,781)	-
Interest on long-term debt	391,387	-	-	-	(391,387)	-	(391,387)	-
Total governmental activities	<u>22,381,113</u>	<u>893,922</u>	<u>248,448</u>	<u>-</u>	<u>(21,238,743)</u>	<u>-</u>	<u>(21,238,743)</u>	<u>-</u>
Business-Type Activities:								
Water	3,006,212	2,954,372	-	92,016	-	40,176	40,176	-
Sewer	2,687,828	2,069,962	-	471,715	-	(146,151)	(146,151)	-
Gas	1,431,924	1,406,507	-	14,090	-	(11,327)	(11,327)	-
Sanitation	2,069,905	1,867,436	-	-	-	(202,469)	(202,469)	-
Outside water	777,941	981,873	-	5,220	-	209,152	209,152	-
Outside sewer	1,168,762	893,861	-	128,193	-	(146,708)	(146,708)	-
Interest on long-term debt	470,934	-	-	-	-	(470,934)	(470,934)	-
Total business-type activities	<u>11,613,506</u>	<u>10,174,011</u>	<u>-</u>	<u>711,234</u>	<u>-</u>	<u>(728,261)</u>	<u>(728,261)</u>	<u>-</u>
Total primary government	<u>\$ 33,994,619</u>	<u>\$ 11,067,933</u>	<u>\$ 248,448</u>	<u>\$ 711,234</u>	<u>(21,238,743)</u>	<u>(728,261)</u>	<u>(21,967,004)</u>	<u>-</u>
Discretely presented component units	<u>\$ 6,048,572</u>	<u>\$ 3,715,184</u>	<u>\$ 2,407,525</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,137</u>
General Revenues:								
Property taxes, levied for general purposes					1,066,939	-	1,066,939	-
Franchise taxes					843,581	-	843,581	-
Occupational license fees					12,233,143	-	12,233,143	-
Other taxes					3,036,283	-	3,036,283	137,807
Intergovernmental revenue					1,223,059	-	1,223,059	-
Other					2,107,825	-	2,107,825	78,923
Gain (loss) on disposal of assets					62,707	(2,958,537)	(2,895,830)	-
Transfer					(865)	-	(865)	865
Investment income (loss)					950,088	356,266	1,306,354	83,669
Total general revenues and transfers					<u>21,522,760</u>	<u>(2,602,271)</u>	<u>18,920,489</u>	<u>301,264</u>
Change in net position					284,017	(3,330,532)	(3,046,515)	375,401
Net position, June 30, 2023					84,742,718	35,368,166	120,110,884	1,243,723
Net position, June 30, 2024					<u>\$ 85,026,735</u>	<u>\$ 32,037,634</u>	<u>\$ 117,064,369</u>	<u>\$ 1,619,124</u>

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

CITY OF PIKEVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General	Tourism Convention	Projects Control	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 15,843,474	\$ 66,280	\$ 2,034,605	\$ 410,962	\$ 18,355,321
Investments	4,090,949	-	-	-	4,090,949
Restricted cash and cash equivalents	440,873	-	2,137,068	898,288	3,476,229
Receivables, net:					
Taxes & licenses	16,463	-	-	-	16,463
Lease receivable	1,066,970	-	-	-	1,066,970
Other	241,364	-	20,364	-	261,728
Prepaid expense	89,144	-	-	-	89,144
Due from other funds	-	6,348	650,000	1,232	657,580
Total assets	<u>\$ 21,789,237</u>	<u>\$ 72,628</u>	<u>\$ 4,842,037</u>	<u>\$ 1,310,482</u>	<u>\$ 28,014,384</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 457,239	\$ -	\$ 17,623	\$ 1,250	\$ 476,112
Accrued expenses	123,214	-	-	-	123,214
Due to other funds	656,024	-	166,770	-	822,794
Total liabilities	<u>1,236,477</u>	<u>-</u>	<u>184,393</u>	<u>1,250</u>	<u>1,422,120</u>
Deferred Inflows of Resources:					
Uncollected real estate taxes	16,463	-	-	-	16,463
Deferred inflows leases	1,022,128	-	-	-	1,022,128
Other deferred revenues	306,351	22,988	1,963,881	139,444	2,432,664
Total deferred inflows of resources	<u>1,344,942</u>	<u>22,988</u>	<u>1,963,881</u>	<u>139,444</u>	<u>3,471,255</u>
Fund Balances:					
Nonspendable	133,986	-	-	-	133,986
Restricted	440,873	-	173,187	898,288	1,512,348
Assigned	-	49,640	-	271,500	321,140
Unassigned	18,632,959	-	2,520,576	-	21,153,535
Total fund balances	<u>19,207,818</u>	<u>49,640</u>	<u>2,693,763</u>	<u>1,169,788</u>	<u>23,121,009</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,789,237</u>	<u>\$ 72,628</u>	<u>\$ 4,842,037</u>	<u>\$ 1,310,482</u>	<u>\$ 28,014,384</u>

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

CITY OF PIKEVILLE, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2024

Total fund balance - total governmental funds	\$ 23,121,009
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$157,693,386 net of accumulated depreciation of \$66,510,759 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	91,182,627
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.	(3,533,731)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liabilities	(11,869,646)
Net OPEB liabilities	(164,309)
Net OPEB assets	185,686
Compensated absences	(274,376)
Notes and capital leases payable	<u>(13,620,525)</u>
Net position, end of year - Governmental Activities	<u>\$ 85,026,735</u>

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General	Tourism Convention	Projects Control	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 1,066,939	\$ -	\$ -	\$ -	\$ 1,066,939
Franchise taxes	843,581	-	-	-	843,581
Occupational license fees	12,233,143	-	-	-	12,233,143
Other taxes	3,036,283	-	-	-	3,036,283
Permits and fees	97,634	-	-	-	97,634
Intergovernmental	896,276	25,650	352,231	197,350	1,471,507
Charges for services	796,288	-	-	-	796,288
Interest income	817,493	4,068	73,684	54,843	950,088
Other revenues	1,571,105	-	-	60,397	1,631,502
Total revenues	21,358,742	29,718	425,915	312,590	22,126,965
Expenditures					
General government	3,894,521	-	-	-	3,894,521
Public safety	7,318,140	-	-	-	7,318,140
Streets	2,036,244	-	-	-	2,036,244
Parking garage	67,246	-	-	-	67,246
Tourism/Community development	217,313	2,612,736	-	23,327	2,853,376
Economic development	758,013	-	-	-	758,013
Recreation	735,385	-	-	30,000	765,385
Fiber	-	-	-	-	-
Lake cleanup	59,888	-	-	-	59,888
Landscape	133,247	-	-	-	133,247
Ridge Cliff	309,781	-	-	-	309,781
Capital outlay	1,091,803	-	1,075,560	155,710	2,323,073
Debt service	1,002,050	-	-	774,913	1,776,963
Total expenditures	17,623,631	2,612,736	1,075,560	983,950	22,295,877
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,735,111	(2,583,018)	(649,645)	(671,360)	(168,912)
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	142,990	-	-	-	142,990
Capital lease inception	528,548	-	-	-	528,548
Loan proceeds	-	-	405,850	-	405,850
Tourism contribution	476,323	-	-	-	476,323
Transfers in	-	2,587,898	650,000	782,288	4,020,186
Transfers out	(4,021,051)	-	-	-	(4,021,051)
Total other financing sources (uses)	(2,873,190)	2,587,898	1,055,850	782,288	1,552,846
Net change in fund balances	861,921	4,880	406,205	110,928	1,383,934
Fund balances beginning of year	18,345,897	44,760	2,287,558	1,058,860	21,737,075
Fund balances end of year	\$ 19,207,818	\$ 49,640	\$ 2,693,763	\$ 1,169,788	\$ 23,121,009

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

CITY OF PIKEVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds	\$	1,383,934
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital assets capitalized		1,780,723
Depreciation expense		(4,315,279)
Adjustment to gain		(80,283)

Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pension and OPEB, and investment experience.

Pension and OPEB expense		1,056,407
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt a related items.

451,178

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for accrued compensated absences.

7,337

Change in net position of governmental activities

\$ 284,017

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Total Business-Type Activities
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,400,854	\$ 978,214	\$ 1,421,364	\$ 1,720,799	\$ 1,373,330	\$ 302,839	\$ 7,197,400
Accounts receivable, net	448,884	203,046	105,299	333,367	166,137	186,458	1,443,191
Due from other funds	-	133,717	4,948	-	-	32,424	171,089
Prepaid expenses	9,245	-	100	-	8,020	15,404	32,769
Total current assets	1,858,983	1,314,977	1,531,711	2,054,166	1,547,487	537,125	8,844,449
Restricted cash and cash equivalents	318,218	544,615	56,031	-	173,512	277,164	1,369,540
Capital assets:							
Property, plant, and equipment	24,207,832	38,846,026	3,503,230	3,266,841	2,527,017	9,272,417	81,623,363
Accumulated depreciation	(15,035,616)	(16,251,696)	(2,975,226)	(2,603,445)	(980,810)	(2,949,770)	(40,796,563)
Total capital assets	9,172,216	22,594,330	528,004	663,396	1,546,207	6,322,647	40,826,800
Net OPEB asset	1,093	1,034	326	1,017	532	398	4,400
Total assets	11,350,510	24,454,956	2,116,072	2,718,579	3,267,738	7,137,334	51,045,189
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows - Pensions	11,010	10,412	3,284	10,236	5,356	4,010	44,308
Deferred outflows - OPEB	4,783	4,523	1,427	4,447	2,327	1,742	19,249
Total deferred outflows of resources	15,793	14,935	4,711	14,683	7,683	5,752	63,557
Total assets and deferred outflows of resources	\$ 11,366,303	\$ 24,469,891	\$ 2,120,783	\$ 2,733,262	\$ 3,275,421	\$ 7,143,086	\$ 51,108,746
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 66,626	\$ 75,598	\$ 51,441	\$ 38,875	\$ 9,291	\$ 19,730	\$ 261,561
Accrued expenses	3,737	3,546	1,143	3,627	1,775	1,366	15,194
Accrued interest	26,415	136,082	-	-	14,213	31,277	207,987
Due to other funds	5,202	-	173	217	212	71	5,875
Customer deposits	59,375	-	22,557	-	32,116	-	114,048
Current portion of long-term debt	106,000	452,700	-	26,997	54,561	78,739	718,997
Total current liabilities	267,355	667,926	75,314	69,716	112,168	131,183	1,323,662
Non-current liabilities:							
Bonds payable, net	2,387,828	11,695,619	-	-	1,011,545	2,302,407	17,397,399
Lease obligations	-	-	-	53,934	-	-	53,934
Net pension liability	50,815	48,055	15,159	47,243	24,719	18,507	204,498
Net OPEB liability	-	-	-	-	-	-	-
Total non-current liabilities	2,438,643	11,743,674	15,159	101,177	1,036,264	2,320,914	17,655,831
Total liabilities	2,705,998	12,411,600	90,473	170,893	1,148,432	2,452,097	18,979,493
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - Pension	5,488	5,190	1,637	5,103	2,670	1,999	22,087
Deferred inflows - OPEB	17,278	16,339	5,154	16,063	8,405	6,293	69,532
Total deferred inflows of resources	22,766	21,529	6,791	21,166	11,075	8,292	91,619
NET POSITION							
Net investment in capital assets	6,678,388	10,446,011	528,004	582,465	480,101	3,941,501	22,656,470
Restricted	318,218	544,615	56,031	-	173,512	277,164	1,369,540
Unrestricted	1,640,933	1,046,136	1,439,484	1,958,738	1,462,301	464,032	8,011,624
Total net position	8,637,539	12,036,762	2,023,519	2,541,203	2,115,914	4,682,697	32,037,634
Total liabilities, deferred inflows of resources, and net position	\$ 11,366,303	\$ 24,469,891	\$ 2,120,783	\$ 2,733,262	\$ 3,275,421	\$ 7,143,086	\$ 51,108,746

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

**CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Total Business-Type Activities
OPERATING REVENUES							
Sales	\$ 2,862,884	\$ 2,033,121	\$ 1,389,625	\$ 1,855,943	\$ 975,754	\$ 878,743	\$ 9,996,070
Other income	91,488	36,841	16,882	11,493	6,119	15,118	177,941
Total operating revenues	<u>2,954,372</u>	<u>2,069,962</u>	<u>1,406,507</u>	<u>1,867,436</u>	<u>981,873</u>	<u>893,861</u>	<u>10,174,011</u>
OPERATING EXPENSES							
Personnel costs	34,459	32,723	10,907	33,661	16,251	12,417	140,418
Gas purchased	-	-	720,422	-	-	-	720,422
Contractual services	1,713,003	581,059	585,752	959,199	532,576	253,692	4,625,281
Tipping fees	-	-	-	397,708	-	-	397,708
Operational	535,527	469,132	31,313	328,380	126,951	421,873	1,913,176
Repairs and maintenance	157,041	214,190	13,922	71,051	3,676	172,096	631,976
Bad debts	38,438	25,660	11,445	59,313	26,384	34,291	195,531
Depreciation	527,744	1,365,064	58,163	220,593	72,103	274,393	2,518,060
Total operating expenses	<u>3,006,212</u>	<u>2,687,828</u>	<u>1,431,924</u>	<u>2,069,905</u>	<u>777,941</u>	<u>1,168,762</u>	<u>11,142,572</u>
OPERATING INCOME (LOSS)	<u>(51,840)</u>	<u>(617,866)</u>	<u>(25,417)</u>	<u>(202,469)</u>	<u>203,932</u>	<u>(274,901)</u>	<u>(968,561)</u>
NON-OPERATING REVENUES (EXPENSES)							
Investment income (loss)	60,165	53,127	67,213	90,694	66,021	19,046	356,266
Grant income	73,641	455,895	-	-	-	119,493	649,029
Gain (loss) on disposal of assets	-	(2,958,537)	-	-	-	-	(2,958,537)
Interest expense	(57,074)	(311,019)	-	(7,643)	(31,172)	(64,026)	(470,934)
Total non-operating revenues (expenses)	<u>76,732</u>	<u>(2,760,534)</u>	<u>67,213</u>	<u>83,051</u>	<u>34,849</u>	<u>74,513</u>	<u>(2,424,176)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>24,892</u>	<u>(3,378,400)</u>	<u>41,796</u>	<u>(119,418)</u>	<u>238,781</u>	<u>(200,388)</u>	<u>(3,392,737)</u>
TRANSFERS	-	-	-	-	-	-	-
CAPITAL CONTRIBUTIONS	<u>18,375</u>	<u>15,820</u>	<u>14,090</u>	<u>-</u>	<u>5,220</u>	<u>8,700</u>	<u>62,205</u>
CHANGE IN NET POSITION	<u>43,267</u>	<u>(3,362,580)</u>	<u>55,886</u>	<u>(119,418)</u>	<u>244,001</u>	<u>(191,688)</u>	<u>(3,330,532)</u>
NET POSITION, JUNE 30, 2023	<u>8,594,272</u>	<u>15,399,342</u>	<u>1,967,633</u>	<u>2,660,621</u>	<u>1,871,913</u>	<u>4,874,385</u>	<u>35,368,166</u>
NET POSITION, JUNE 30, 2024	<u>\$ 8,637,539</u>	<u>\$ 12,036,762</u>	<u>\$ 2,023,519</u>	<u>\$ 2,541,203</u>	<u>\$ 2,115,914</u>	<u>\$ 4,682,697</u>	<u>\$ 32,037,634</u>

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

**CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Outside Water	Outside Sewer	Business Type Activities
Cash Flows from Operating Activities							
Cash received from customers	\$ 2,873,638	\$ 2,047,260	\$ 1,416,539	\$ 1,926,779	\$ 992,205	\$ 882,587	\$ 10,139,008
Other cash receipts	91,488	36,841	16,882	11,493	6,119	15,118	177,941
Cash payments for gas supplies	-	-	(1,360,850)	-	-	-	(1,360,850)
Cash payments for water supplies	(2,429,806)	-	-	-	(686,145)	-	(3,115,951)
Cash payments for sewer supplies	-	(1,246,249)	-	-	-	(868,831)	(2,115,080)
Cash payments for sanitation supplies	-	-	-	(1,816,781)	-	-	(1,816,781)
Cash payments to employees for services	(40,556)	(38,475)	(12,655)	(39,123)	(19,269)	(14,712)	(164,790)
Net cash provided by (used for) operating activities	494,764	799,377	59,916	82,368	292,910	14,162	1,743,497
Cash Flows from Capital and Related Financing Activities							
Acquisition and construction of capital assets	(93,443)	(485,324)	(10,200)	(191,060)	(5,750)	(27,020)	(812,797)
Interest paid on long-term debt	(57,881)	(314,697)	-	(7,643)	(31,707)	(64,981)	(476,909)
Principal paid on long-term debt	(106,634)	(447,794)	-	(26,594)	(53,290)	(72,901)	(707,213)
Change in customer deposits	(959)	-	1,028	-	4,022	-	4,091
Change in due from (to) other funds	(2,894)	(129,578)	(7,073)	493	453	(35,941)	(174,540)
Issuance of debt	-	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-
Capital grants received	73,641	455,895	-	-	-	119,493	649,029
Capital contributions received	18,375	15,820	14,090	-	5,220	8,700	62,205
Net cash used for capital and related financing activities	(169,795)	(905,678)	(2,155)	(224,804)	(81,052)	(72,650)	(1,456,134)
Cash Flows from Investing Activities							
Interest income from investments	60,165	53,127	67,213	90,694	66,021	19,046	356,266
Net cash provided by investing activities	60,165	53,127	67,213	90,694	66,021	19,046	356,266
Net increase (decrease) in cash and cash equivalents	385,134	(53,174)	124,974	(51,742)	277,879	(39,442)	643,629
Cash and cash equivalents, June 30, 2023	<u>1,333,938</u>	<u>1,576,003</u>	<u>1,352,421</u>	<u>1,772,541</u>	<u>1,268,963</u>	<u>619,445</u>	<u>7,923,311</u>
Cash and cash equivalents, June 30, 2024	<u>\$ 1,719,072</u>	<u>\$ 1,522,829</u>	<u>\$ 1,477,395</u>	<u>\$ 1,720,799</u>	<u>\$ 1,546,842</u>	<u>\$ 580,003</u>	<u>\$ 8,566,940</u>
Cash and Cash Equivalents Reported As:							
Unrestricted	\$ 1,400,854	\$ 978,214	\$ 1,421,364	\$ 1,720,799	\$ 1,373,330	\$ 302,839	\$ 7,197,400
Restricted	318,218	544,615	56,031	-	173,512	277,164	1,369,540
	<u>\$ 1,719,072</u>	<u>\$ 1,522,829</u>	<u>\$ 1,477,395</u>	<u>\$ 1,720,799</u>	<u>\$ 1,546,842</u>	<u>\$ 580,003</u>	<u>\$ 8,566,940</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ (51,840)	\$ (617,866)	\$ (25,417)	\$ (202,469)	\$ 203,932	\$ (274,901)	\$ (968,561)
Adjustments to reconcile operating loss to net cash provided by operating activities:							
Depreciation	527,744	1,365,064	58,163	220,593	72,103	274,393	2,518,060
Net pension and OPEB adjustment	(7,463)	(7,049)	(2,157)	(6,801)	(3,655)	(2,791)	(29,916)
Changes in assets and liabilities:							
Decrease (increase) in accounts receivable	10,754	14,139	26,914	70,836	16,451	3,844	142,938
Decrease (increase) in prepaids	-	-	-	-	472	837	1,309
(Decrease) increase in accounts payable and accrued expenses	15,569	45,089	2,413	209	3,607	12,780	79,667
Total adjustments	546,604	1,417,243	85,333	284,837	88,978	289,063	2,712,058
Net cash provided by (used for) operating activities	<u>\$ 494,764</u>	<u>\$ 799,377</u>	<u>\$ 59,916</u>	<u>\$ 82,368</u>	<u>\$ 292,910</u>	<u>\$ 14,162</u>	<u>\$ 1,743,497</u>

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF FINANCIAL POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2024

	City of Pikeville Exposition Center Corporation	City of Pikeville Economic and Industrial Authority Corporation	Total
ASSETS			
Current Assets			
Cash on hand and In bank	\$ 1,153,104	\$ 186,920	\$ 1,340,024
Accounts receivable - trade	217,562	-	217,562
Accounts receivable - other	43,409	-	43,409
Inventories	125,024	-	125,024
Lease receivable	-	106,817	106,817
Prepaid expenses	70,322	-	70,322
Total Current Assets	<u>1,609,421</u>	<u>293,737</u>	<u>1,903,158</u>
Lease receivable, net of current portion	-	499,644	499,644
Capital Assets			
Nondepreciable capital assets	-	-	-
Depreciable capital assets	1,390,717	-	1,390,717
Accumulated depreciation	(679,520)	-	(679,520)
Total Assets	<u>\$ 2,320,618</u>	<u>\$ 793,381</u>	<u>\$ 3,113,999</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 160,729	\$ -	\$ 160,729
Accrued expenses	203,408	-	203,408
Advance ticket sales	893,962	-	893,962
Unearned revenue	214,378	-	214,378
Current portion of long-term debt	22,398	-	22,398
Total Current Liabilities	<u>1,494,875</u>	<u>-</u>	<u>1,494,875</u>
Long-Term Liabilities			
Notes Payable, net of current portion	-	-	-
Leases Payable, net of current portion	-	-	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,494,875</u>	<u>-</u>	<u>1,494,875</u>
NET POSITION			
Net investment in capital assets	688,799	-	688,799
Restricted	136,944	-	136,944
Unrestricted	-	793,381	793,381
Total net position	<u>\$ 825,743</u>	<u>\$ 793,381</u>	<u>\$ 1,619,124</u>

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City of Pikeville Exposition Center Corporation	City of Pikeville Economic and Industrial Authority	Total
City of Pikeville Exposition Center Corporation	\$ 6,047,707	\$ 3,715,184	\$ 2,407,525	\$ -	\$ 75,002		\$ 75,002
City of Pikeville Economic and Industrial Authority	865	-	-	-	-	(865)	(865)
Total discretely presented component units	<u>\$ 6,048,572</u>	<u>\$ 3,715,184</u>	<u>\$ 2,407,525</u>	<u>\$ -</u>	<u>75,002</u>	<u>(865)</u>	<u>74,137</u>
General Revenues:							
					137,807	-	137,807
Hotel/motel taxes					78,923	-	78,923
Sales tax rebate					-	-	-
Other					-	-	-
Gain (loss) on disposal of assets					-	-	-
Transfers in					-	865	865
Interest income					70,269	13,400	83,669
Total general revenues					<u>286,999</u>	<u>14,265</u>	<u>301,264</u>
Change in net position					362,001	13,400	375,401
Net position, June 30, 2023					<u>463,742</u>	<u>779,981</u>	<u>1,243,723</u>
Net position, June 30, 2024					<u>\$ 825,743</u>	<u>\$ 793,381</u>	<u>\$ 1,619,124</u>

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

CITY OF PIKEVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Pikeville, Kentucky (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body of governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

a. Reporting Entity

The City of Pikeville was established by Charter on June 5th 1893. The City of Pikeville, Kentucky (City) operates under a City Manager-Commission form of government with four commissioners and a mayor. The mayor serves a four-year term and the commissioners serve a two-year term.

The City provides the following services as authorized by its charter: public safety (police and fire), highway and streets, water, sewer, gas, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

(1) Related Organizations

The accounts of the related entities listed below are not included because these entities are autonomous agencies operating independently from the City. Their elected or appointed board contracts independently for audits of their financial statements.

- Pikeville Housing Authority
- Industrial Development & Economic Authority (IDEA)
- Hillbilly Days Board
- Pikeville/Pike County Museum Board
- Pike TV, Inc.
- Pikeville Pike County Airport Board
- Appalachian Wireless Arena
(East Kentucky Exposition Center Corporation)
- Pikeville/Pike County/Elkhorn City Joint Planning Commission

(2) Committees appointed by the Commissioners:

- Pikeville Technical Advisory Committee
- Pikeville Board of Ethics
- Pikeville Historical Preservation Board
- Pikeville Board of Zoning Adjustments
- Pikeville Tree Board

- Pikeville Vacant Property Review Board

b. Basis of Presentation, Fund Accounting

Government-Wide Financial Statements. The statement of net position and statement of activities display information about the City as a whole. These statements include all funds of the City. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements. The financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of that individual governmental fund or proprietary fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The following fund types are used by the City:

Governmental Funds

General Fund. The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities, except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for a certain purpose. The City has the following Special Revenue Funds:

1. The **Coal Severance Fund** accounts for the allocation from the Commonwealth of Kentucky as provided by KRS 42.455 for public safety, environmental protection, roads, and recreation.
2. The **Tourism/Convention Fund** is used for the purpose of promoting recreational, tourist, and convention activities in the City of Pikeville.
3. The **Detective Arrest – Federal Fund** accounts for forfeitures under Federal laws that are restricted to expenditures for public safety.
4. The **State Police Case Fund** accounts for forfeitures under state laws that are restricted to expenditures for public safety.
5. The **Main Street** is a blended component unit and is used for the purpose of promoting Main Street.
6. The **Cash Flow Fund** is used as a clearing account between funds.

Capital Projects Fund. The Projects Control Fund accounts for the construction of major capital facilities (other than those financed by proprietary funds). Principal sources of revenue are grants, City funding, and municipal long-term debt proceeds and interest income.

Debt Service Funds. Debt Service Funds are used to account for debt payments on outstanding

bonds. The City has the Debt Service the App, Event Center/Pool Station, Series 2017, Series 2023 and fire truck lease and station debt service funds.

Proprietary Fund

Proprietary Fund. Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has the following Proprietary Funds:

The **Water Fund** is used to account for water services provided to residents of the City, the operations of which are financed primarily through user charges.

The **Sewer Fund** is used to account for sewer services provided to residents of the City, the operations of which are financed primarily through user charges.

The **Gas Fund** is used to account for gas services provided to residents of the City, the operations of which are financed primarily through user charges.

The **Sanitation Fund** is used to account for garbage collection services provided to residents of the City, the operations of which are financed primarily through user charges.

The **Outside Water Fund** is used to account for water services provided to customers who are located outside the City limits, the operations of which are financed primarily through user charges.

The **Outside Sewer Fund** is used to account for sewer services provided to customers who are located outside the City limits, the operations of which are financed primarily through user charges.

Major and Nonmajor Funds. The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Fund Type</u>	<u>Major/Non-Major</u>
General Fund	Governmental	Major
Tourism/Convention	Special Revenue	Major
Projects Control	Capital Projects	Major
Debt Service the App	Debt Service	Non-major
Event Center Pool Station Debt Service	Debt Service	Non-major
Series 2017 Debt Service	Debt Service	Non-major
Series 2023 Debt Service	Debt Service	Non-major
Fire Truck and Station Debt Service	Debt Service	Non-major
Coal Severance Fund	Special Revenue	Non-major
Detective Arrest - Federal	Special Revenue	Non-major
State Police Case	Special Revenue	Non-major
Main Street	Special Revenue	Non-major
Cash Flow Fund	Special Revenue	Non-major
Water Fund	Proprietary	Major
Sewer Fund	Proprietary	Major
Gas Fund	Proprietary	Major
Sanitation Fund	Proprietary	Major
Outside Water	Proprietary	Major
Outside Sewer	Proprietary	Major

c. 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 applied.

Measurement Focus. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2 below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of change in net position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period (generally 60 days) or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

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

d. Component Units

In accordance with GASB Statements No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units*, as amended, the City has included in its financial statements the departments of the primary government along with its discretely presented Component Unit.

The Component Unit column in the government-wide financial statements includes the financial data of the City's discretely presented component unit. It is reported in a separate column to emphasize that they are legally separate from the City. The following Component Units are included in the reporting entity because the primary government is financially accountable for and is able to impose its will on the organization.

- a. The discretely presented component units have a June 30 fiscal year end.

City of Pikeville Exposition Center Corporation is a legally separate not-for-profit entity that operates the Appalachian Wireless Arena (Eastern Kentucky Exposition Center).

The complete financials of the City of Pikeville Exposition Center Corporation (a not-for-profit organization) can be requested at 126 Main Street, Pikeville, KY 41501.

City of Pikeville Economic and Industrial Authority Corporation is a legally separate not-for-profit entity that promotes economic development in the City of Pikeville and Pike County.

The complete financials of the City of Pikeville Economic and Industrial Authority Corporation (a not-for-profit organization) can be requested at 243 Main Street, Pikeville, KY 41501.

- b. The blended component unit has a June 30 fiscal year end.

The Pikeville Main Street Program, Inc. is a not-for-profit corporation with the mission to revitalize the Pikeville City Business District by utilizing a comprehensive strategy which includes organization, promotion, design, and economic restructuring, within the context of historic preservation.

e. Assets, Liabilities, and Net Position

Assets

Cash and Investments. The City adopted written policies and procedures for cash and investment management that designate the Investment Committee to be responsible for these duties. The primary objective of the investment policy is to maintain the safety of the investment and to maintain funds in accounts, which will enable the City to meet all reasonably anticipated operating requirements.

For the purposes of the proprietary fund, Statement of Cash Flows, "cash and cash equivalents" include all demand, savings accounts, and certificate of deposits with an original maturity of three months or less.

To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding fair value measurement of investments is disclosed in Note (16). Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

Internal Balances. During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Accounts Receivable. In the fund financial statements, material receivables in governmental funds include revenue accruals, such as grants, licenses, fees and permits, interest earnings, and similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions earned, but not collected within 60 days of the end of the fiscal year, are not included in the fund financial statements in accordance with the modified accrual basis of accounting. Receivables related to interest and other investment earnings are recorded using the modified accrual basis of accounting, in the same manner as non-exchange transactions. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to customer accounts receivable. The allowance for General Fund receivables, including property tax and environmental as of June 30, 2024 was \$801,586. The allowance for uncollectible utility receivables as of June 30, 2024 was \$668,887 in Proprietary Funds.

Inventories. Purchases of supplies in the General Fund are recorded as expenditures at the time they are purchased and are not inventoried. Purchases of supplies, if any, in the Proprietary Fund are stated at the lower of cost or market on the basis of “first-in, first out” (FIFO) inventory method.

Capital Assets. The accounting treatment for capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated property, which is recorded at the estimated fair value at the date of donation. Expenditures for items having a useful life greater than one year and having a cost greater than \$5,000 are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible property 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 asset's estimated useful lives, using the straight-line method of depreciation.

In the proprietary fund type, expenditures for items having a useful life greater than one year and having a cost greater than \$5,000 are capitalized. Capital assets are stated at cost. Depreciation is provided over the estimated useful lives using the straight-line method.

In the fund financial statements, property used in governmental fund operations is accounted for as capital outlay expenditures of the governmental fund upon acquisition. Property used in proprietary fund operations is accounted for the same as in the government-wide statements.

The estimated useful lives are as follows:

Buildings and improvements	25-40 years
Infrastructure	20-40 years
Plant and distribution systems	40 years
Vehicles, furniture and equipment	5-10 years

Construction in progress represents construction projects for fixed assets that have not yet been placed in service. Interest expense related to these projects has not been capitalized; however, this is not considered a material departure from generally accepted accounting principles.

The City has complied with GASB No. 34 and included certain infrastructure in the government-wide financial statements. A listing of streets and their respective length, in feet, were provided by

the city engineer with an estimated replacement cost per foot. The weighted average age of the streets was used to determine the date in which to book the streets. The replacement cost per foot was discounted back to that date and applied to the accumulated depreciation which was calculated from that date to adoption. Also, the City's bridges were booked using the same method on a "per square foot" basis.

Restricted Net Position. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, as required by bond indentures, are classified as restricted on the Statement of Net Position. Some expenditures of the City may be paid with restricted and non-restricted resources, and the City has determined that when both resources are available, they will use the restricted resources first.

Bond Issuance Cost. Debt issuance costs are expensed in the period they are incurred.

Long-Term Liabilities. The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds, notes, and capital lease obligations, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are recorded as revenue and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Equity Classifications. Government-wide financial statements classify equity as net position and are displayed in three components:

1. *Net investment in capital assets* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted net position* consists of net position with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, and
 - b. Law through constitutional provisions or enabling legislation.
3. *Unrestricted net position* consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the action to remove or change the constraint;
- Assigned fund balance - amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City or by an official or body to which the City delegates the authority;

- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

Proprietary fund equity is classified the same as in government-wide statements. When restricted, committed, assigned and unassigned resources are available for use, it is the City's policy to use restricted, committed and assigned resources first, then unassigned resources as they are needed.

f. Revenues, Expenditures, and Expenses

Payroll License Fee. The City levies a payroll tax of 2.0% on all individuals, who work within the City limits. This tax is withheld by an employee's employer and remitted to the City quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City.

Occupational License Fee. The City levies an occupational license fee of 2.0% on net profits of all companies, who do business within the City. Companies are required to report and remit this fee annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

Real and Personal Property Taxes. The City levies a tax on all real and personal property within the City in accordance with State laws. These taxes are collected annually and are recorded in the General Fund and are used to pay the general operations of the City.

Operating Revenues and Expenses. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Water and sewer revenues have been secured by revenue bonds, which have been issued to construct and make improvements to the utility plants in service.

Non-Operating Revenues and Expenses. Governmental funds report all revenues and expenses as operating, except loan proceeds and transfers to other funds. Proprietary funds report all revenue and expenses as operating, except interest income, amortization, and capital contributions.

Expenditures/Expenses. In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. All expenses have been charged as a direct cost to the program in which it benefits.

In the fund financial statements, expenditures in the Governmental Funds are reported by character and in the Proprietary Funds as operating and non-operating.

In the fund financial statements, Governmental Funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers. Permanent re-allocation of resources between funds of the City is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual Governmental Funds have been eliminated.

g. 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for

deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

h. Pension and OPEB

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

i. Budgeting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. The City's budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

j. Recent Accounting Pronouncements

In May 2022, the GASB issued Statement No. 99, *Omnibus 2023* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. GASB 99 addresses, among other matters:

- Accounting and financial reporting for exchange or exchange-like financial guarantees;
- Clarification of certain provisions of Statement No.:
 - 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,
 - 87, Leases,
 - 94, Public-Private and Public-Public Partnership and Availability Payment Arrangements,
 - 96, Subscription-Based Information Technology Arrangements (SBITA);
- Replacing the original deadline for use of the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt with a deadline for when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);
- Disclosures related to non-monetary transactions; and
- Pledges of future revenues when resources are not received by the pledging government.

Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates are effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs are effective for fiscal years beginning after June 15, 2022, and for all reporting periods thereafter. Requirements related to other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of

the provisions of this statement did not have a material effect on the City's financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (an amendment of GASB Statement No. 62) ("GASB 100"), which has as its primary objective to provide more straightforward guidance that is easier to understand and is more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability. Improving the clarity of accounting and financial reporting requirements for accounting changes and error corrections will mean greater consistency in the application of these requirements in general.

GASB 100 prescribes accounting and financial reporting for each category of accounting change and error corrections, requiring that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods;
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period; and
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.
- Governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of the provisions of this statement did not have a material effect on the City's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. For example, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered;
- Accumulates; and
- Is more likely than not to be used for time off or otherwise paid or settled. Some exceptions to this general rule include parental leave, military leave and jury duty leave for which a liability would not be recognized until the leave commences.

Additionally, GASB 101 (1) provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such; and (2) removes the disclosure of the government funds used to liquidate the liability for compensated absences. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2024, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), which aims to enhance the transparency of financial reporting by requiring disclosures about risks that state and local governments face due to certain concentrations or constraints. A concentration is defined as a lack of diversity in significant inflows or outflows of resources, while a constraint is a limitation imposed by an external party or by the government's highest level of decision-making authority. Governments must disclose information about these risks if they are vulnerable to a substantial impact from them. The disclosures should include the nature of the concentration or constraint, any associated events that could cause a substantial impact, and actions taken to mitigate

the risk. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. Management is currently evaluating the impact of this Statement on its financial statements.

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103") with the objective to enhance the effectiveness of the financial reporting model for decision-making and assessing government accountability. The improvements target the following established accounting and financial reporting requirements:

- Management's discussion and analysis;
- Unusual or infrequent items (previously known as extraordinary and special items);
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- Major component unit information; and
- Budgetary comparison information.

The effective date for GASB 103 is for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(2) PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City.

Assessed values are established by State Law at 100% of fair value.

Real property and tangible property taxes are recognized as revenue on the modified accrual basis. Public utility taxes are not accrued at June 30, since assessed amounts are not available until the subsequent fiscal year.

The 2023 assessed value for real property was \$551,046,544. Assessed value of tangible property, motor vehicle, and motorboats was \$146,448,998. The tax rate on real property adopted was \$.15 per \$100 valuation. The tax rate on tangible property adopted was \$.15 per \$100 valuation.

Property taxes for fiscal year 2024 were levied on November 1, 2023 on the assessed valuation of property, located in the City as of the preceding January 1, the lien date. The due date and collection periods for all taxes, exclusive of vehicle taxes and local deposit franchise taxes, are as follows:

<u>Due date for payment of taxes</u>	<u>Upon receipt</u>
2% discount period	By November 1 st
Face value amount payment dates	By December 31 st
5% penalty	By January 31 st
Delinquent date, 21% penalty	On February 1 st
12% interest per annum	After February 28 th

(3) CASH AND INVESTMENTS

Investments are carried at fair market value. The investment policy allows the City to invest in those investments authorized by KRS 66.480.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's funds on deposit with the banks may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires bank balances to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance.

Under Kentucky Revised Statute 66.480, the City is allowed to invest in obligations of the U.S.

Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth and its agencies, insured savings and loans, mutual funds, or interest-bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. In addition, trust funds may invest in uninsured corporate securities. At June 30, 2024, the City had \$31,228,995 in financial institutions, of which \$1,164,705 was insured and \$30,064,290 was collateralized.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy is that with the exception of fully insured or fully collateralized investments and demand deposit accounts, no more than 50% of the total investment portfolio shall be invested in a single security type of a single financial institution.

The City periodically transfers money from its operating account into a depreciation reserve account to help pay for major repairs on its capital assets due to normal wear and tear.

At June 30, 2024, the City had the following investments and maturities:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Mutual Funds	\$ 3,181,247	\$ 3,181,247	\$ -	\$ -	\$ -
Money Markets	131,091	131,091	-	-	-
U.S. Governments	199,168	199,168	-	-	-
Brokered C.D.'s	579,443	579,443	-	-	-

The City is required by loan agreements to maintain reserves. The City records reserves to indicate that a portion of the retained earnings and fund balance is legally segregated for a specific future use. Following is a description of each reserve used by the City and a list of all reserves:

Reserve for Debt Service - An account used to segregate a portion of fund balance for debt service resources restricted to accumulate to the maximum amount of principal and interest that will become due in any subsequent twelve-month period per the bond covenants.

Reserve for Operation and Maintenance - An account used to segregate a portion of fund balance restricted for operating and maintaining the system. The reserve reflects amounts accumulated to a balance specified in the bond covenant.

Reserve for Sinking Fund - An account used to segregate a portion of fund balance for debt service resources restricted to the payment of long-term debt principal and interest amounts maturing in future years when sufficient amounts are not reserved in bond debt service accounts.

Reserve for depreciation - An account used to segregate a portion of fund balance for amortization of capital expenditures as required per bond covenant.

Reserve for Prior Sinking Fund - Per Bond ordinance for "City of Pikeville Water and Sewer System Revenue Bonds, Series 2007." Amount transferred from the revenue fund and deposited as required by prior bond ordinance.

In addition, certain cash is restricted by external parties and/or grant agreements. Total restricted reserves for governmental activities and business-type activities as of June 30, 2024 were \$3,476,229 and \$1,369,540, respectively.

(4) CAPITAL ASSETS

The activity related to capital assets for the fiscal year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Reclassifications and Disposals	Balance June 30, 2024
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 15,752,994	\$ 152,400	\$ -	\$ 15,905,394
Construction in progress	3,155,986	667,852	3,471,956	351,882
Capital assets being depreciated:				
Buildings & land improvements	121,171,150	2,300,393	-	123,471,543
Vehicles	5,279,285	754,398	215,395	5,818,288
Equipment	8,246,447	316,172	96,741	8,465,878
Intangible right-to-use lease	2,999,886	1,061,463	380,948	3,680,401
	156,605,748	5,252,678	4,165,040	157,693,386
Accumulated depreciation	(62,808,282)	(4,315,279)	(612,802)	(66,510,759)
	<u>\$ 93,797,466</u>	<u>\$ 937,400</u>	<u>\$ 3,552,238</u>	<u>\$ 91,182,627</u>
Business-type Activities:				
Land	\$ 138,000	\$ -	\$ -	\$ 138,000
Plant and distribution systems	77,542,239	472,460	4,160,443	73,854,256
Vehicles	2,477,517	-	-	2,477,517
Equipment	4,657,789	302,205	9,000	4,950,994
Intangible right-to-use lease	164,464	-	-	164,464
Construction in progress	-	38,132	-	38,132
	84,980,009	812,797	4,169,443	81,623,363
Accumulated depreciation	(39,489,409)	(2,518,060)	(1,210,906)	(40,796,563)
	<u>\$ 45,490,600</u>	<u>\$ (1,705,263)</u>	<u>\$ 2,958,537</u>	<u>\$ 40,826,800</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 2,389,327
Public safety	779,853
Streets	654,684
Tourism	30,000
Recreation	449,279
Lake cleanup	12,137
	<u>\$ 4,315,279</u>

Depreciation expense was charged to business-type activities as follows:

Water fund	\$ 527,744
Sewer fund	1,365,064
Gas fund	58,163
Sanitation fund	220,593
Outside water	72,103
Outside sewer	274,393
	<u>\$ 2,518,060</u>

(5) INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2024 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Projects Fund	General Fund	\$ 650,000
Cash Flow Fund	Utility Funds	1,232
Utility Funds	Projects Fund	166,446
Tourism Fund	General Fund	10,398
Projects Fund	Tourism Fund	4,050
General Fund	Projects Fund	4,466

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Debt Service	General	Debt Service	Debt Service	\$ 782,288
Operating	General	Tourism	Operations	2,587,898
Advance	General	Projects Control	Grant Advance	650,000
Operating	General	City of Pikeville Economic and Industrial Authority	Grant	865

(6) LONG-TERM DEBT

Long-term debt at June 30, 2024 is comprised of the following:

Bank of New York, \$3,025,000 Series 2012A (Jenny Wiley) with varying interest of 0.60% to 3.125% which is an effective rate of 2.9%, with the balance of principal due April 1, 2032.	\$ 1,380,000
Community Trust Bank, \$4,125,000 Series 2019 maturing through December 1, 2043, with interest at 3.149%.	3,520,000
Truist Bank, \$821,453 General Obligation Series 2022 maturing through June 1, 2032, with net average interest of 2.92%.	674,394
Community Trust Bank, \$3,730,000 Series 2017 maturing through November 1, 2037, with net average interest of 5.00%, secured by system revenues.	2,470,000
Bank of New York, \$1,170,000 Series 2012B (Refinancing), with varying interest of 0.90% to 4.00% with the balance of principal due January 1, 2042, secured by system revenues.	775,000
USDA Rural Development \$500,000 Fire Station GO Bonds Series 2022 maturing through January 1, 2063, with interest at 2.25%.	492,000
	9,311,394
Plus: Premiums	67,912
Less: Discounts	(47,926)
Net general obligation bonds payable	9,331,380

USDA Rural Development \$1,500,000 Build America Bonds, Taxable Series 2010S-1, maturing through January 1, 2050, with interest at 2.25%, secured by system revenues.	1,167,500
USDA Rural Development \$1,837,000 Build America Bonds, Taxable Series 2010S-2, maturing through January 1, 2050, with interest at 2.50%, secured by system revenues.	1,428,500
USDA Rural Development \$3,166,000 Water and Sewer Revenue Bonds Series 2016A maturing through January 1, 2055, with interest at 2.25%, secured by system revenues.	2,798,000
USDA Rural Development \$5,500,000 Water and Sewer Revenue Bonds Series 2017A maturing through January 1, 2057, with interest at 2.50%, secured by system revenues.	5,035,500
USDA Rural Development \$5,000,000 Water and Sewer Revenue Bonds Series 2017B maturing through January 1, 2057, with interest at 2.50%, secured by system revenues.	4,577,000
Total revenue bonds	<u>15,006,500</u>
Kentucky Bond Corporation, Series 2023A \$260,000 financed Purchase lease maturing through January 1, 2033, with interest ranging from 4.0% to 4.125%, secured by a scoreboard.	239,583
Inter Mountain Corporation, \$4,620,611 financed purchase lease maturing June 1, 2033, with interest imputed at 3.97%, secured by Phase I of the fiber network.	4,203,887
Inter Mountain Corporation, \$405,850 financed purchase lease maturing December 1, 2033, with interest imputed at 8.01%, secured by Phase I of the fiber network.	390,016
Community Trust Bank, \$1,681,462 financed purchase lease maturing through August 23, 2036, with interest at 2.5%, secured by a fire truck.	1,409,748
Total debt	<u>6,243,234</u> <u>\$ 30,581,114</u>

The total government-type activities long-term debt, including lease obligations, is as follows:

Current portion - City of Pikeville	\$ 1,295,726
Long-term portion	12,324,799
Total	<u>\$ 13,620,525</u>

The total business-type activities long-term debt, including leases payable, is as follows:

Current portion - City of Pikeville	\$ 718,997
Long-term portion	17,451,333
Total	<u>\$ 18,170,330</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amount due Within One Year
Governmental activities:					
Bonds payable	\$ 6,688,292	\$	\$ 411,898	\$ 6,276,394	\$ 424,056
Other financing	6,356,947	405,850	519,563	6,243,234	555,257
Plus: Premiums	8,038	-	1,517	6,521	-
Less: Discounts	(42,874)	-	(8,440)	(34,434)	-
Compensated absences	281,713	-	7,337	274,376	-
Lease obligations	<u>1,061,300</u>	<u>528,548</u>	<u>461,038</u>	<u>1,128,810</u>	<u>316,413</u>
	<u>14,353,416</u>	<u>934,398</u>	<u>1,392,913</u>	<u>13,894,901</u>	<u>1,295,726</u>
Business-type activities:					
Bonds payable	3,395,000	-	360,000	3,035,000	370,000
Revenue bonds	15,320,500	-	314,000	15,006,500	322,000
Plus: Premiums	68,765	-	7,374	61,391	-
Less: Discounts	(14,248)	-	(756)	(13,492)	-
Lease obligation	<u>107,526</u>	<u>-</u>	<u>26,595</u>	<u>80,931</u>	<u>26,997</u>
	<u>18,877,543</u>	<u>-</u>	<u>707,213</u>	<u>18,170,330</u>	<u>718,997</u>
	<u>\$ 33,230,959</u>	<u>\$ 934,398</u>	<u>\$ 2,100,126</u>	<u>\$ 32,065,231</u>	<u>\$ 2,014,723</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for bonds and notes payable as of June 30, 2024 are as follows:

Principal Portion:

	General Obligation	Proprietary Funds					Total
		Water	Sewer	Outside Sewer	Outside Water	Total Proprietary	
2025	\$ 979,313	\$ 106,000	\$ 452,700	\$ 78,739	\$ 54,561	\$ 692,000	\$ 1,671,313
2026	1,012,686	107,200	472,500	79,502	55,298	714,500	1,727,186
2027	1,047,557	112,100	482,800	81,069	57,031	733,000	1,780,557
2028	1,085,043	117,400	493,200	81,953	59,447	752,000	1,837,043
2029	1,124,944	52,000	304,000	83,149	36,851	476,000	1,600,944
2030-2034	4,889,037	282,400	1,626,600	453,873	200,127	2,563,000	7,452,037
2035-2039	1,500,048	323,600	1,731,900	511,128	234,372	2,801,000	4,301,048
2040-2044	588,000	370,400	1,547,100	475,106	164,394	2,557,000	3,145,000
2045-2049	65,500	424,400	1,751,100	450,250	171,250	2,797,000	2,862,500
2050-2054	73,500	486,000	1,982,000	95,250	34,750	2,598,000	2,671,500
2055-2059	81,500	104,800	1,253,200	-	-	1,358,000	1,439,500
2060-2063	72,500	-	-	-	-	-	72,500
	<u>\$ 12,519,628</u>	<u>\$ 2,486,300</u>	<u>\$ 12,097,100</u>	<u>\$ 2,390,019</u>	<u>\$ 1,068,081</u>	<u>\$ 18,041,500</u>	<u>\$ 30,561,128</u>

Interest Portion:

	General Obligation	Proprietary Funds					Total
		Water	Sewer	Outside Sewer	Outside Water	Total Proprietary	
2025	\$ 423,250	\$ 56,913	\$ 307,247	\$ 62,580	\$ 29,837	\$ 456,577	\$ 879,827
2026	389,354	54,084	294,484	60,377	28,445	437,390	826,744
2027	354,228	51,173	281,302	58,358	26,812	417,645	771,873
2028	317,172	48,123	267,837	55,884	25,549	397,393	714,565
2029	278,692	45,981	257,089	53,594	24,386	381,050	659,742
2030-2034	775,911	211,689	1,161,779	234,299	104,926	1,712,693	2,488,604
2035-2039	252,191	178,128	939,248	166,051	73,443	1,356,870	1,609,061
2040-2044	87,871	139,680	737,358	99,629	37,281	1,013,948	1,101,819
2045-2049	30,071	95,634	535,246	43,343	17,400	691,623	721,694
2050-2054	22,365	45,189	306,485	2,230	869	354,773	377,138
2055-2059	13,736	2,358	62,302	-	-	64,660	78,396
2060-2063	4,118	-	-	-	-	-	4,118
	<u>\$ 2,948,959</u>	<u>\$ 928,952</u>	<u>\$ 5,150,377</u>	<u>\$ 836,345</u>	<u>\$ 368,948</u>	<u>\$ 7,284,622</u>	<u>\$ 10,233,581</u>

(7) LEASE OBLIGATIONS

The City has implemented GASB Statement No. 87, Leases, the objective of which is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Governmental Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 316,413	\$ 60,944
2026	270,395	45,087
2027	246,688	30,382
2028	210,423	15,536
2029	84,891	2,249
	<u>\$ 1,128,810</u>	<u>\$ 154,198</u>

Proprietary Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 26,997	\$ 3,781
2026	24,080	2,421
2027	29,854	927
2028	-	-
2029	-	-
	<u>\$ 80,931</u>	<u>\$ 7,129</u>

PITNEY BOWES - five-year lease for a postage machine for city hall. Quarterly payments are in the amount of \$897.12. Lease is cancelable by either party upon ninety days written notice.

PITNEY BOWES - five-year lease for a postage machine for the police Department. Quarterly payments are in the amounts of \$157.62. Lease is cancelable by either party upon ninety days written notice.

Enterprise Fleet Management (5058) - renewed this lease for twelve months for a vehicle on November 20, 2023. Monthly payments of \$426.64 are due, with the first payment made on December 20, 2023. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

Enterprise Fleet Management (5059) - renewed this lease for twelve months for a vehicle on November 20, 2023. Monthly payments of \$450.63 are due, with the first payment made on December 20, 2023. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.93%.

Enterprise Fleet Management (8350) - entered into a five-year lease for a vehicle on November 8, 2019. Monthly payments of \$465.67 are due, with the first payment made on December 20, 2019. The City guarantees the lessor will receive the fair market value (\$6,146.76) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 4.52%.

Enterprise Fleet Management (0244) - entered into a five-year lease for a vehicle on February 7, 2020. Monthly payments of \$455.24 are due, with the first payment made on March 20, 2020. The City guarantees the lessor will receive the fair market value (\$5,221.68) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 4.30%.

Enterprise Fleet Management (2671) - entered into a five-year lease for a vehicle on March 24, 2020. Monthly payments of \$674.21 are due, with the first payment made on May 20, 2020. The City guarantees the lessor will receive the fair market value (\$4,008.40) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.85%.

Enterprise Fleet Management (2672) - entered into a five-year lease for a vehicle on March 24, 2020. Monthly payments of \$674.21 are due, with the first payment made on May 20, 2020. The City guarantees the lessor will receive the fair market value (\$4,008.40) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.85%.

Enterprise Fleet Management (2673) - entered into a five-year lease for a vehicle on March 24, 2020. Monthly payments of \$674.21 are due, with the first payment made on May 20, 2020. The City guarantees the lessor will receive the fair market value (\$4,008.40) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.85%.

Enterprise Fleet Management (3390) - entered into a five-year lease for a vehicle on April 29, 2020. Monthly payments of \$893.71 are due, with the first payment made on June 20, 2020. The City guarantees the lessor will receive the fair market value (\$5,315.80) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.85%.

Enterprise Fleet Management (8228) - entered into a five-year lease for a vehicle on April 23, 2021. Monthly payments of \$1,025.69 are due, with the first payment made on May 20, 2021. The City guarantees the lessor will receive the fair market value (\$5,819.60) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.35%.

Enterprise Fleet Management (7908) - entered into a five-year lease for a vehicle on September 24, 2020. Monthly payments of \$881.95 are due, with the first payment made on November 20, 2020. The City guarantees the lessor will receive the fair market value (\$5,297.99) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.15%.

Enterprise Fleet Management (2521) - entered into a five-year lease for a vehicle on September 30, 2020. Monthly payments of \$668.04 are due, with the first payment made on November 20, 2020. The City guarantees the lessor will receive the fair market value (\$4,051.86) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.15%.

Enterprise Fleet Management (2522) - entered into a five-year lease for a vehicle on September 30, 2020. Monthly payments of \$668.04 are due, with the first payment made on November 20, 2020. The City guarantees the lessor will receive the fair market value (\$4,051.86) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.15%.

Enterprise Fleet Management (2523) - entered into a five-year lease for a vehicle on September 30, 2020. Monthly payments of \$668.04 are due for the first 6 months, with the first payment made on November 20, 2020, and then the remaining payments become \$100.38. The City guarantees the lessor will receive the fair market value (\$227.35) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.15%.

Enterprise Fleet Management (2795) - entered into a five-year lease for a vehicle on November 24, 2020. Monthly payments of \$319.87 are due, with the first payment made on January 20, 2021. The City guarantees the lessor will receive the fair market value (\$5,597.07) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.19%.

Enterprise Fleet Management (8668) - entered into a five-year lease for a vehicle on January 15, 2021. Monthly payments of \$490.57 are due, with the first payment made on February 20, 2021. The City guarantees the lessor will receive the fair market value (\$5,968.02) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.17%.

Enterprise Fleet Management (8674) - entered into a five-year lease for a vehicle on March 2, 2021. Monthly payments of \$489.12 are due, with the first payment made on April 20, 2021. The City guarantees the lessor will receive the fair market value (\$1,927.80) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.30%.

Enterprise Fleet Management (6799) - entered into a five-year lease for a vehicle on September 1, 2021. Monthly payments of \$487.30 are due, with the first payment made on October 20, 2021. The City guarantees the lessor will receive the fair market value (\$6,037.02) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.35%.

Enterprise Fleet Management (3898) - entered into a five-year lease for a vehicle on November 8, 2021. Monthly payments of \$811.65 are due, with the first payment made on December 20, 2021. The City guarantees the lessor will receive the fair market value (\$4,841.01) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.75%.

Enterprise Fleet Management (2554) - entered into a five-year lease for a vehicle on November 10, 2021. Monthly payments of \$497.48 are due, with the first payment made on December 20, 2021. The City guarantees the lessor will receive the fair market value (\$5,862.00) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.75%.

Enterprise Fleet Management (1674) - entered into a five-year lease for a vehicle on November 24, 2021. Monthly payments of \$859.12 are due, with the first payment made on December 20, 2021. The City guarantees the lessor will receive the fair market value (\$5,563.54) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.86%.

Enterprise Fleet Management (2555) - entered into a five-year lease for a vehicle on December 8, 2021. Monthly payments of \$217.70 are due, with the first payment made on January 20, 2022. The City guarantees the lessor will receive the fair market value (\$2,962.94) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 3.81%.

Enterprise Fleet Management (4135) - entered into a five-year lease for a vehicle on January 14, 2022. Monthly payments of \$1,252.21 are due, with the first payment made on February 20, 2022. The City guarantees the lessor will receive the fair market value (\$6,860.68) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 4.17%.

Enterprise Fleet Management (6041) - entered into a five-year lease for a vehicle on April 26, 2022. Monthly payments of \$721.15 are due, with the first payment made on May 20, 2022. The City guarantees the lessor will receive the fair market value (\$8,393.67) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.88%.

Enterprise Fleet Management (6439) - entered into a five-year lease for a vehicle on August 1, 2022. Monthly payments of \$866.11 are due, with the first payment made on August 20, 2022. The City guarantees the lessor will receive the fair market value (\$4,880.37) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.83%.

Enterprise Fleet Management (6374) - entered into a five-year lease for a vehicle on August 1, 2022. Monthly payments of \$866.11 are due, with the first payment made on August 20, 2022. The City guarantees the lessor will receive the fair market value (\$4,880.37) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.83%.

Enterprise Fleet Management (6443) - entered into a five-year lease for a vehicle on August 1, 2022. Monthly payments of \$866.11 are due, with the first payment made on August 20, 2022. The City guarantees the lessor will receive the fair market value (\$4,880.37) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.83%.

Enterprise Fleet Management (6523) - entered into a five-year lease for a vehicle on August 1, 2022. Monthly payments of \$856.51 are due, with the first payment made on August 20, 2022. The City guarantees the lessor will receive the fair market value (\$5,410.04) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 5.83%.

Enterprise Fleet Management (2221) - entered into a five-year lease for a vehicle on December 20, 2022. Monthly payments of \$1,008.94 are due, with the first payment made on January 20, 2023. The City guarantees the lessor will receive the fair market value (\$6,259.68) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.72%.

Enterprise Fleet Management (3037) - entered into a five-year lease for a vehicle on February 14, 2023. Monthly payments of \$866.19 are due, with the first payment made on March 20, 2023. The

City guarantees the lessor will receive the fair market value (\$4,402.15) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.69%.

Enterprise Fleet Management (9255) - entered into a five-year lease for a vehicle on March 8, 2023. Monthly payments of \$1,423.31 are due, with the first payment made on April 20, 2023. The City guarantees the lessor will receive the fair market value (\$7,898.13) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.51%.

Enterprise Fleet Management (6535) - entered into a five-year lease for a vehicle on April 24, 2023. Monthly payments of \$956.21 are due, with the first payment made on May 20, 2023. The City guarantees the lessor will receive the fair market value (\$6,016.11) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.31%.

Enterprise Fleet Management (4612) - entered into a five-year lease for a vehicle on May 25, 2023. Monthly payments of \$577.38 are due, with the first payment made on June 20, 2023. The City guarantees the lessor will receive the fair market value (\$6,333.40) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.48%.

Enterprise Fleet Management (2741) - entered into a five-year lease for a vehicle on May 25, 2023. Monthly payments of \$446.42 are due, with the first payment made on June 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,537.98) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.48%.

Enterprise Fleet Management (1082) - entered into a five-year lease for a vehicle on May 25, 2023. Monthly payments of \$959.57 are due, with the first payment made on June 20, 2023. The City guarantees the lessor will receive the fair market value (\$10,355.70) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.48%.

Enterprise Fleet Management (1742) - entered into a five-year lease for a vehicle on July 20, 2023. Monthly payments of \$1,170.52 are due, with the first payment made on July 20, 2023. The City guarantees the lessor will receive the fair market value (\$5,914.90) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.54%.

Enterprise Fleet Management (1589) - entered into a five-year lease for a vehicle on August 10, 2023. Monthly payments of \$39.02 before equity are due, with the first payment made on August 20, 2023. The City guarantees the lessor will receive the fair market value (\$1.06) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

Enterprise Fleet Management (2421) - entered into a five-year lease for a vehicle on August 20, 2023. Monthly payments of \$1,023.44 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,894.95) at the end of the lease

term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

Enterprise Fleet Management (2454) - entered into a five-year lease for a vehicle on August 20, 2023. Monthly payments of \$1,023.44 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,895.91) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

Enterprise Fleet Management (2505) - entered into a five-year lease for a vehicle on August 20, 2023. Monthly payments of \$1,023.44 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,894.95) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

Enterprise Fleet Management (2489) - entered into a five-year lease for a vehicle on August 29, 2023. Monthly payments of \$915.64 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$4,744.06) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.13%.

Enterprise Fleet Management (2330) - entered into a five-year lease for a vehicle on August 29, 2023. Monthly payments of \$1,026.15 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$5,332.32) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.13%.

Enterprise Fleet Management (7817) - entered into a five-year lease for a vehicle on August 20, 2023. Monthly payments of \$744.49 are due, with the first payment made on September 20, 2023. The City guarantees the lessor will receive the fair market value (\$7,256.94) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 8.01%.

Enterprise Fleet Management (3654) - entered into a five-year lease for a vehicle on February 6, 2024. Monthly payments of \$698.27 are due, with the first payment made on March 20, 2024. The City guarantees the lessor will receive the fair market value (\$3,395.21) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.55%.

Enterprise Fleet Management (5408) - entered into a five-year lease for a vehicle on February 26, 2024. Monthly payments of \$1,148.86 are due, with the first payment made on March 20, 2024. The City guarantees the lessor will receive the fair market value (\$10,286.75) at the end of the lease term, if the lessor does not recoup this amount the City is obligated to make up any shortfall. The estimated useful life of the asset is 5 years. The annual interest rate charged on the lease is 7.93%.

(8) PRIVATE-PUBLIC PARTNERSHIP AGREEMENT

The City entered into a private-public partnership agreement on February 24, 2020 with Inter Mountain Cable, Inc. (the "PPP Agreement") to deploy a fiber optic network capable of providing its citizens with high speed broadband services to support economic development within the City. As part of the agreement, Inter Mountain Cable, Inc. (the "Operator") agreed to construct and

maintain the infrastructure, allow the City to repay construction costs over time with no interest, provide network management services, and offer pricing concessions to subscribers residing in that Phase of the network. The project is to occur over three phases. Phase I will be repaid on a ten-year schedule and Phases II and III will each be repaid on a fifteen-year schedule. Phase I was completed and accepted by the City on June 1, 2023. An additional amount was incurred and accepted by the City for Phase I on December 1, 2023.

For the fiscal year ended June 30, 2024, the City is required to implement the provisions of GASB Statement No. 94. Accordingly the City is to record a capital asset for the network constructed by Inter Mountain Cable, Inc., a receivable for installment payments expected to be received, if any, and a deferred inflow of resources at commencement. However, there should be a reduction in the carrying value of any receivable and deferred inflow of resources for any amounts paid to the Operator to purchase the underlying asset. Since the asset is being financed and no other residual receipts are anticipated, no receivable or deferred inflow of resources has been recognized in the financial statements as of June 30, 2024.

(9) PENSION PLAN

Cost-Sharing, Multiple Employer Plan – County Employees Retirement System Pension Fund

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

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% nonhazardous and 8.00% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of their salary through payroll deductions and by employers of members who contribute 23.34% nonhazardous (23.34% - pension, 0.00% - insurance) and 43.69% hazardous (41.11% - pension, 2.58% - insurance) of the member's salary. During the year ending June 30, 2024, the City contributed \$920,369 and \$289,625 to the CERS Nonhazardous and Hazardous Pension Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2024, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2022. An expected total pension liability as of June 30, 2023 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2023. At June 30, 2023, the City's proportion for nonhazardous and hazardous was 0.137683% and 0.120169%, respectively.

For the year ended June 30, 2024, the City recognized pension expense of \$650,116. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 457,342	\$ 24,006
Changes of assumptions	-	809,683
Net difference between projected and actual earnings on investments	-	120,506
Changes in proportion and differences between City contributions and proportionate share of contributions	536,468	-
City contributions subsequent to the measurement date	920,369	-
	<u>\$ 1,914,179</u>	<u>\$ 954,195</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 148,106	\$ -
Changes of assumptions	-	253,012
Net difference between projected and actual earnings on investments	-	32,500
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,257,867
City contributions subsequent to the measurement date	289,625	-
	<u>\$ 437,731</u>	<u>\$ 1,543,379</u>

At June 30, 2024, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$920,369 and \$289,625 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2025	\$ 48,531	\$ (658,591)
2026	(120,610)	(524,495)
2027	197,220	(153,713)
2028	(85,526)	(58,474)
	<u>\$ 39,615</u>	<u>\$ (1,395,273)</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2022. The financial reporting actuarial valuation as of June 30, 2023, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Payroll Growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service, for nonhazardous 3.55% to 19.05%, varies by service, for hazardous
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023 and include a change in the investment return assumption from 6.25% to 6.50%. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled “2022 Actuarial Experience Study for the Period Ending June 30, 2022.” The Total Pension Liability as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session and reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024, with the lump-sum options expanded to include 48 or 60 times the member’s monthly retirement allowance. Since this optional form of payment results in a reduced, actuarial equivalent, monthly retirement allowance for members who elect a partial lump-sum option, this provision does not have a fiscal impact to the total pension liability.

House Bill 506 also adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month under all circumstances. This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis or in any nonhazardous position. The actuary believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total pension liability of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, the actuary assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the nonhazardous plans is determined using these updated benefits provisions.

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

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 rate of return for each major asset class are summarized in the below tables.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	100.00%	5.75%

Discount Rate: The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (5.50%)</u>	<u>Current discount rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability			
Nonhazardous	\$ 11,154,016	\$ 8,834,441	\$ 6,906,788
Hazardous	\$ 4,090,898	\$ 3,239,703	\$ 3,544,470

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

Payables to the pension plan: At June 30, 2024, there was no payable to CERS for nonhazardous and hazardous, which includes pension and OPEB contributions.

(10) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLAN

Cost - Sharing, Multiple Employer Plan - County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents.

This system consists of two plans – *Nonhazardous* and *Hazardous*. Each Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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

Benefits provided: CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2024, CERS allocated 0.00% of the 23.34% nonhazardous and 2.58% of the 41.11% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2024, the City contributed \$0 and \$18,176 to the CERS Nonhazardous and Hazardous Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2024, the City reported as a liability its proportionate share of the net OPEB liability(asset). The net OPEB liability (asset) was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2022. An expected total pension liability as of June 30, 2023 was determined using standard roll-forward techniques. The City's proportion of the net OPEB liability (asset) was based on contributions to CERS during the fiscal year ended June 30, 2023. At June 30 2023, the City's proportion for nonhazardous and hazardous was 0.137677% and 0.120089%, respectively.

For the year ended June 30, 2024, the City recognized OPEB expense (benefit) of (\$450,437), including an implicit subsidy of \$60,937. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 132,519	\$ 2,699,033
Changes of assumptions	374,076	260,694
Net difference between projected and actual earnings on investments	-	44,115
Changes in proportion and differences between City contributions and proportionate share of contributions	324,956	-
City contributions subsequent to the measurement date	-	-
	<u>\$ 831,551</u>	<u>\$ 3,003,842</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 14,861	\$ 677,398
Changes of assumptions	112,191	171,285
Net difference between projected and actual earnings on investments	-	22,628
Changes in proportion and differences between City contributions and proportionate share of contributions	-	517,755
City contributions subsequent to the measurement date	18,176	-
	<u>\$ 145,228</u>	<u>\$ 1,389,066</u>

At June 30, 2024, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$-0- and \$18,176 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2025.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2025	\$ (469,541)	\$ (304,777)
2026	(674,467)	(322,881)
2027	(544,219)	(246,873)
2028	(484,064)	(253,034)
2029	-	(134,449)
	<u>\$ (2,172,291)</u>	<u>\$ (1,262,014)</u>

Actuarial Methods and Assumptions: The total OPEB liability (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023

Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service, for nonhazardous 3.55% to 19.05%, varies by service, for hazardous
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010.

Assumption Changes - The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability (asset) within each plan changed since the prior year. Additional information regarding the single discount rates is provided below. The Total OPEB Liability (Asset) as of June 30, 2023, is determined using these updated assumptions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Option form of payment for members who retire on and after January 1, 2024 and adjusted the minimum required separation period before a retiree may become reemployed and continue to receive their retirement allowance to one month for all circumstances.

This is a minimal change for members in the hazardous plans, as the minimum separation period was already one month for members who became reemployed on a full-time basis in a hazardous position. The requirement was previously three months only for members who became reemployed on a part-time basis in any nonhazardous position. The actuary believes this provision of House Bill 506 will have an insignificant impact on the retirement pattern of hazardous members and therefore have reflected no fiscal impact to the total OPEB liability (asset) of the hazardous plan.

Similarly, this is a relatively small change for future retirees in the nonhazardous plan. But as the minimum separation period was previously three months in almost every circumstance, the actuary assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65, in order to reflect a shift in the retirement pattern. The total OPEB liability (asset) as of June 30, 2023, for the nonhazardous plan is determined using these updated benefit provisions.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Fixed Income		
Core Fixed Income	10.00%	2.45%
Specialty Credit	10.00%	3.65%
Cash	0.00%	1.39%
Inflation Protected		
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Total	<u>100.00%</u>	5.75%

Discount rate - The discount rate used to measure the total OPEB liability was 5.93%. The discount rate determination used an expected rate of return of 6.50%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.93%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

	<u>1% Decrease (4.93%)</u>	<u>Current discount rate (5.93%)</u>	<u>1% Increase (6.93%)</u>
City's proportionate share of the net OPEB liability (asset) - Nonhazardous	\$ 356,719	\$ (190,086)	\$ (647,968)

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the Hazardous CERS Insurance Fund, calculated using the discount rate of 5.97%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.97%) or 1-percentage-point higher (6.97%) than the current rate:

	<u>1% Decrease (4.97%)</u>	<u>Current discount rate (5.97%)</u>	<u>1% Increase (6.97%)</u>
City's proportionate share of the net OPEB liability (asset) - Hazardous	\$ 415,451	\$ 164,309	\$ (45,034)

Sensitivity of the City's proportionate share of the collective net OPEB liability (asset) to changes in the healthcare cost trend rates - The following presents the City's proportionate share of the collective net OPEB liability (asset), as well as what the City's proportionate share of the collective

net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability (asset)			
Nonhazardous	\$ (609,259)	\$ (190,086)	\$ 324,828
Hazardous	\$ 1,872	\$ 164,309	\$ 360,486

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

Payables to the OPEB plan: At June 30, 2024, there was no payable to CERS for nonhazardous and hazardous, which includes pension and OPEB contributions.

(11) DEFERRED COMPENSATION PLAN

The City of Pikeville adopted Plan I and Plan II under the Kentucky Public Employees Deferred Compensation Authority allowing eligible employees to defer a portion of their compensation under Internal Revenue Code sections 457 and 401 (k). The plan was adopted for payroll ending October 16, 1998.

Funding for these plans is provided through payroll withholdings that are set by the employees. The City of Pikeville elected not to match any contribution to these funds for any employee.

(12) COMMITMENTS AND CONTINGENCIES

Lease Commitments

Eastern Kentucky Exposition Center Corporation - A 99 year lease of the Appalachian Wireless Arena (Eastern Kentucky Exposition Center) for \$1 per year with the right to terminate the lease upon the City giving the EKECC a one year notice.

Dilco Development Company – A lease on the Dils Cemetery located adjacent to the Pikeville Bypass Road and Chloe Creek Road for \$1 per year. The lease is for a term of fifteen years, automatically renewed for successive one-year terms under the same terms and conditions, termination can be by either party upon giving 180 days' notice prior to the end of the term.

Appalachian News-Express – A lease for property on Second Street for the City to construct public seating area with tables and chairs for consideration of \$1 and full of terms of lease starting June 30, 2014 and renews for successive one year terms unless either party notifies the other in writing of its intent not to renew 30 days prior to the expiration.

Jubilee Christian Assembly of God, Inc. - A twenty-year lease of land to be used as a boat ramp and parking. Payments are in the amount of \$1 and the agreement to seal the church's parking lot every two years for ten years.

Other

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

(13) RISK MANAGEMENT

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

(14) NONMONETARY TRANSACTIONS

Infrastructure assets constructed by outside entities then taken over by the City are recorded as other income in accordance with GASB 33, at cost.

(15) FAIR VALUE MEASUREMENTS

The City has determined the fair value of certain assets and liabilities through the application of GASB 72, *Fair Value Measurements and Application*. The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value, a reasonable point within the range, is most representative of fair value under current market conditions.

Under GASB 72, the City groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Level 1 Inputs. For these securities, the City obtains fair value measurements from identical instruments traded in active markets.

Level 2 Inputs. For these securities, the City obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Level 3 Inputs. For these securities, the valuation methods used were (1) discounted cash flow model valuation, where the expected cash flows of the securities are discounted using a yield that incorporates compensation for illiquidity and (2) a market comparables method, where the securities

are valued based on indications, from the secondary market, of what discounts buyers demand when purchasing similar securities.

The following tables present the City's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

<u>June 30, 2024</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Mutual Funds	\$ 3,181,247	\$ 3,181,247	\$ -	\$ -
Money Markets	131,091	131,091	-	-
U.S. Governments	199,168	-	199,168	-
Brokered C.D.'s	579,443	-	579,443	-

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property taxes	\$ 958,000	\$ 100	\$ 958,100	\$ 1,066,939	\$ 108,839
Franchise taxes	975,000	(147,500)	827,500	843,581	16,081
Occupational license fees	11,465,000	500,500	11,965,500	12,233,143	267,643
Other taxes	2,926,500	115,000	3,041,500	3,036,283	(5,217)
Permits and fees	79,600	-	79,600	97,634	18,034
Grants - Federal	1,553,828	(275,000)	1,278,828	231,104	(1,047,724)
Grants - State	446,000	50,000	496,000	442,862	(53,138)
Other grants	184,800	172,000	356,800	222,310	(134,490)
Charges for services	650,000	-	650,000	796,288	146,288
Investment income	200,000	190,000	390,000	817,493	427,493
Other revenue	1,564,174	(29,100)	1,535,074	1,571,105	36,031
Total revenues	21,002,902	576,000	21,578,902	21,358,742	(220,160)
Expenditures					
General Government:	4,130,650	194,975	4,325,625	3,894,521	431,104
Public Safety:					
Police	3,376,400	5,565	3,381,965	3,054,836	327,129
Fire	3,281,500	251,700	3,533,200	3,158,653	374,547
Ambulance Service	238,810	-	238,810	205,940	32,870
Dispatch Service	338,425	104,750	443,175	365,824	77,351
Codes	192,830	6,500	199,330	130,970	68,360
911	468,950	(42,000)	426,950	401,917	25,033
Streets	2,810,751	(200,000)	2,610,751	2,036,244	574,507
Economic Development	1,221,170	84,000	1,305,170	758,013	547,157
Parking Garage	122,730	(450)	122,280	67,246	55,034
Recreation	955,269	-	955,269	735,385	219,884
Fiber	561,000	(560,000)	1,000	-	1,000
Tourism	235,650	541,800	777,450	217,313	560,137
Lake Cleanup	98,399	(13,000)	85,399	59,888	25,511
Landscape	134,013	500	134,513	133,247	1,266
Ridge Cliff	495,000	-	495,000	309,781	185,219
Capital Outlay	1,846,991	(144,600)	1,702,391	1,091,803	610,588
Debt Service					
Principal	393,824	403,600	797,424	689,476	107,948
Interest	144,900	192,950	337,850	312,574	25,276
Total expenditures	21,047,262	826,290	21,873,552	17,623,631	4,249,921
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	-	-	-	142,990	142,990
Inception of Leases and Loan Proceeds	1,025,500	-	1,025,500	528,548	(496,952)
Eastern Kentucky Exposition Center/Tourism	993,000	(493,986)	499,014	476,323	(22,691)
Transfers In	-	-	-	-	-
Transfers Out	(4,288,574)	235,000	(4,053,574)	(4,021,051)	32,523
	(2,270,074)	(258,986)	(2,529,060)	(2,873,190)	(344,130)
Net change in fund balance	(2,314,434)	(509,276)	(2,823,710)	861,921	3,685,631
Fund balance beginning of year	2,314,491	510,700	2,825,191	18,345,897	15,520,706
Fund balance end of year	\$ 57	\$ 1,424	\$ 1,481	\$ 19,207,818	\$ 19,206,337

**CITY OF PIKEVILLE, KENTUCKY
TOURISM CONVENTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2024**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
REVENUES					
Intergovernmental Revenue	\$ 69,781	\$ -	\$ 69,781	\$ 25,650	\$ (44,131)
Interest Income	500	-	500	4,068	3,568
Other Revenue	-	-	-	-	-
Total revenues	<u>70,281</u>	<u>-</u>	<u>70,281</u>	<u>29,718</u>	<u>(40,563)</u>
EXPENDITURES					
Tourism/Community Development	2,559,981	124,950	2,684,931	2,612,736	72,195
Capital Outlay	-	-	-	-	-
	<u>2,559,981</u>	<u>124,950</u>	<u>2,684,931</u>	<u>2,612,736</u>	<u>72,195</u>
Other Financing Sources (Uses)					
Transfers In	2,485,000	126,000	2,611,000	2,587,898	(23,102)
	<u>2,485,000</u>	<u>126,000</u>	<u>2,611,000</u>	<u>2,587,898</u>	<u>(23,102)</u>
Net change in fund balance	<u>(4,700)</u>	<u>1,050</u>	<u>(3,650)</u>	<u>4,880</u>	<u>8,530</u>
Fund Balance - Beginning of Year	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>44,760</u>	<u>34,760</u>
Fund Balance - End of Year	<u>\$ 5,300</u>	<u>\$ 1,050</u>	<u>\$ 6,350</u>	<u>\$ 49,640</u>	<u>\$ 43,290</u>

CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2024

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)		2023 (2022)		2022 (2021)		2021 (2020)		2020 (2019)	
PENSION	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
City's proportion of the net pension liability	0.14%	0.12%	0.13%	0.13%	0.13%	0.17%	0.11%	0.21%	0.11%	0.24%
City's proportionate share of the net pension liability	\$ 8,834,441	\$ 3,239,703	\$ 9,208,896	\$ 4,084,070	\$ 7,971,388	\$ 4,656,143	\$ 8,796,781	\$ 6,256,305	\$ 6,498,548	\$ 7,566,923
City's covered-employee payroll	\$ 4,004,462	\$ 845,078	\$ 3,520,808	\$ 868,514	\$ 3,974,751	\$ 1,363,234	\$ 2,984,589	\$ 1,209,041	\$ 2,756,429	\$ 1,339,837
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	220.615%	383.361%	261.556%	470.236%	200.551%	341.551%	294.740%	517.460%	235.760%	564.764%
Plan fiduciary net position as a percentage of the total pension liability	57.48%	52.96%	52.42%	47.11%	57.33%	52.26%	47.81%	44.11%	50.45%	46.63%
INSURANCE FUND										
City's proportion of the net OPEB liability (asset)	0.14%	0.12%	0.13%	0.13%	0.12%	0.17%	0.11%	0.21%	0.11%	0.24%
City's proportionate share of the net OPEB liability (asset)	\$ (190,086)	\$ 164,309	\$ 2,513,723	\$ 1,139,459	\$ 2,393,005	\$ 1,414,170	\$ 2,768,666	\$ 1,916,946	\$ 1,809,212	\$ 1,740,246
City's covered-employee payroll	\$ 4,004,462	\$ 845,078	\$ 3,520,808	\$ 868,514	\$ 3,974,751	\$ 1,363,234	\$ 2,984,589	\$ 1,209,041	\$ 2,756,429	\$ 1,339,837
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-4.747%	19.443%	71.396%	131.196%	60.205%	103.736%	92.765%	158.551%	65.636%	129.885%
Plan fiduciary net position as a percentage of the total OPEB liability	104.23%	92.27%	60.95%	64.13%	62.91%	66.81%	51.67%	58.84%	60.44%	64.44%

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

CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET) (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2024

	Reporting Fiscal Year (Measurement Date)									
	2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
City's proportion of the net pension liability	0.10%	0.27%	0.09%	0.29%	0.08%	0.30%	0.08%	0.32%	0.07%	0.31%
City's proportionate share of the net pension liability	\$ 5,865,024	\$ 6,621,421	\$ 5,130,658	\$ 6,391,457	\$ 3,987,411	\$ 5,126,942	\$ 3,232,536	\$ 4,884,991	\$ 2,371,374	\$ 3,756,558
City's covered-employee payroll	\$ 2,426,209	\$ 1,525,138	\$ 2,165,430	\$ 1,568,223	\$ 1,962,589	\$ 1,549,162	\$ 1,786,555	\$ 1,627,210	\$ 1,732,512	\$ 1,589,779
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	241.736%	434.152%	236.935%	407.560%	203.171%	330.949%	180.937%	300.207%	136.875%	236.294%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	49.26%	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
INSURANCE FUND										
City's proportion of the net OPEB liability (asset)	0.10%	0.27%	0.09%	0.29%						
City's proportionate share of the net OPEB liability (asset)	\$ 1,709,752	\$ 1,952,097	\$ 1,762,145	\$ 2,361,635						
City's covered-employee payroll	\$ 2,426,209	\$ 1,525,138	\$ 2,165,430	\$ 1,568,223						
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	70.470%	127.995%	81.376%	150.593%						
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	64.24%	52.40%	59.00%						

**CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024**

	2024		2023		2022		2021		2020	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
Contractually required contribution	\$ 920,369	\$289,625	\$ 937,044	\$ 361,778	\$ 745,355	\$ 294,079	\$ 767,127	\$ 409,788	\$ 576,026	\$ 363,438
Contributions in relation to the contractually required contribution	<u>920,369</u>	<u>289,625</u>	<u>937,044</u>	<u>361,778</u>	<u>745,355</u>	<u>294,079</u>	<u>767,127</u>	<u>409,788</u>	<u>576,026</u>	<u>363,438</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 3,943,312	\$704,512	\$ 4,004,462	\$ 845,078	\$ 3,520,808	\$ 868,514	\$ 3,974,751	\$ 1,363,234	\$ 2,984,589	\$ 1,209,041
City's contributions as a percentage of its covered-employee payroll	23.34%	41.11%	23.40%	42.81%	21.17%	33.86%	19.30%	30.06%	19.30%	30.06%
INSURANCE FUND										
Contractually required contribution	\$ -	\$ 18,176	\$ 135,751	\$ 57,296	\$ 203,503	\$ 90,934	\$ 189,198	\$ 129,780	\$ 142,066	\$ 115,101
Contributions in relation to the contractually required contribution	<u>-</u>	<u>18,176</u>	<u>135,751</u>	<u>57,296</u>	<u>203,503</u>	<u>90,934</u>	<u>189,198</u>	<u>129,780</u>	<u>142,066</u>	<u>115,101</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 3,943,312	\$704,512	\$ 4,004,462	\$ 845,078	\$ 3,520,808	\$ 868,514	\$ 3,974,751	\$ 1,363,234	\$ 2,984,589	\$ 1,209,041
City's contributions as a percentage of its covered-employee payroll	0.00%	2.58%	3.39%	6.78%	5.78%	10.47%	4.76%	9.52%	4.76%	9.52%

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

CITY OF PIKEVILLE, KENTUCKY
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2024

	2019		2018		2017		2016		2015	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous	Nonhazardous	Hazardous
PENSION										
Contractually required contribution	\$ 447,093	\$ 333,083	\$ 351,315	\$ 338,581	\$ 302,077	\$ 340,461	\$ 243,754	\$ 313,860	\$ 227,786	\$ 337,321
Contributions in relation to the contractually required contribution	447,093	333,083	351,315	338,581	302,077	340,461	243,754	313,860	227,786	337,321
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138	\$ 2,165,430	\$ 1,568,223	\$ 1,962,589	\$ 1,549,162	\$ 1,786,555	\$ 1,627,210
City's contributions as a percentage of its covered-employee payroll	16.22%	24.86%	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%
INSURANCE FUND										
Contractually required contribution	\$ 144,988	\$ 140,281	\$ 114,032	\$ 142,600	\$ 102,425	\$ 146,629				
Contributions in relation to the contractually required contribution	144,988	140,281	114,032	142,600	102,425	146,629				
Contribution deficiency (excess)	-	-	-	-	-	-				
City's covered-employee payroll	\$ 2,756,429	\$ 1,339,837	\$ 2,426,209	\$ 1,525,138	\$ 2,165,430	\$ 1,568,223				
City's contributions as a percentage of its covered-employee payroll	5.26%	10.47%	4.70%	9.35%	4.73%	9.35%				

CITY OF PIKEVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEAR ENDED JUNE 30, 2024

(1) CHANGES OF ASSUMPTIONS

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

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

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 2020.
- The mortality table used for post-retirement (disabled) is 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 2010.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total pension liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

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

The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2023:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for nonhazardous 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	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
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFIT TERMS

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an

expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

CITY OF PIKEVILLE, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
FOR THE YEAR ENDED JUNE 30, 2024

(1) CHANGES OF ASSUMPTIONS

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is 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 post-retirement (disabled) is 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 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following change was made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

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

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2023:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for nonhazardous 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
Mortality	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.

(3) CHANGES OF BENEFIT TERMS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member’s Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement

allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

SUPPLEMENTAL INFORMATION

CITY OF PIKEVILLE, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

	Debt Service Funds					Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service the App	Fire Truck and Station Debt Service	Event Center/ Pool Station Debt Service	Series 2017 Debt Service	Series 2022 Debt Service	Coal Severance	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	
Assets											
Cash	\$ 72,290	\$ 12,186	\$ 10,575	\$ 23,782	\$ 3,186	\$ -	\$ 20,674	\$ 210,250	\$ 46,113	\$ 11,906	\$ 410,962
Restricted cash and cash equivalents	-	-	-	-	-	898,288	-	-	-	-	898,288
Receivables	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	1,232	1,232
Total assets	<u>\$ 72,290</u>	<u>\$ 12,186</u>	<u>\$ 10,575</u>	<u>\$ 23,782</u>	<u>\$ 3,186</u>	<u>\$ 898,288</u>	<u>\$ 20,674</u>	<u>\$ 210,250</u>	<u>\$ 46,113</u>	<u>\$ 13,138</u>	<u>\$ 1,310,482</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ -	\$ -	\$ -	\$ 1,250
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
Deferred Inflows of Resources:											
Other deferred revenues	-	-	-	-	-	-	-	139,444	-	-	139,444
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,444</u>	<u>-</u>	<u>-</u>	<u>139,444</u>
Fund Balances:											
Restricted	-	-	-	-	-	898,288	-	-	-	-	898,288
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	72,290	12,186	10,575	23,782	3,186	-	19,424	70,806	46,113	13,138	271,500
Total fund balances	<u>72,290</u>	<u>12,186</u>	<u>10,575</u>	<u>23,782</u>	<u>3,186</u>	<u>898,288</u>	<u>19,424</u>	<u>70,806</u>	<u>46,113</u>	<u>13,138</u>	<u>1,169,788</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 72,290</u>	<u>\$ 12,186</u>	<u>\$ 10,575</u>	<u>\$ 23,782</u>	<u>\$ 3,186</u>	<u>\$ 898,288</u>	<u>\$ 20,674</u>	<u>\$ 210,250</u>	<u>\$ 46,113</u>	<u>\$ 13,138</u>	<u>\$ 1,310,482</u>

CITY OF PIKEVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Debt Service Funds					Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service the App	Fire Truck Lease	Event Center/ Pool Station Debt Service	Series 2017 Debt Service	Series 2022 Debt Service	Coal Severance	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	
Revenues											
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,826	\$ 5,543	\$ 2,981	\$ -	\$ -	\$ 197,350
Other revenue	-	-	-	-	-	-	-	-	60,397	-	60,397
Interest income	1,866	1,290	16	-	31	46,775	1,111	3,754	-	-	54,843
Total revenues	1,866	1,290	16	-	31	235,601	6,654	6,735	60,397	-	312,590
Expenditures											
Public safety - police	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	30,000	-	-	-	-	30,000
Tourism/Community Development	-	-	-	-	-	-	-	-	23,327	-	23,327
Capital outlay	-	-	-	-	-	143,334	6,804	5,572	-	-	155,710
Debt service	192,625	148,213	248,160	57,050	128,865	-	-	-	-	-	774,913
Total expenditures	192,625	148,213	248,160	57,050	128,865	173,334	6,804	5,572	23,327	-	983,950
Excess of Revenues Over (Under) Expenditures	(190,759)	(146,923)	(248,144)	(57,050)	(128,834)	62,267	(150)	1,163	37,070	-	(671,360)
Other Financing Sources (Uses)											
Transfers in	192,625	153,703	248,160	57,050	130,750	-	-	-	-	-	782,288
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	192,625	153,703	248,160	57,050	130,750	-	-	-	-	-	782,288
Net change in fund balances	1,866	6,780	16	-	1,916	62,267	(150)	1,163	37,070	-	110,928
Fund balances beginning of year	70,424	5,406	10,559	23,782	1,270	836,021	19,574	69,643	9,043	13,138	1,058,860
Fund balances end of year	\$ 72,290	\$ 12,186	\$ 10,575	\$ 23,782	\$ 3,186	\$ 898,288	\$ 19,424	\$ 70,806	\$ 46,113	\$ 13,138	\$ 1,169,788

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Grantor/Program Title	Federal AL Number	Pass-Through Grant Number	Subrecipient	Expenditures
<u>US Department of Agriculture</u>				
Passed through Rural Development				
Community Facilities Loans and Grants	10.766	KY202003240367	-	\$ 348,800
Total US Department of Agriculture				<u>348,800</u>
<u>US Department of Transportation</u>				
Passed through the Kentucky Transportation Cabinet -				
Highway Safety Grant	20.600	2300000335	-	6,699
Total US Department of Transportation				<u>6,699</u>
<u>U.S. Department of Treasury</u>				
Passed through the Kentucky Department of Tourism				
American Rescue - Moonshine Trail	21.027	PON2 860 2400000782	-	120,182
American Rescue - Moonshine Trail	21.027	PON2 860 2300001660	-	29,328
American Rescue - Meetings and Conventions	21.027	PON2 860 2400000547	-	26,979
American Rescue - Tourism	21.027	PON2 860 2300026039	-	36,553
Passed through the Kentucky Infrastructure Authority				
American Rescue - Cleaner Water Water Plant	21.027	KIA 21CWW185	- *	21,495
American Rescue - Cleaner Water Sewer Extension	21.027	KIA 22CWS036	- *	16,637
American Rescue - Lead Line	21.027	F24-048L	- *	52,146
Passed through the Kentucky Department of Local Government				
American Rescue	21.027	KY0233	- *	558,751
Total U.S. Department of Treasury				<u>* 862,071</u>
<u>Appalachian Regional Commission</u>				
ARC Power	23.001	N/A	-	25,147
Total Appalachian Regional Commission				<u>25,147</u>
<u>U.S. Department of Justice</u>				
Equitable Sharing Program	16.922	N/A	-	6,804
Total U.S. Department of Justice				<u>6,804</u>
<u>Economic Development Administration</u>				
<u>Passed through Tourism, Arts and Heritage Cabinet</u>				
Economic Adjustment Assistance for Disaster Economic Recovery Program	11.307	PON2 860 2200002448	-	(4,678)
Total Economic Development Administration				<u>(4,678)</u>
<u>U.S. Department of Interior</u>				
Passed through the Kentucky Heritage Council				
Historic Preservation Fund Grants-In-Aid	15.904	KY-23-10017	-	9,508
Total U.S. Department of Interior				<u>9,508</u>
<u>US Department of Homeland Security</u>				
Passed through the Kentucky Emergency Management -				
Hazard Mitigation	97.039	DR-4428-0026	-	13,355
Assistance to Firefighters Grant	97.044	EMW 2021-FG-02186	-	4,536
Total US Department of Homeland Security				<u>17,891</u>
<u>National Endowment for Humanities</u>				
Passed through the Kentucky Humanities -				
Promotion of the Humanities	45.129	SO-284814-22	-	1,500
Total National Endowment for Humanities				<u>1,500</u>
Total Expenditures of Federal Awards			\$ -	<u>\$ 1,273,742</u>

* Major program.

CITY OF PIKEVILLE, KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Pikeville, Kentucky under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Pikeville, Kentucky, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Pikeville, Kentucky.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The City of Pikeville, Kentucky has not currently elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



Kelley Galloway
Smith Goolsby, PSC

Certified Public Accountants and Advisors

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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**

Honorable Mayor, City Commissioners,
City Manager and Management
City of Pikeville
Pikeville, Kentucky 41501

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2024.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

Kelley Galloway Smith Hoolshy, PSC

Ashland, Kentucky
December 20, 2024



Kelley Galloway
Smith Goolsby, PSC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor, City Commissioners,
City Manager and Management
City of Pikeville
Pikeville, Kentucky 41501

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited City of Pikeville's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kelley Galloway Smith Hooley, PSC

Ashland, Kentucky
December 20, 2024

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements-

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

☐ Material weakness(es) identified? _____ Yes X No

☐ Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to the financial statements noted?

_____ Yes X No

Federal Awards-

Internal control over major federal programs:

☐ Material weakness(es) identified? _____ Yes X No

☐ Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of Major Programs:

AL No.

Coronavirus State and Local Fiscal Recovery Funds
(American Rescue/ARPA)

21.027

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

 X Yes _____ No

CITY OF PIKEVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2024

B. FINANCIAL STATEMENT FINDINGS

None noted in the current year.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted in the current year.

CITY OF PIKEVILLE, KENTUCKY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

There were no findings in the prior year.